

Chapter 11

Financial Audits in Departments and Crown Agencies

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Financial Audits in Departments and Crown Agencies

Background

11.1 The Legislative Assembly approves the budget that sets out the government's financial plans. The duties imposed on our Office require us to audit the actual financial results and report our findings to the Legislative Assembly.

11.2 Our audit work encompasses financial transactions in all government departments. As well, we audit pension plans and other trust funds, including the Fiscal Stabilization Fund.

11.3 We also audit the Crown Corporations, Boards, Commissions and other Agencies which are listed below. By the date this Report is released we will have issued audited financial statements of all these agencies for the year under review.

11.4 Agencies included in the *Public Accounts*:

- Advisory Council on the Status of Women
- Algonquin Golf Limited
- Algonquin Properties Limited
- Kings Landing Corporation
- Lotteries Commission of New Brunswick
- NB Agriexport Inc.
- New Brunswick Credit Union Deposit Insurance Corporation
- New Brunswick Crop Insurance Commission
- New Brunswick Highway Corporation
- New Brunswick Municipal Finance Corporation
- New Brunswick Public Libraries Foundation
- New Brunswick Research and Productivity Council
- Premier's Council on the Status of Disabled Persons
- Provincial Holdings Ltd.
- Regional Development Corporation
- Regional Development Corporation - Special Operating Agency
- Youth Council of New Brunswick

11.5 Other Agencies:

- Le Centre communautaire Sainte-Anne
- Legal Aid New Brunswick

Scope

11.6 To reach an opinion on the financial statements of the Province, we carry out audit work on the major programs and activities in departments. In addition, we audit major revenue items and a sample of expenditures chosen from departments. We also test controls surrounding centralized systems.

11.7 We take a similar approach to our testing of the Province's pension plans. Our objective in doing this work is to reach an opinion on the financial statements of each plan.

11.8 Because of the limited objectives of this type of audit work, it may not identify matters which might come to light during a more extensive or special examination. However, it often reveals deficiencies or lines of enquiry which we might choose to pursue in our broader-scope audit work.

11.9 It is our practice to report our findings to senior officials of the departments concerned, and to ask for a response. Some of these findings may not be included in this Report, because we do not consider them to be of sufficient importance to bring to the attention of the Legislative Assembly.

11.10 Our work in Crown agencies is usually aimed at enabling us to give an opinion on their financial statements. During the course of this work, we may note errors in accounting records or weaknesses in accounting controls. We bring these matters to the attention of the agency, together with any recommendations for improvement.

11.11 This chapter of our Report summarizes issues related to departments and Crown agencies which we consider to be significant to the members of the Legislative Assembly.

11.12 Our examination of the matters included in this chapter of our Report was performed in accordance with Canadian generally accepted auditing standards, including such tests and other procedures as we considered necessary in the circumstances. The matters reported should not be used as a basis for drawing conclusions as to compliance or non-compliance with respect to matters not reported.

Accounts receivable**Background**

11.13 Most governments emphasize the controlling of expenditures more than the collecting of revenues. With minor exceptions, provincial departments do not have the authority to spend collected revenue. As a result, there is often no budgetary motivation for departments to spend

time and effort in the receivable areas or to maximise collection activities.

11.14 An examination of the accounts receivable collection process by our Office provides us with some assurance on the validity and collectability of receivables in the Province's financial statements.

11.15 For these reasons we reviewed the management of accounts receivable in three departments. We reviewed the provincial administration policies and believe they provide a good framework for departments to use in establishing their collection policies.

11.16 The purpose of our audit was to determine if the departments had a comprehensive collection process, which is in compliance with government policy.

11.17 We expected departments to have documented systems for collecting accounts receivable and to be in compliance with administration manual policies. This would at least mean that: collection procedures would be standardized (documented for each type of receivable); an accurate ageing analysis of outstanding accounts would be performed on a regular basis and delinquent accounts acted upon; a mechanism exists for evaluating the performance of the collection function; and information is available on the costs of collections.

Department of Business New Brunswick

Monitoring and collection of receivables needs improving

11.18 Total accounts receivable in this Department at 31 March 2002 were in excess of \$277 million. Most of the Department's accounts receivable are outstanding loans relating to economic development, fisheries and agriculture.

11.19 The collection of receivables has not been emphasised in the Department and receivables are not always collected on a timely basis. Proper follow-up procedures are needed to ensure timely collections. Government policy requires that any variation of repayment terms must be made and approved in writing prior to the due date.

