

## Chapter 5 Highways

### 1.0 MAIN POINTS

The Ministry of Highways had effective rules and procedures to safeguard public resources for the year ended March 31, 2024, except it did not:

- Adequately prepare and review revenue financial information (e.g., deposit and accounts receivable reconciliations).
- Conduct a detailed review of the Transportation Partnerships Fund's 2023–24 financial statements. The financial statements presented for audit contained significant errors. Management corrected these errors; the Fund's final financial statements are reliable.

Appropriate review of financial information helps ensure management has quality and accurate financial information to make decisions.

During 2023–24, 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.

### 2.0 INTRODUCTION

#### 2.1 Background

The Ministry of Highways is responsible for managing the provincial transportation network, which consists of 26,483 kilometers of highways. The Ministry also operates and maintains 697 bridges, more than 62,000 culverts, 12 ferries, 16 northern airports, and one barge.<sup>1</sup>

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

The Ministry is also responsible for the Transportation Partnerships Fund. The purpose of the Fund is to generate revenues from trucking partnership agreements in which transportation companies pay the Fund a portion of cost savings achieved from hauling overweight and/or over-dimension loads. The Fund uses these revenues to pay for highway improvement projects. In 2023–24, the Fund had revenue of \$2.7 million and expenses of \$557,000.<sup>3</sup>

<sup>1</sup> Ministry of Highways, *Annual Report for 2023–24*, p. 3.

<sup>2</sup> Ibid.

<sup>3</sup> Transportation Partnerships Fund 2023–24 audited financial statements.



## 2.2 Financial Overview

At March 31, 2024, the Ministry of Highways managed tangible capital assets (comprised primarily of the provincial transportation system) with a book value of \$5.9 billion. In 2023–24, it incurred \$601 million in expenses, and acquired tangible capital assets of \$415 million comprised primarily of roads and bridges (see **Figure 1**). In 2023–24, the Ministry had revenues of \$25 million, including federal transfers of \$22.9 million.

**Figure 1—Major Programs and Spendings**

	Estimates 2023–24	Actual 2023–24
	(in millions)	
Central Management and Services	\$ 17.4	\$ 17.3
Preservation of Transportation System	127.6	126.6
Transportation Planning and Policy	4.0	3.9
Infrastructure and Equipment Capital	422.3	415.2
Operation of Transportation System <sup>A</sup>	201.8	196.8
Strategic Municipal Infrastructure	26.5	25.7
<b>Total Appropriation</b>	<b>799.6</b>	<b>785.5</b>
P3 Financing Charges Adjusted to Opening Accumulated Deficit	(28.8)	(28.8)
Capital Asset Acquisitions	(422.3)	(415.2)
Capital Asset Amortization	271.0	259.0
<b>Total Expenses</b>	<b>\$ 619.5</b>	<b>\$ 600.5</b>

Source: Government of Saskatchewan—2023–24 Estimates (Vote 16), pp. 73–77, Order in Council 55/2024, and Ministry of Highways, *Annual Report for 2023–24*, p. 23.

<sup>A</sup> Original estimate for Operation of Transportation System approved \$178.4 million. Order in Council 55/2024 approved an additional \$23.4 million.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2024, we found, in all material respects:

- **The Ministry of Highways had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **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 Environmental Management and Protection Act, 2010 (section 9)*

*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 audits. We used the control framework included in COSO's *Internal Control—Integrated Framework* to

make our judgments about the effectiveness of the Ministry of Highway'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 its controls over managing its contracts. This included assessing Ministry processes for awarding, approving, and adjusting contracts.

We also evaluated the Ministry's:

- Controls for estimating the value of aggregate stockpile inventory
- Processes for estimating and recording its contaminated site liabilities and asset retirement obligations
- Controls to properly record capital assets

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Detailed and Timely Reviews of Revenue Reconciliations Needed

Ministry of Highways staff did not perform sufficient, timely reviews of monthly cash receipt and accounts receivable (revenue) reconciliations, including reviewing relevant supporting documentation.

The Ministry's revenue reconciliation policy requires staff to complete monthly revenue reconciliations within 31 days of month-end, and for other staff to independently review the reconciliation within seven days after preparation. The Ministry brings in about \$25 million in revenue annually.

The Ministry's cash receipt reconciliation reconciles cash, cheques, and electronic fund transfers received to amounts deposited and recorded in the financial system.

For the 12 cash receipt reconciliations tested, we found the Ministry did not:

- Prepare two reconciliations (i.e., no reconciliation for April and September 2023)
- Prepare two reconciliations timely in accordance with policy (41 and 46 days after month end)
- Review one reconciliation
- Review three reconciliations timely in accordance with policy (up to 19 days after preparation)

The Ministry's accounts receivable reconciliations reconcile accounts receivable records to the total in the financial system. We found the Ministry did not complete sufficiently detailed reviews for these reconciliations.



For the 36 accounts receivable reconciliations tested, we found the Ministry:

- Completed five of the reconciliations late as staff re-performed the reconciliations in March due to significant errors in the original versions (i.e., October 2023 to February 2024 reconciliations completed in March 2024).
- Did not review seven reconciliations timely (between 9–189 days after preparation). Staff re-performed four reconciliations due to significant errors, but there was no indication of review.
- Could not provide evidence of review for one reconciliation.
- Could not provide support for three reconciliations.

Not having a timely, detailed review of revenue reconciliations increases the risk of inaccurate financial records and reports provided to management and may allow misappropriated funds to go undetected. Consistent review of reconciliations may identify issues and allow for corrective action in a timely manner.

1. **We recommend the Ministry of Highways prepare and review revenue reconciliations in accordance with its policy.**

## 4.2 Detailed Review of the Transportation Partnerships Fund Financial Statements Needed

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Ministry of Highways management did not conduct a detailed review of the Transportation Partnerships Fund financial statements for the year-ended March 31, 2024. As a result, the financial statements presented for audit contained numerous errors.

For example, we found the Fund's 2023–24 financial statements provided for audit:

- Overstated accounts payable by \$118,000 for 2023–24 and 2022–23 (comparative period). These payables related to completed transportation system improvement projects that should no longer have been accounts payable. Ministry management had not sufficiently reviewed its financial records for these projects.
- Overstated deferred revenue and understated revenue and accumulated surplus by \$77,000 for 2023–24 and 2022–23 (comparative period) due to incorrectly assessing how to account for one contract.

The Ministry adjusted the Fund's 2023–24 financial statements to correct these errors.<sup>4</sup>

Not sufficiently reviewing the Fund's financial statements and supporting materials increases the risk the financial statements contain errors and inaccuracies, and do not align with Canadian public sector accounting standards.

2. **We recommend Ministry of Highways management conduct a detailed review of the Transportation Partnerships Fund's year-end financial statements.**

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<sup>4</sup> [publications.saskatchewan.ca/#/products/122481](https://publications.saskatchewan.ca/#/products/122481) (9 October 2024).