

Chapter 12

Highways and Infrastructure

1.0 MAIN POINTS

During 2013-14, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013-14 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that staff did not always follow established procedures to promptly remove access of former employees to its computer systems and data, and process the final timecards of employees who have left employment with Highways. Also, its agreement with the Information Technology Division of the Ministry of Central Services does not address Highways' disaster recovery and security needs.

We also assessed Highways' processes to recommend the preferred route for the City of Regina South Bypass. We found its processes reasonable.

2.0 INTRODUCTION

The mission of Highways is "to optimize the role of transportation as it relates to the economic and social development of Saskatchewan."¹ It manages and provides for the future development of an integrated provincial transportation system.²

Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, 752 bridges, 17 airports in northern Saskatchewan, and 12 ferries.³ As of March 31, 2014, this infrastructure had a net book value of about \$2.8 billion.

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

2.1 Financial Overview

In 2013-14, Highways had revenues of \$27.1 million including transfers from the federal government of \$23.0 million.⁴ In 2013-14, the Ministry had expenses of \$430.7 million (2012-13: \$433.0 million) and spent \$349.3 million (2012-13: \$307.6) primarily on building, restoring, and rehabilitating highways, bridges, and ferries. **Figure 1** compares estimates to actual spending by program.

¹ Ministry of Highways and Infrastructure, *2013-14 Annual Report*, p.3.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*, p. 15.

**Figure 1 – Major Programs and Spending**

	Estimates 2013-14 ^a	Actual 2013-14
	(in millions)	
Central Management and Services ^b	\$ 18.4	\$ 17.3
Strategic Municipal Infrastructure	36.0	37.6
Operation of Transportation System ^b	85.9	100.1
Preservation of Transportation System	141.7	139.0
Transportation Policy and Programs	3.3	3.5
Capital Asset Amortization	<u>138.1</u>	<u>133.2</u>
Total Vote 16 Expense	\$ <u>423.3</u>	\$ <u>430.7</u>
Capital Asset Acquisitions – Vote 16	10.0	9.8
Capital Asset Acquisitions – Vote 17 ^c	<u>364.3</u>	<u>339.5</u>
Total Capital Asset Acquisitions	\$ <u>374.3</u>	\$ <u>349.3</u>

Source: Saskatchewan Provincial Budget 13-14 Estimates (votes 16 and 17); 2013-14 Annual Report Ministry of Highways and Infrastructure.

^a During 2013-14, Highways received a budget increase through a special warrant of \$12.6 million.

^b The Estimates amount presented excludes capital asset acquisitions.

^c The Ministry is allowed to carry over unutilized appropriations to the following year. It carried over \$83.5 million of unutilized 2012-13 appropriation to 2013-14.

Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

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

The Highways and Transportation Act, 1997
The Financial Administration Act, 1993
The Government Organization Act
The Ministry of Highways and Infrastructure Regulations, 2007
The Purchasing Act, 2004 and Regulations
The Railway Line (Short Line) Financial Assistance Regulations
 Orders in Council issued pursuant to the above legislation

- **The Transportation Partnerships Fund had reliable financial statements**

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

Our audit included examining 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 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 those systems.

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 of costs of contracts; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before making final payments; and tracking its related contractual obligations. We also assessed the reasonableness of Highways' processes to recommend the preferred route for the City of Regina South Bypass.

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 ITD 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

Neither Highways' agreement⁵ nor its draft memorandum of understanding⁶ (MOU) with the Information Technology Division of the Ministry of Central Services (ITD) (formerly called the Information Technology Office) adequately address Highways' disaster recovery and security needs. For example, the MOU does not define Highways' most critical IT systems that support its essential business processes or set out how quickly ITD is expected to recover these systems in the event of a disaster. Also, during 2013-14, this draft MOU was not updated or finalized.

Although Highways officials met with ITD officials during the year to discuss services provided and issues, Highways did not receive sufficient information about the quality of ITD's security controls or ITD's plans to handle disasters that would affect Highways' computer systems or data.

As a result, Highways does not know whether ITD can restore Highways' systems and data when needed in the event of a disaster or whether ITD has kept Highways' data secure.

⁵ Agreement was signed in October 2008.

⁶ Memorandum of understanding was drafted in 2012-13.



4.2 Timely Removal of User Access Needed

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

Although Highways has established procedures to remove user access to its computer systems and data promptly, staff did not always follow them. For 7 of the 13 individuals we examined, user access was not removed promptly (i.e., access removal took place between 15 to 137 days after last day of employment).

As a result, Highways' data and systems are vulnerable to inappropriate access.

4.3 Compliance with Procedures for Processing Final Timecards Needed

We recommended that the Ministry of Highways and Infrastructure follow its established procedures for processing final timecards of employees who leave the employment of the Ministry. (2012 Report – Volume 2; Public Accounts Committee agreement April 16, 2014)

Status – Partially Implemented

Although Public Service Commission has established procedures for processing the final timecards of individuals who leave the employ of ministries, Highways continues to not always follow them.

During 2013-14, 10 individuals who left the employ of Highways did not have their final timecard processed appropriately and Highways overpaid them by about \$12,000 in total.

When overpayments of salaries occur, Highways tries to recover them. It acknowledges recovery can be difficult. At March 31, 2014, Highways had not collected approximately \$114,000 of payroll overpayments.

Not following the established procedures for processing final timecards increases the risk of making salary overpayments to employees for benefits not earned (e.g., vacation leave entitlements).

