

Highways and Transportation

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Main points

This chapter describes the key risks that the Department of Highways and Transportation (Highways) must manage well to be successful. Highways must:

- ◆ adapt to changing demands placed on the transportation system;
- ◆ identify and balance the transportation needs of Saskatchewan residents;
- ◆ operate and preserve the transportation infrastructure system; and
- ◆ obtain sufficient resources and effectively manage the use of these resources to meet Saskatchewan's long-term transportation needs.

We did this work to help Members of the Legislative Assembly and the public understand and assess the key risks facing Highways. We encourage Highways to report on those risks and its strategies to manage them.

This chapter also includes the results of our audit of Highways for the year ended March 31, 2003. We concluded that Highways had adequate processes to safeguard public resources, complied with authorities governing its activities, and prepared reliable financial statements for its special purpose funds.

Introduction

The Department of Highways and Transportation (Highways) operates, maintains, and regulates the provincial transportation infrastructure. This infrastructure includes 26,250 km of highways, more than 800 bridges, 18 airports in northern Saskatchewan, 12 ferries, and a barge on Wollaston Lake. This infrastructure has a book value of about \$1.3 billion. The estimated replacement cost is about \$6 billion.

Highways also provides analysis and advice to the Government on federal transportation policy.

Highways' activities are in four main areas:

- ◆ operating the transportation system;
- ◆ preserving the transportation system;
- ◆ constructing the transportation system; and
- ◆ developing transportation policy and planning.

For the year ended March 31, 2003, the Government's summary financial statements show transportation expenditures of \$328 million as follows:

	(in millions)
Department of Highways and Transportation (2002-03 <i>Public Accounts Volume 1</i>)	\$ 294
Add: Centenary Fund expenditure on transportation	3
Expenditures by other Crown agencies on transportation	31
Transportation expenditures per the Government's summary financial statements	\$ 328

The following table shows Highways' major programs and spending for the year ended March 31, 2003. This information is included in the *Public Accounts 2002-03: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report see <http://www.gov.sk.ca/finance/paccts>).

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Preservation of the transportation system	\$ 133	\$ 135
Construction of the transportation system	84	81
Operation of the transportation system	59	61
Administration	14	14
Transportation Policy	2	2
Airports	2	1
	\$ 294	\$ 294

Highways is responsible for two special purpose funds, the Highways Revolving Fund and the Transportation Partnerships Fund.

Key Risks

It is important that the Members of the Legislative Assembly (MLAs) and the public know the key risks facing a government department. Also, they should receive information on these risks to understand and assess a department’s performance. We think sharing our understanding of the key risks will help the MLAs and the public better understand and assess a department’s performance.

We identified the key risks Highways must manage well to be successful. It must:

- ◆ adapt to changing demands placed on the transportation system;
- ◆ identify and balance the transportation needs of Saskatchewan residents;
- ◆ operate and preserve the transportation infrastructure system; and
- ◆ obtain sufficient resources and effectively manage the use of these resources to meet Saskatchewan’s long-term transportation needs.

We identified the key risks through discussions with management and reviewing Highways’ web site and annual report. Management confirmed these are the key risks facing Highways. We have not audited the systems and practices Highways uses to manage its key risks.

Adapt to changing demands placed on the transportation system

There are many demands and challenges facing Saskatchewan transportation including:

- ◆ branch line abandonment and elevator consolidation;
- ◆ shift of grain haul from rail to trucking;
- ◆ oil industry expansion;
- ◆ economic diversification;
- ◆ increasing truck traffic;
- ◆ infrastructure sustainability;
- ◆ development of trade corridors and increasing north-south trade;
- ◆ harmonization and standardization of weight and dimension regulations; and
- ◆ skills shortages.

Highways has to ensure it is aware of the changing transportation demands and responds to these demands. Most of these changes are beyond its control. However, Highways needs to manage the transportation network and regulatory framework to accommodate changing demands so that the transportation system is not a barrier to the province's economic growth and social development.

Identify and balance the transportation needs of Saskatchewan residents

To know what balance of services to provide, Highways has to know the public's long-term transportation needs. Highways faces competing demands including preserving an aging infrastructure, upgrading roads to support economic growth, ensuring the safe movement of people and goods, and providing basic access in remote areas.

To assess future needs, Highways requires information on long-term trends for the province's economic development and changes in population demographics. These changes include an aging population and rural to urban migration.

Operate and preserve the transportation infrastructure system

Operating the transportation system is the first priority in allocating resources. This involves the delivery of a wide range of services like pavement marking, mowing, signing, lighting, as well as snow and ice control to ensure the safe, orderly, and efficient movement of people and goods.

Failure to preserve the transportation system will result in serious system deterioration. Restoration costs after such deterioration are greater than preventative maintenance costs. Regular maintenance reduces the long-term costs, while sustaining the quality of the system.

Obtain sufficient resources and effectively manage the use of these resources to meet Saskatchewan's long-term transportation needs

Highways must identify the resources it requires to carry out its long-term plan. Highways must also set priorities to maximize benefits from the transportation system.

Highways should have adequate processes to monitor its human resource requirements. Highways, along with the rest of government, is faced with problems related to an aging workforce. Many specialists will be retiring within the next ten years. When these experienced employees leave, Highways may lack qualified staff to replace them. Highways needs processes to ensure it has the right people with the right skills in the right place at the right time.

Budget allocations can never satisfy all the demands on the highway system, so it is important to identify and address the essential needs. Highways allocates resources to operate, preserve, and improve the transportation system in this relative order of priority. The amount of investment in these areas requires trade-offs between safety, sustainability, support for economic growth, and social development.

Our audit conclusions

This chapter reports our audit conclusions on Highways and its special purpose funds for the fiscal year ended March 31, 2003.

In our opinion:

- ◆ **the financial statements for the Highways Revolving Fund and the Transportation Partnerships Fund are reliable;**
- ◆ **Highways and its special purpose funds had adequate rules and procedures to safeguard public resources; and**
- ◆ **Highways and its special purpose funds complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

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