



Chapter 12

Highways and Infrastructure

1.0 MAIN POINTS

During 2011-12, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2011-12 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that it needs to follow its procedures to promptly remove access of former employees to its computer network. Following these procedures would help Highways ensure that only authorized individuals have access to its computer systems and data.

While Highways has addressed one of our past recommendations and improved its service level agreement with the service provider for the Highway Hotline, it continues to need a better agreement with the Information Technology Office (ITO). Without a better agreement, Highways does not know if its data is secure or whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures for processing time cards of terminated employees. It is difficult to recover overpayments from individuals who have left the employment of the ministry. By not following these procedures, Highways is at a greater risk of making unrecoverable overpayments.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

2.0 INTRODUCTION

Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, about 785 bridges, 17 airports in northern Saskatchewan and 12 ferries.¹ As of March 31, 2012, this infrastructure had a net book value of about \$2.2 billion. In addition, at March 31, 2012, Highways held lands, buildings, and various equipment with a net book value of about \$186 million. **Figure 1** compares estimates to actual spending by program.

¹ Government of Saskatchewan, 2011-12 Annual Report, Ministry of Highways and Infrastructure.

Figure 1 – Comparison of Estimates to Actual Spending by Major Program

	Estimates 2011-12	Actual 2011-12
	(in millions of dollars)	
Central Management and Services	\$ 21.4	\$ 21.1
Strategic Municipal Infrastructure	16.3	27.4
Operation of Transportation System	84.1	90.6
Preservation of Transportation System	139.5	184.4
Transportation Policy and Programs	3.8	3.7
Custom Work Activity	-- ²	14.1
Machinery and Equipment	5.8	5.8
Capital Asset Acquisitions	(10.0)	(10.4)
Capital Asset Amortization	119.4	120.9
Total Expense	380.3	457.6
Capital Asset Acquisitions	295.3 ³	306.3
Total Appropriation	\$ 675.6⁴	\$ 763.9

Source: Saskatchewan Provincial Budget 11-12 Estimates (votes 16 and 17), 2011-12 Annual Report Ministry of Highways

As of March 31, 2012, Highways had 1,182 employees.⁵

In 2011-12, Highways had revenue of \$85.6 million including transfers from the Federal Government of \$80.5 million. Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

Highways is also responsible for the Transportation Partnership Fund (Fund). The Fund's financial statements are tabled separately in the Legislative Assembly.

3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

In our opinion, for the year ended March 31, 2012:

- › **Highways had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- › **Highways and its Fund complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Highways and Transportation Act, 1997
The Financial Administration Act, 1993
The Railway Line (Short Line) Financial Assistance Regulations
The Purchasing Act, 2004 and Regulations
 Orders in Council pursuant to the above legislation

- › **The financial statements of the Fund are reliable.**

² Custom work activity is budgeted on cost-recovery basis. That is, revenues are to fully cover costs incurred. In 2011-12, Highways had custom work revenue of \$14.3 million and expenses of \$14.1 million for a net-recovery of \$0.3 million.

³ The Ministry had \$60.0 million of unutilized 2010-11 appropriation carried over to 2011-12.

⁴ During 2011-12, Highways received a budget increase, through special warrants, totaling \$72.1 million related mostly to preservation of transportation system.

⁵ Government of Saskatchewan, 2011-12 Annual Report, Public Service Commission. p. 28.



We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Highways' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Highways' financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its infrastructure and other assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports and safeguard the transportation system.

Because of Highways' extensive use of third parties in the maintenance and construction of its highways and bridges, we paid particular attention to Highways' controls over managing contracts with third parties. This included assessing its processes for awarding, approving, and adjusting contracts, retaining appropriate security and holdbacks, approving estimates, obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before final payments, and tracking its related contractual obligations.

Also, because Highways relies on its computer systems to manage its contracts and the transportation system, we assessed key service level agreements, change management processes, and user access controls related to these key systems.

