

13.

CASH AND OTHER LOSSES

BACKGROUND

13.1 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.

13.2 Section 9A(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 losses identified by or reported to us.

RESULTS IN BRIEF

13.3 The following summarizes our principal findings from our 1999 review.

- The losses reported to us for the year ended March 31, 1999 totaled \$244,201; consisting of cash losses of \$2,628, property losses estimated at \$245,869 and recoveries of \$4,296.
- Overall the departments and crown agencies are not complying, on a timely basis, with the loss reporting requirements of the Management Manual.

SCOPE OF REVIEW

13.4 Our objective was to review the information provided by departments and agencies, and compile a summary listing of the cash and property losses reported to us for the year ended March 31, 1999. This review did not consider the losses which resulted from write-offs of uncollectible receivables or advances approved annually by Executive Council.

13.5 We sent letters to departments and crown agencies to confirm the completeness of the losses reported to us. We have performed no additional or specific audit procedures on the losses reported.

PRINCIPAL FINDINGS

Losses Reported

13.6 The following is a summary of the cash and property losses for the year ended March 31, 1999 identified either as a result of our confirmation request or reported to us during the year. Losses reported by the entities for property lost or damaged are determined on a historical cost, estimated market value or estimated replacement cost basis.

Departments Reporting Losses	Cash	Property	Recoveries	Total
Business and Consumer Services	\$ 1,494	\$ 11,424	\$ -	\$ 12,918
Communications Nova Scotia	-	10,067	-	10,067
Community Services	-	17,460	-	17,460
Economic Development and Tourism	-	899	-	899
Health	-	7,691	-	7,691
Justice	526	36,000	-	36,526
Labour	-	3,500	-	3,500
Natural Resources	-	13,018	(2,881)	10,137
Transportation and Public Works	-	52,863	-	52,863
Technology & Science Secretariat	-	2,476	-	2,476
	<u>2,020</u>	<u>155,398</u>	<u>(2,881)</u>	<u>154,537</u>
Crown Agencies Reporting Losses				
Nova Scotia Hospital	608	-	-	608
Nova Scotia Liquor Commission	-	88,806	-	88,806
Office of the Auditor General	-	1,665	(1,415)	250
	<u>608</u>	<u>90,471</u>	<u>(1,415)</u>	<u>89,664</u>
Total Reported	<u>\$ 2,628</u>	<u>\$245,869</u>	<u>\$ (4,296)</u>	<u>\$244,201</u>

13.7 The above table is not complete as not all departments and crown agencies have included values for property items which have been reported to us as lost, damaged or destroyed. For example, the Department of Justice reported that, based on information in its fixed asset inventory system, 61 items have been misplaced and there was no dollar value reported for those items; Department of Natural Resources reported one such item; Business and Consumer Services two such items; the Nova Scotia Hospital 53 such items and the Department of Transportation and Public Works 30 items. These are the only government entities reporting these types of losses and we believe other entities should be required to do so.

13.8 With 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.

Compliance with Reporting Requirements

13.9 Not all entities are complying with the requirement to report losses on a timely basis to Finance and this Office. Failure by some 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.

13.10 There were eight losses with a total value of \$20,025 that were reported by the Department of Transportation and Public Works during this fiscal period that relate to the 1997-98 fiscal period. These items were not received on a timely basis and therefore were not included in that year's Cash and Other Losses report. They are not included in the above listing.

13.11 As stated above, departments are required to report losses to both this Office and the Department of Finance. The Department of Finance provides this Office with a summary of the

losses reported to it during the year. There were significant differences in both the number and value of the losses reported to the Department of Finance and those reported to this Office as shown below.

- The following departments and agencies, reporting losses to this Office, either did not report losses to the Department of Finance or reported lesser amounts:

Department of Community Services
Technology and Science Secretariat
The Nova Scotia Hospital
Department of Transportation and Public Works

- The following departments, reporting losses to the Department of Finance, either did not report losses to this Office or reported lesser amounts:

Department of Health
Department of Economic Development and Tourism
Department of Natural Resources
Department of Fisheries

CONCLUDING REMARKS

13.12 None of the specific losses reported to us with respect to the 1998-99 fiscal year appear to be of such significance (i.e., due to the nature, circumstances or size of the losses) that they warrant further or special attention by this Office at this time. We will consider the results of the Department of Finance internal audit group's work on these reported losses as part of our 2000 review.
