Chapter 11
Highways and Infrastructure

1.0 MAIN POINTS

During 2014-15, the Ministry of Highways and Infrastructure (Ministry) 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 2014-15 financial statements of the Fund are reliable. The Ministry had effective rules and procedures to safeguard public resources except Ministry staff do not always ensure unneeded access of former employees to its computer systems is removed promptly. Not following these established processes makes the Ministry's data and systems vulnerable to inappropriate access.

2.0 INTRODUCTION

This chapter reports on the results of our annual audit of the Ministry and the Fund.

The mission of the Ministry is to "provide a safe, reliable transportation system that supports Saskatchewan's growth economy and quality of life. The Ministry strives to deliver innovative sustainable infrastructure to serve the needs of their customers."[1]

The Ministry manages and provides for the future development of an integrated provincial transportation system. Infrastructure investments are guided by strategic policy and by incorporating operating and maintenance practices to promote the safe and efficient movement of people and goods.[2]

The Ministry is responsible for managing the provincial transportation system which includes more than 26,000 kilometers of highways, 737 bridges, 17 airports in northern Saskatchewan, 12 ferries, and one barge.[3]

2.1 Financial Overview

As of March 31, 2015, the Ministry's infrastructure had a net book value of about $3.0 billion. As shown in **Figure 1**, the Ministry spent $461.5 million in 2014-15. Also, in 2014-15, the Ministry had revenues of $34.7 million including transfers from the Federal Government of $28.0 million. The Ministry's annual report explains significant differences between estimated and actual revenues and expenses.

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[1] Ministry of Highways and Infrastructure, *2014-15 Annual Report*, p.3.
[2] Ibid., p.3.
[3] Ibid., pp. 3 and 4.

Figure 1—Expenses by Major Programs

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Central Management and Services	$ 18.4	$ 16.9
Strategic Municipal Infrastructure	36.5	36.9
Operation of Transportation System	88.0	102.9
Preservation of Transportation System	144.5	158.3
Transportation Policy and Programs	3.3	3.4
Infrastructure and Equipment Capital	373.8	373.8
Total Appropriation	664.5	692.2
Capital Asset Acquisitions	(373.8)	(391.7)
Capital Asset Amortization	143.6	143.3
Total Ministry Expense	$ 434.3[4]	$ 443.8
Reinstatement of 2013-14 Frozen Carryover Funding*	24.8	17.9
Custom Work Net Recovery	0.0	(0.2)
Total Expense	$ 459.1	$ 461.5

Source: *2014-15 Annual Report Ministry of Highways & Infrastructure*.
* The Ministry accessed $17.9M of 2013-14 carryover funding to deliver capital projects.

The Ministry 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, 2015:

❱ **The Ministry had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

❱ **The Ministry and the 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 Railway Line (Short Line) Financial Assistance Regulations*
> *The Short Line Railway Financial Assistance Regulations*
> *The Ministry of Highways and Infrastructure Regulations, 2007*
> *The Public Works and Services Act*
> *The Executive Government Administration Act*
> *The Financial Administration Act, 1993*
> *The Purchasing Act, 2004 and Regulations*
> Orders in Council issued pursuant to the above legislation

❱ **The Fund's financial statements are reliable**

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[4] The Ministry of Highways and Infrastructure received additional funding of $28.2 million in 2014-15 through *2014-15 Supplementary Estimates – March*. www.finance.gov.sk.ca/budget2015-16/FinanceSuppEstimatesMarch2014-15.pdf (8 October 2015).

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's 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.

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

Because of the Ministry's extensive use of contractors in the maintenance and construction of its highways and bridges, we paid particular attention to the Ministry's controls over managing its 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 final payments; and tracking its related contractual obligations.

Also, because the Ministry 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 key systems.

4.0   KEY FINDINGS AND RECOMMENDATIONS

4.1   Promptly Remove Unneeded 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

Although the Ministry has established procedures to remove unneeded user access to its computer systems and data, it did not always follow them. As in our prior audits, we found former employees' access to the Ministry's computer systems was not removed in a timely manner. Seven out of ten individuals we examined, did not have their network access removed promptly (removed in a range of 2 days to over 60 days). We also found that five individuals' access to MIDAS applications was not removed in a timely manner.

As a result, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data.

4.2   IT Service Level Agreement Finalized

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Ministry of Central Services (formerly 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 – Implemented

In 2014-15, the Ministry and the Ministry of Central Services completed and signed a memorandum of understanding that addressed the Ministry's disaster recovery and security needs. The Ministry also began receiving an annual security report and a comprehensive risk report from the Ministry of Central Services.

4.3   Process Followed for Processing Final Timecards

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 – Implemented

During 2014-15, the Ministry followed established procedures for processing the final timecards of employees that left the employment of the Ministry. We found no exceptions in our testing of the Ministry payroll processing.