

Chapter 8 Highways

1.0 MAIN POINTS

The Ministry of Highways had, other than for the following areas, effective rules and procedures to safeguard public resources for the year ended March 31, 2021.

The Ministry needs to accurately record its contractual obligations. Inaccurate recording of contractual obligations can result in inaccurate values in the Ministry's financial information and the Provincial Government's Summary Financial Statements. Incomplete and inaccurate information on future obligations also increases the risk of incorrectly estimating future funding needs.

The Ministry needs to increase its monitoring of compliance with established transaction limits for purchases made using purchasing cards (p-cards). During 2020–21, we identified numerous instances where an individual made multiple payments on the same day to the same vendor on one p-card. Having multiple p-card payments to the same vendor on the same day can result in exceeding established p-card limits, as well as someone approving payments without appropriate authority.

The Ministry implemented a policy to better oversee purchases of regulated firearms, accessories, and ammunition. During the fiscal year and to September 24, 2021, it had not purchased these types of items. Therefore, we were unable to assess whether the Ministry followed its revised signing authority policy.

The Ministry also established an IT system to track regulated highway patrol equipment, and conducted regular inventory counts to confirm it properly accounted for the equipment. Proper tracking of key equipment decreases the risk of Ministry liability for misplaced or lost items, items used for inappropriate purposes, or loss of public money if items go missing.

During 2020–21, the Ministry and the Transportation Partnerships Fund complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. The 2020–21 financial statements of the Transportation Partnerships Fund are reliable.

2.0 INTRODUCTION

2.1 Background

The Ministry of Highways is responsible for managing the provincial transportation network. The network consists of 26,426 kms of highways. The Ministry also operates and maintains 703 bridges, more than 62,000 culverts, 16 northern airports, 12 ferries, and one barge.¹

¹ Ministry of Highways, *Annual Report for 2020–21*, p. 3.



The Ministry is to provide the public with a safe, reliable transportation system, as well as manage and provide for future development of an integrated provincial transportation system.²

2.2 Financial Overview

At March 31, 2021, the Ministry managed tangible capital assets (comprised primarily of the provincial transportation system) with a book value of \$5.6 billion. In 2020–21, it spent \$565 million and acquired tangible capital assets of \$445 million comprised primarily of roads and bridges (see **Figure 1**).

Figure 1—Major Programs and Spending

	Estimates 2020–21	Actual 2020–21
	(in millions)	
Central Management and Services	\$ 17.6	\$ 17.2
Strategic Municipal Infrastructure	54.8 ^A	54.8
Operation of Transportation System	150.8 ^B	147.7
Preservation of Transportation System	116.9	116.0
Transportation Planning and Policy	3.5	3.4
Infrastructure and Equipment Capital	468.1 ^C	444.8
Total Appropriation	\$ 811.7	\$ 783.9
Capital Asset Acquisitions	(411.1)	(444.8)
Capital Asset Amortization	225.9	226.1
Total Expense	\$ 626.5	\$ 565.2

Source: *Government of Saskatchewan—2020–21 Estimates* (Vote 16), pp. 79–83, Order-in-Council 68/2021, and Ministry of Highways, *Annual Report for 2020–21*, p. 23.

^A Original estimate for Strategic Municipal Infrastructure approved \$38.2 million. Order-in-Council 68/2021 approved an additional \$16.6 million.

^B Original estimate for Operation of Transportation System approved \$127.8 million. Order-in-Council 68/2021 approved an additional \$23 million.

^C Original estimate for Infrastructure and Equipment Capital approved \$411.1 million. Order-in-Council 68/2021 approved an additional \$57 million.

In 2020–21, the Ministry had revenues of \$65.4 million including federal transfers of \$55.1 million.³ During 2020–21, the Ministry purchased around \$21 million of goods and services through approximately 52,000 purchase-card transactions. At March 31, 2021, the Ministry had about 550 purchasing cards (p-cards, corporate-issued credit cards).

The Ministry is also responsible for the Transportation Partnerships Fund (Fund).

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2021, we found, in all material respects:

- **The Ministry of Highways had, except for the matters described below, effective rules and procedures to safeguard public resources**

² Ministry of Highways, *Annual Report for 2020–21*, p. 3.

³ *Ibid.*, p. 24.

- **The financial statements of the Transportation Partnerships Fund are reliable**
- **The Ministry of Highways 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 Ministry of Highways Regulations, 2020
The Fuel Tax Accountability Act
The Executive Government Administration Act
The Financial Administration Act, 1993
The Public Works and Services Act
The Purchasing Act, 2004, and Regulations
 Orders in Council issued pursuant to the above legislation

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in COSO's *Internal Control—Integrated Framework* 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.

Because the Ministry uses contractors to maintain and construct its highways and bridges, the audit 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 making final payments; and tracking its related contractual obligations. The audit also included testing of purchases that used p-cards.

In addition, because the Ministry relies on IT systems to manage the transportation system and related contracts, the audit included assessing the Ministry's key service-level agreements, change management processes, and controls over user access for those key IT systems.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Accurate Recording of Contractual Obligations Needed

The Ministry of Highways did not accurately calculate its contractual obligations. Contractual obligations are amounts the Ministry expects to pay in the future.⁴

In our assessment of the contractual obligations set up by the Ministry, we found it did not have complete data for contractual obligations, including missing amounts agreed to in contracts. This resulted in an understatement of contractual obligations.

⁴ *CPA Canada Public Sector Accounting Handbook*, PS 3390 Contractual Obligations defines contractual obligations as obligations of a government to others that will become liabilities (amounts owed) in the future when the terms of those contracts or agreements are met.



