

18.**CASH AND OTHER LOSSES****BACKGROUND**

18.1 The Government of Nova Scotia Management Manual 200, Chapter 8 requires that departments, boards, or commissions immediately report any instances of loss of public money or public property to the Department of Finance, and to the Office of the Auditor General. Finance is responsible for establishing procedures to be followed for the reporting of any irregularities or losses.

18.2 Section 9(1)(e) of the Auditor General Act requires that we report annually every case observed where there has been a deficiency or loss through fraud, default or mistake of any person. This chapter summarizes the results of our annual review of those losses identified and reported to us.

18.3 During our audit of the Nova Scotia Hospital conducted during the year we encountered a situation where amounts owing to the Province were not recorded as accounts receivable and, accordingly, write-offs of the amounts owing were not approved by Executive Council as required by Section 23(1) of the Provincial Finance Act. Details of this situation are reported in Chapter 15, Review of Financial Statements and Management Letters, page 202.

RESULTS IN BRIEF

18.4 The following summarizes our principal findings.

- The losses reported to us for the year ended March 31, 1996 totaled \$300,164 consisting of cash losses of \$7,504, property losses estimated at \$320,194 and recoveries of \$27,534.
- Some, but not all, departments and crown agencies are complying with the loss reporting requirements of the Management Manual. Not all entities are reporting, and not all reporting is on a timely basis.
- As suggested in previous Reports, Finance has reviewed and clarified the policies and practices for the reporting of losses by departments. However, Finance has not provided similar guidance to government agencies or commissions. Also, the Management Manual does not define the value to be reported for a loss.

AUDIT SCOPE

18.5 Our objectives were to review the information provided by departments and agencies, and to compile a listing of the cash and property losses reported to us for the year ended March 31, 1996. We sent letters to departments and crown agencies to confirm the completeness of the losses reported to us. This review did not consider the losses which resulted from write-offs approved annually by Executive Council. In recognition of the fact departments and agencies may be able to recover some of their losses, as part of this year's confirmation process we asked that specific recoveries be reported as well.

18.6 We have performed no additional or specific audit procedures on the specific losses reported.

PRINCIPAL FINDINGS

Losses Reported

18.7 The following is a summary of the cash and property losses for the year ended March 31, 1996 identified either as a result of our confirmation request or reported to us during the year. Certain of the losses reported represent the entity's estimated value of property lost or damaged.

Departments Reporting Losses	Cash	Property	Recoveries	Total
Agriculture and Marketing	\$ 160	\$ -	\$ -	\$ 160
Education	80	6,903	-	6,983
Environment	-	3,632	-	3,632
Fisheries	-	3,765	-	3,765
Health	6,017	3,850	-	9,867
Human Resources	30	340	-	370
Justice	1,187	300	-	1,487
Labour	-	4,850	-	4,850
Municipal Affairs	-	3,000	-	3,000
Natural Resources	-	21,163	-	21,163
N.S. Economic Renewal Agency	-	5,719	(4,194)	1,525
	<u>7,474</u>	<u>53,522</u>	<u>(4,194)</u>	<u>56,802</u>
Crown Agencies Reporting Losses				
Nova Scotia Gaming Control				
Commission	-	1,395	-	1,395
Nova Scotia Hospital	30	-	-	30
Nova Scotia Liquor Commission	-	193,330	(17,824)	175,506
Nova Scotia Workers'				
Compensation Board	-	200	-	200
Queen Elizabeth II Health Sciences				
Centre	-	64,056	(550)	63,506
Office of the Auditor General	-	7,691	(4,966)	2,725
	<u>30</u>	<u>266,672</u>	<u>(23,340)</u>	<u>243,362</u>
Total Reported	<u>\$ 7,504</u>	<u>\$ 320,194</u>	<u>\$ (27,534)</u>	<u>\$ 300,164</u>

18.8 The Department of Justice reported that, based on information in its fixed asset inventory system, 75 items have been misplaced. There was no dollar value reported for those items. Justice is the only government entity reporting these types of losses, and we believe other entities should be required to do so.

18.9 In regards to the Nova Scotia Liquor Commission, it should be acknowledged that it is a retail organization and not a government department. As such, it is subject to different risks of losses. As a self-service retail organization, it is inevitable that some inventory shrinkage will occur. The property losses reported for the Nova Scotia Liquor Commission represent the cost of inventory stock losses from its retail and warehouse operations.

18.10 The loss reported by the Office of the Auditor General includes the theft of two notebook computers.

18.11 The Nova Scotia Hospital provided a listing of the loss and damage which occurred to Hospital property during 1995-96. Items lost included a video cassette recorder, two portable radio/cassette players, a set of stereo speakers, and a dumb bell. The listing did not provide dollar values for items lost or damaged.

Compliance with Reporting Requirements

18.12 All entities are not complying with the requirement to report losses to Finance and this Office. There is inconsistency in the application of loss reporting requirements among entities.

18.13 Failure by all entities to report consistently and on a timely basis restricts Finance's ability to ensure that necessary follow-up procedures are performed to determine the reason for a loss and whether appropriate corrective action has been taken.

18.14 The Management Manual does not specify the value to be reported for a loss. This allows entities the flexibility to report property losses at cost, estimated current value, or estimated replacement value. Some property losses were reported without a monetary value.

18.15 For the fiscal year 1996-97, Finance has taken steps to ensure adequate and consistent compliance by departments, but not agencies or commissions, with the defined policy and procedures. The Internal Audit Division at Finance now investigates losses reported to determine what steps have been taken to prevent such losses from occurring in the future.

CONCLUDING REMARKS

18.16 The Department of Finance has made efforts to upgrade the reporting requirements and processes in this area by distributing a memorandum to departments which clarifies loss reporting requirements and stresses the importance of timely reporting of losses. However, the policies and practices for the reporting of losses need to be clarified and expanded to include appropriate and timely reporting of losses of public money or public property by crown entities. As well, steps must be taken to define the value of losses (see paragraph 18.14 above) to be reported.