4.4 Processes to Select Preferred Option for Location of Regina Bypass

Using the criteria set out in **Figure 2**, we assessed Highways' processes for selecting the preferred routes and types of interchanges for the City of Regina South Bypass

(referred to as the Regina Bypass in this section). The Regina Bypass begins on Highway 11 northwest of Regina and runs south past the existing Highway 1 to Highway 1 east of Regina. In our assessment, we did not question whether Highways selected the best route or type of interchanges for the Bypass; rather, we focused on processes. Use of appropriate processes help ensure decision makers receive sufficient and timely information to enable informed decision making.

Figure 2—Audit Criteria

1. Sought input from the public and key stakeholders about the preferred location of the bypass prior to proceeding to construction phase
2. Established criteria for evaluating options
3. Used independent professionals to help evaluate options that considered key factors (e.g., traffic congestion, safety, economic and environmental impacts, costs.)
4. Documented consideration of alternative options for bypass location and design and made them public
5. Allowed the public to comment and considered public feedback
6. Made public its final decision on preferred location, providing reasons for its selection

Source: Adapted from our *2012 Report – Volume 2*, Chapter 23 (Saskatoon Regional Health Authority Selection of Site for Children’s Hospital of Saskatchewan).

We found that Highways’ processes to select the preferred routes and types of interchanges were reasonable.

Highways has been considering the need for a Regina Bypass since the late 1990’s. Since 2012, Highways has more actively planned for a Regina Bypass. It has engaged various consultants (professional engineering firms) to carry out numerous studies to assist it in deciding the need for a Regina Bypass, identifying options for routes and interchange designs, and then later evaluating the options.

We found that the Ministry actively sought input from the public and stakeholders throughout the process. It has held numerous public open houses (e.g., November 28, 2013 South Bypass open house) or required its consultants to obtain public and stakeholder input through stakeholder meetings and public open houses. Also, it either directly or through its consultants involved the City of Regina and the affected municipalities (e.g., Rural Municipalities of Edenwold and Sherwood) at various stages (e.g., their participation on a Steering Committee and Technical Project Committee in its 2012 Bypass Location Review). It used its website⁷ to keep the public informed of the timing and results of public consultations and of its key decisions (e.g., preferred route and map). Prior to making its final decision on the preferred route, it allowed for and considered public comment.

With the assistance of its consultants, Highways set evaluation criteria (see **Figure 3**) and made them public.⁸ It used them to evaluate and score the various alternate routes and interchange designs. When determining the alternate routes to study in more depth, Highways narrowed down the possibilities according to those that received the highest scores; it used its website to make the scores public.⁹ It then used the evaluation criteria to further evaluate those options and select a preferred route and interchange design. We did not find evidence of undue influence of third parties (e.g., landowners) during this selection process.

⁷ www.highways.gov.sk.ca/Reg_bypass/consultation (24 October 2014).

⁸ www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117,1495,81,1,Documents&MediaID=7602&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Concept_options%29.pdf (24 October 2014).

⁹ www.highways.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=3117,1495,81,1,Documents&MediaID=7603&Filename=Pages+from+South+East+Regina+Bypass+-+Open+House+2+-+Aug+15+%28Preferred+Option_next+steps%29.pdf (24 October 2014).

**Figure 3—Ministry of Highways and Infrastructure Evaluation Criteria**

Evaluation Criteria	Description
TransCanada Highway Functionality	Maintains high speed, free-flow conditions for the westbound to southbound movement, and the northbound to eastbound movement – the future TransCanada Highway movements
Safety & Traffic Operations	Provides a safe and consistent design that will be familiar and easy to negotiate
Potential Phasing Opportunities	Provides a stageable solution at Victoria Ave and Tower Road intersection if an interchange is needed in the future. Consideration for whether the design can be integrated into a future Northeast Bypass
Access to Adjacent Development	Limits the amount of development of land parcels that are isolated or will have poor access
Property Impacts	Consideration for the amount of land that will have to be purchased and the impact on existing homes and businesses
Constructability	Minimizes disruption to existing traffic flows, and allows for existing Highway 1 infrastructure to be used during construction
Noise Impacts	Minimizes traffic noise for existing residents
Environmental impacts	Avoids any environmentally-sensitive areas, including areas with high water table
Utility/railway Impacts	Minimizes impacts to railways and utilities
Economic Development Potential	Increases the development potential for adjacent lands
Right-of-Way	Minimizes the total land required for the design
Construction Cost	Total construction cost estimate

Source: Ministry of Highways and Infrastructure.

Highways' numerous studies document its consideration and analysis of various options. In April 2014, Highways announced that it had finalized its route for the Regina Bypass and had developed a plan for the new bypass around the City of Regina. The proposed twinned highway begins on Highway 11 northwest of Regina and runs south past the existing Highway 1 to Highway 1 east of Regina. In May 2014, the Government of Saskatchewan announced that the Government of Canada would invest up to \$200 million as part of a public-private partnership (P3) to support the construction of the Regina Bypass. In August 2014, it made public the proposed route (map) of the Bypass. It also noted that the cost of the Bypass will be determined as part of the P3 competitive bidding process.

On its website, it provided the public with the brief reason, set out in **Figure 4**, as to why it selected the preferred location. The Ministry may wish to consider providing a more robust public explanation for the basis of its selection.

Figure 4—Ministry of Highways Frequently Asked Question, Re: Bypass Selection Decision

Why was the current route alignment chosen, specifically from Highway 1 to Highway 6?

Many alternatives were considered. The most economical and efficient option was chosen. For example, options slightly further east like Gravel Pit Road or the Pilot Butte Access Road are either too close to other planned overpasses or don't leave room for a "system" overpass. An option like a bypass starting at Balgonie would require several additional kilometres of road and more rail overpasses. Overpasses would still be required on Highway 1 east because a significant percentage of the traffic is generated by commuters from the towns east of the city.

Source: www.highways.gov.sk.ca/Reg_Bypass_FAQ (23 October 2014).