3.1 **Revise Service Level Agreement with ITO**

We recommended that that the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

Status – We continue to make this recommendation.

During 2011-12, Highways made no progress on implementing this recommendation. Highways' agreement with ITO, signed in October 2008, does not adequately address disaster recovery and Highways' ability to obtain assurance as to the security of its information systems. Although Highways officials meet with ITO officials to discuss services provided and issues, Highways does not receive sufficient information about the quality of ITO's security controls or ITO's plans to handle disasters that could affect Highways' computer systems or data. As a result, Highways does not know whether ITO can restore Highways' systems and data when needed in the event of a disaster and whether ITO has kept Highways' data secure.

3.2 Promptly Remove User Access

We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

Status – We continue to make this recommendation.

During 2011-12, Highways made no progress on implementing this recommendation. Although Highways has established procedures to remove user access to its computer systems and data, it did not follow them. Consistent with our prior audit, we found former employees whose access to Highways' computer systems was not removed in a timely manner (i.e., 16 of the 17 items we examined).

As a result, Highways cannot ensure that only authorized individuals have access to its computer systems and data. Highways' data and systems are vulnerable to access by unauthorized users, including inappropriate access to confidential information.

3.3 Adherence to Procedures for Processing Final Timecards Needed

Highways did not always follow established procedures for processing the final timecards of employees who have left the employment of the ministry.

Highways' payroll is processed using MIDAS HR.⁶ Highways enters information from employee timecards into MIDAS HR for processing. In 2011-12, its payroll costs totalled \$76.8 million. The Public Service Commission (PSC) and Highways recognize it is difficult to recover overpayments made to individuals who have left employment. To reduce the risk of overpaying employees who leave employment, PSC expects ministries to submit final timecards to it for processing instead of the ministries processing the final timecards.

During 2011-12, approximately 400 employees left the employment of Highways (most of these individuals were seasonal workers). During 2011-12, 18 employees who left the employment of Highways received salary overpayments totalling approximately \$40,000. The majority of these overpayments related to their final pay cheque including benefits (e.g., vacation leave entitlements) that they had not earned. For 12 of these 18 employees, Highways processed the final timecard instead of submitting the timecard to PSC for processing as expected.

As of July 31, 2012, Highways and PSC had recovered approximately \$8,500 of these overpayments.

⁶ MIDAS HR is the information system used to manage employee information and process payroll transactions.



1. We recommend that the Ministry of Highways and Infrastructure follow the established procedures for processing final timecards of employees who leave the employment of the Ministry.

3.4 Revisions to Service Level Agreement for Highway Hotline Addressed

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Highway Hotline service provider that addresses the Ministry's disaster recovery and security needs. (2010 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

Status – Implemented.

During 2011-12, Highways worked with the service provider to gain additional information about the service provider's infrastructure and processes. Highways signed new agreements with the Highway Hotline service provider. The new agreements contain sufficient information regarding disaster recovery and security.

4.0 EXHIBITS

4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow-up outstanding recommendations in upcoming reports.

PAC Report Year	Outstanding Recommendation	Status
Ministry of Highways and Infrastructure (Cross-Government Infrastructure) (2002 Fall Report – Volume 2)		
2005	2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.	Partially implemented (as of March 31, 2012) Highways uses the government's Accountability Framework to guide its public reports. As of March 31, 2012, Highways does not provide comparisons and explanations of differences between plans and actual results for all planned targets.

PAC Report Year	Outstanding Recommendation	Status
Ministry of Highways and Infrastructure (Highways Maintenance) (2010 Report – Volume 1)		
2011	7-1 that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term surface-condition factors).	Partially implemented (as of March 31, 2012)
2011	7-2 that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities.	Not implemented (as of March 31, 2012)
2011	7-3 that the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan.	Implemented (as of March 31, 2012)
2011	7-4 that the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required.	Partially Implemented (as of March 31, 2012)