

Chapter 13

Highways and Infrastructure

1.0 MAIN POINTS

During 2012-13, 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 2012-13 financial statements of the Fund are reliable. Highways had effective rules and procedures to safeguard public resources except for the following matters.

Highways continues to need to revise its service level agreement with the Information Technology Office (ITO). During the year, Highways and ITO prepared a proposed memorandum of understanding (MOU) to address Highways security and disaster recovery needs. However, this MOU did not adequately define Highways' disaster recovery requirements to ITO. Without this, Highways does not know whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures to promptly remove access of former employees to its computer systems and data. This is necessary for Highways to ensure only authorized individuals have access to its computer systems and data.

Highways needs to follow the established procedures for Public Service Commission (PSC) processing the final timecards of employees who have left employment with Highways. If Highways processes the final timecard, it risks making salary overpayments to those employees for benefits not earned (e.g., vacation leave entitlements). It is difficult for Highways to recover salary overpayments.

2.0 INTRODUCTION

Highways manages and provides for the development of an integrated provincial transportation system. Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, about 767 bridges, 17 airports in northern Saskatchewan, and 12 ferries.¹ As of March 31, 2013, this infrastructure had a net book value of about \$2.5 billion. **Figure 1** compares Highways budget estimates to actual spending by program.

¹ Ministry of Highways and Infrastructure, 2012-13 Annual Report.



2.1 Financial Overview

Figure 1 – Major Programs and Spending

	Estimates 2012-13*	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 21.4	\$ 18.7
Strategic Municipal Infrastructure	37.0	42.0
Operation of Transportation System	87.4	103.4
Preservation of Transportation System	150.8	142.6
Transportation Policy and Programs	3.9	3.4
Machinery and Equipment	5.8	5.9
Special Warrant	<u>10.0</u>	<u>-</u>
Total Vote 16 Appropriation	316.3	316.0
Capital Asset Acquisitions	(10.0)	(8.3)
Capital Asset Amortization	<u>129.7</u>	<u>125.4</u>
Total Vote 16 Expense	436.0	433.1
Capital Asset Acquisitions – Vote 17	<u>325.3**</u>	<u>299.3</u>
	<u>\$ 761.3</u>	<u>\$ 732.4</u>

Source: Saskatchewan Provincial Budget 12-13 Estimates (votes 16 and 17); 2012-13 Annual Report Ministry of Highways and Infrastructure

* During 2012-13, Highways obtained additional funds through special warrants totalling \$60 million.

** The Ministry had \$57.5 million of unutilized 2011-12 appropriation to carry over to 2012-13.

During the 2012-13 fiscal year, Highways had 1,309 employees in 100 Saskatchewan communities.²

In 2012-13, Highways had revenue of \$28.5 million including transfers from the federal government of \$23.5 million. Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

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

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- 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 its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

² Ministry of Highways and Infrastructure, 2012-13 Annual Report.

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

› The Fund had reliable financial statements

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 2012-13 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, prepare reliable financial reports, and safeguard the transportation system.

Because of Highways' extensive use of contractors in the maintenance and construction of its highways and bridges, we paid particular attention to its controls over managing contracts. 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 making 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.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Revised Service Level Agreement with ITO Needed

We recommended 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 – Partially Implemented

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.

During 2012-13, Highways and ITO prepared a draft MOU to address Highways' disaster recovery and security needs. However, the proposed MOU does not adequately define Highways' disaster recovery requirements to ITO. For example, the MOU does not define Highways' most critical systems that support its essential business processes and how quickly ITO is expected to recover these systems in the event of a disaster.

4.2 Promptly Remove Expired 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 – Partially Implemented

During 2012-13, 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 always follow them. As in our prior audit, we found former employees whose access to Highways' computer systems was not removed in a timely manner (i.e., 6 of the 10 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 at increased risk of to access by unauthorized users, including inappropriate access to confidential information.

4.3 Adhere to Procedures for Processing Final Timecards

We recommended that the Ministry of Highways and Infrastructure follow the established procedures for processing final timecards of employees who leave the employment of the Ministry. (2012 Report – Volume 2; Public Accounts has not yet considered this recommendation)

Status – Partially Implemented

Highways continues to not always follow its established procedures for processing the final timecards of employees who leave the employment of the Ministry.

During 2012-13, approximately 400 employees left the employment of Highways (most of these individuals were seasonal workers). In 2012-13, nine employees who left the employment of Highways received salary overpayments totalling approximately \$14,000. The majority of these overpayments related to their final pay cheque including benefits (e.g., vacation leave entitlements) that they had not earned. For all of these nine employees, Highways processed the final timecard instead of submitting the timecard to PSC for processing as specified in its procedures.

As of September 30, 2013, Highways and PSC had recovered approximately \$4,700 of these overpayments.

5.0 EXHIBIT

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

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.

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, 2013) We plan to do a follow-up in 2014.
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, 2013) We plan to do a follow-up in 2014.
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, 2013) We plan to do a follow-up in 2014.

