

Chapter 33

Global Transportation Hub Authority – Acquiring Land from the Private Sector

1.0 MAIN POINTS

By June 2018, the Global Transportation Hub Authority improved its processes to acquire land from the private sector by implementing both recommendations we made in 2016.

The Authority implemented a policy to establish a structured approach when conducting due diligence for deciding whether to buy land and other significant new initiatives. Management prepared business cases to support decisions concerning significant new initiatives, and established processes to review and assess land appraisals when acquiring land from the private sector.

2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on the recommendations we made in 2016.

In 2016, we assessed the Authority's processes to acquire land from the private sector. Our *2016 Special Report: Land Acquisition Processes: The Global Transportation Hub Authority and Ministry of Highways and Infrastructure*, Chapter B concluded that, for the period up to March 31, 2016, the Global Transportation Hub Authority did not have effective processes to acquire land for the purposes of the transportation logistics hub from the private sector at amounts reflecting fair value. We made two recommendations.

To conduct this follow-up audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance (CSAE 3001)*. To evaluate the Authority's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

To perform this follow-up audit, we discussed actions taken with the Authority's management, reviewed the Significant Initiatives Policy approved by the Board, and examined business cases prepared by management to evaluate new Authority initiatives.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 27, 2018, and the Authority's actions up to that date. We found that the Authority implemented both recommendations.



3.1 Board Approved Policy Addressing Business Cases and Assessment of Land Appraisals

We recommended that the Global Transportation Hub Authority require, for its Board’s review and approval, the preparation of business cases for major land acquisitions or significant new initiatives. (2016 Special Report – Chapter B; Public Accounts Committee agreement February 13, 2017)

Status – Implemented

We recommended that the Global Transportation Hub Authority require and keep documentation of review of land appraisal reports it uses when making offers to purchase land. (2016 Special Report – Chapter B; Public Accounts Committee agreement February 13, 2017)

Status – Intent of Recommendation Implemented

In December 2016, the Authority’s Board approved a Significant Initiatives Policy to establish processes for land acquisitions and other significant new initiatives exceeding \$25,000. The Board also approved minor revisions to the Policy in September 2017, and made further revisions in June 2018.

The Policy established a structured approach for management when conducting due diligence, including:

- The preparation of business cases. The Policy sets standard requirements for business cases (e.g., objective, evaluation of options, analysis, recommendation, etc.) and the related approval requirements—up to and including approval from the Board. **Figure 1** summarizes the approval hierarchy set out in the Policy.¹
- The use of a Land Agent Checklist to review and assess land appraisals. The Policy includes this checklist. The Policy appropriately requires the assessment of various aspects of land appraisals, including: scope, methodology, assumptions, highest and best use, reported value, comparable lands, appraisal timing, and any unusual or extraordinary matters of fact relevant to the acquisition.²

Figure 1 – Business Case Approval Hierarchy as at September 2017

Required Approvals	Limits ^A
Chief Executive Officer and Board of Directors	≥ \$500,000
Chief Executive Officer and one of the Vice President, Business Development or Vice President, Finance	≥ \$25,000 < \$500,000

Source: The Authority’s Significant Initiative Policy.

^A The Board approved revisions to the Significant Initiatives Policy in June 2018 establishing authorities to approve business cases as follows: up to \$100,000 for Vice-Presidents, up to \$1 million for the Chief Executive Officer, and over \$1 million for the Board.

¹ During our audit period, none of the business cases prepared by management met the thresholds requiring approval from the Board of Directors.

² Highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and results in the highest value.

As of June 2018, the Authority did not acquire any additional lands from the private sector since our 2016 audit. As such, it did not have an opportunity to utilize its Land Agent Checklist.

Our test of all five business cases for significant initiatives that management prepared since implementation of the Policy in December 2016 found that each addressed the requirements set out in the Policy. In two instances, management did not approve the business cases in accordance with the approval requirements set out in the Policy (i.e., approval from the Chief Executive Officer and one of the Authority's Vice Presidents). In each of these instances, management explained that the Authority had mistakenly adhered to its delegation of authority when approving these business cases, and had only obtained approval from the Vice President of Finance.

To avoid confusion in the future, the Authority's Board approved revisions to the Policy in June 2018, such that the approval requirements set out in the Policy coincide with the approval requirements set out in the organization's delegation of the authority. As of June 2018, the Authority's Vice Presidents can approve business cases up to \$100,000, the Chief Executive Officer can approve business cases up to \$1 million with the Board approving business cases over \$1 million.

4.0 OTHER MATTER – MINISTRY'S USE OF LAND FOR BORROW MATERIAL

At the time of our 2016 audit, the Ministry of Highways and Infrastructure was assessing whether the quality of borrow material on certain land owned by the Authority was appropriate to construct the West Regina Bypass.³ It was not known how much of the material available, if any, the Ministry would use, casting doubt on the Authority's final selling price to the Ministry for the right to use the material.

In March 2018, the Ministry relinquished its right to use this land to obtain borrow material and the Authority agreed to pay \$2.86 million to the Ministry, if and when the Authority sells this land.

³ Section 3.10 of our 2016 *Special Report: Land Acquisition Processes: The Global Transportation Hub Authority and Ministry of Highways and Infrastructure*, Chapter B, described events surrounding an agreement between the Authority and the Ministry signed in March 2014. Under the agreement, the Authority provided the Ministry with the right to use 55 acres of land to obtain borrow material for construction of the West Regina Bypass. The Ministry paid \$2.86 million to the Authority for the right to use this land.