In our testing of contractual obligations, we found the Ministry did not use correct values in its calculations. A contractual obligation should include the dollar value of contracts, and any changes that both the supplier and the Ministry signed; this is the Ministry's contractual obligation to the supplier.

The Ministry's lack of accuracy and completeness of data for contractual obligations resulted in understating its contractual obligations by \$61.3 million for its March 31, 2021 financial information.

Having inaccurate records of contractual obligations can result in the Ministry's financial information, and consequently the Provincial Government's Summary Financial Statements, having inaccurate values for contractual obligations. Incomplete and inaccurate information on future obligations also increases the risk of not estimating future funding needs accurately.

1. We recommend the Ministry of Highways accurately record its contractual obligations.

4.2 Consistent Monitoring of Purchasing Cards' Use Needed

We recommended the Ministry of Highways increase its monitoring of compliance with established transaction limits for purchases made using purchasing cards. (2020 Report – Volume 1, p. 30, Recommendation 1; Public Accounts Committee agreement February 8, 2021)

Status—Not Implemented

The Ministry of Highways insufficiently monitored compliance with established transaction limits for purchases made using purchasing cards (p-cards).

During 2020–21, we identified numerous instances in our analysis where an individual made multiple payments on the same day to the same vendor on one p-card. In each instance, the total amount paid to a vendor exceeded the \$10,000 p-card transaction limit.⁵ We tested four of these instances. For one of these instances, the same vendor issued three invoices with the p-card charges occurring on the same day just a few minutes apart.

Transaction limits on p-cards limit the procurement authority delegated to the cardholder.

Late in 2020–21, the Ministry provided additional training to its employees who use p-cards. This included training on responsibilities for both p-card holders and approvers (e.g., transaction limits, approval procedures, documentation).

Having multiple p-card payments to a vendor on the same day can result in exceeding established p-card limits, as well as in someone approving payments without appropriate authority. Not having appropriate review and approval can result in inappropriate purchases by the Ministry.

⁵ Treasury Board policies set a maximum limit of \$10,000 for a single purchase unless approved by the Provincial Comptroller or delegate. (FAM Section 3154: Public Money and Property—Purchase Cards).

4.3 Better Oversight of Firearm and Ammunition Purchases

We recommended the Ministry of Highways implement policies to better oversee purchases of regulated firearms and ammunition to ensure they support its business needs. (2020 Report – Volume 1, p. 31, Recommendation 2; Public Accounts Committee agreement February 8, 2021)

Status—Partially Implemented

The Ministry of Highways implemented a policy to better oversee purchases of regulated firearms and ammunition. During the fiscal year and to September 24, 2021, it had not purchased these types of items. Therefore, we were unable to assess whether the Ministry followed its revised signing authority.

The Ministry implemented a revised Signing Authority Delegation effective October 7, 2020 to update the authority for procuring firearms, accessories, and ammunition to ensure that it appropriately purchases regulated firearms and ammunition only to support its business needs. This Signing Authority Delegation required the Deputy Minister of Highways to approve procurement of any restricted or prohibited firearms or ammunition after the Ministry of Corrections, Policing and Public Safety first reviews the proposed purchases.

In May 2021, Order-in-Council 259/2021 changed *The Police (Special Constable) Amendment Regulations, 2021*, to require Government of Saskatchewan employees to obtain Minister of Corrections, Policing and Public Safety approval for purchases of firearms, ammunition, or special equipment.

Having clear policies restricting who can buy regulated items, like firearms and ammunition, can assist the Ministry in overseeing purchases of regulated goods. This can reduce the risk of the Ministry purchasing unauthorized or inappropriate items.

4.4 Regulated Highway Patrol Equipment Tracked

We recommended the Ministry of Highways implement better processes to track regulated highway patrol equipment. (2020 Report – Volume 1, p. 32, Recommendation 3; Public Accounts Committee agreement February 8, 2021)

Status—Implemented

The Ministry of Highways implemented an IT system to track regulated highway patrol equipment, and conducted regular inventory counts to confirm it properly accounted for equipment.

The Ministry entered all of the highway patrol regulated equipment into its IT system, and performed three inventory counts in 2020–21.

We attended the March 2021 inventory count. For a sample of 20 items we tested, we found the Ministry recorded the correct location and key information (e.g., serial number). In addition, the Ministry properly stored (e.g., safe, locker, or vault) all of the items tested. We also tested 10 items issued to the Saskatchewan Highway Patrol staff. For all 10 items,



we found proper documentation of the equipment's location (i.e., staff signed issue sheets acknowledging receipt of items).

The sensitive and portable nature of regulated highway patrol equipment increases the importance of tracking them and their use. Good processes decrease the risk of Ministry liability for misplaced or lost items, or equipment used for inappropriate purposes, or incurring loss of public money if items go missing.

4.5 IT User Access Removed

We recommended the Ministry of Highways follow its established procedures for removing user access to its computer systems and data.

(2009 Report – Volume 3, p. 251, Recommendation 1; Public Accounts Committee agreement April 21, 2010)

Status—Implemented

The Ministry of Highways established procedures to remove user access from its IT systems and data and it removed unneeded user access sooner than it had in the past.

During 2020–21, we found four individuals out of 11 tested who did not have their IT network access removed promptly after the individual's last day of employment. Three of the four of these individuals had their user access removed within four working days; the other individual's user access removal took 12 working days (compared to more than five months in the prior year). None of the individuals had access to key financial IT systems. Also, we found none of the individuals accessed the network after their last day of employment.

Removing user access promptly reduces the risk of unauthorized individuals accessing the Ministry's IT systems and sensitive data.