11.20 Government policy also requires proper follow-up procedures to ensure repayments are made on a timely basis. We noted one case where a company had interest outstanding on three loans in the amount of \$2,798,623. One of these loans was to have monthly payments of \$75,000 but the company had not made a payment for over sixteen months on this account. The company appeared to be viable and making money. When they were contacted by an officer, the company paid \$2,859,084.

11.21 A number of files had no recent information. In one case the last time company financial statements were provided was in 1999 for the year 1997.

11.22 Over 85% of general receivables were over ninety days old including several greater than one year.

Recommendation

11.23 We recommended that the Department establish and document a system to monitor and collect overdue receivables. Proper follow-up procedures should be enacted to ensure all payments are made on time and in the correct amounts.

Reporting to senior management needs improving

11.24 There are no specific reports to inform management of overdue or delinquent accounts. The only report used is the aged receivables report, which is inadequate for management purposes and inaccurate in some cases. Exception reports would aid in improving the management of receivables. These reports should provide the information required to monitor the status of problem accounts, prompt collection efforts, identify potential problems and enable timely corrective actions.

Recommendation

11.25 We recommended a system to report on outstanding accounts be developed. Receivable reports should be produced on a regular basis and distributed to senior management for review and comment.

Aged receivable listing is not accurate

11.26 The aged receivable listing is not up to date for changes in agreements. For example, a company with an outstanding balance on the receivables list entered into a new agreement to pay. The receivable system was not updated resulting in an incorrect receivable amount for months.

11.27 Additionally the list incorrectly shows capitalised interest being in arrears. Such interest is only due on maturity of the loan.

Recommendation

11.28 We recommended the Department ensure procedures are developed to provide information, in a timely manner, in order to update client records. This should ensure an accurate aged receivable report.

Overdue receivables

11.29 We noted cases where clients had outstanding accounts receivable balances which were over 120 days old. Some of these were service charges for guarantees. Once a guarantee is given, the company has no incentive to pay the current or prior service charges. New guarantees are given without payment of old service charges. Government policy indicates that arrears should be brought up to date before funds are advanced. Collecting service charges when guarantees are given would help alleviate this problem.

Recommendation

11.30 We recommended collection of fees and follow up of outstanding balances be made a priority. In each case it should be decided if outstanding monies should be collected before economic incentives are given or extended.

Documentation in files needs improving

11.31 Client files are not always complete. One file reviewed showed the client making payments different from those in the terms of the agreement. However, there was no indication that there had been a new agreement. Some files had no current information indicating whether there had been any recent contacts.

Recommendation

11.32 We recommended all files be updated on a regular basis and the client status reviewed even if no action was taken. All files should include up-to-date agreements.

Write-off of old receivables not timely

11.33 Some receivables are several years old and need to be investigated in order to determine if write-off is necessary. Receivables not collectable should be written off.

Recommendation

11.34 We recommended old receivables be written off promptly when it is deemed they will not be collected.

Departmental response

11.35 The Department provided the following response to our observations and recommendations:

Prior to your review, we had recognized deficiencies in the reporting, monitoring and collection of the accounts receivable of the Department and we had commenced activities to address them. An evaluation of the Nortridge Loan Software had been completed and we were in the process of implementing it with a target date of September 1, 2002, to be operational. We believe this new system will be a valuable tool in providing us with the access to information that will allow us to better monitor our accounts receivable.

Reporting to senior management will be improved significantly with the Nortridge Loan System. Currently, management receives an aged listing of all accounts receivable each quarter. These reports will be provided on a monthly basis as well as a past due report by loan officer. The information will be presented in a more manageable format and on a timely basis so that problems are addressed, corrective action is taken, and the accuracy of information is ensured. The officers will be required to review their accounts each month and to report on the status of each and the actions taken.

A collection policy is being developed to provide guidelines for the monitoring and collection of overdue receivables. Currently, invoices are sent on a monthly basis for amounts owing to the Province and reminders are forwarded regularly for past due accounts. We are developing a policy that will establish a disciplined process for the follow up of accounts when they are 60 days, 90 days, and over 120 days past due. This policy will ensure better communication with senior management and the client, will

force action on delinquent accounts, and will provide for a timelier write-off of receivables deemed to be uncollectible. It is our intention to present the proposed policy to the Board of Management before December 31, 2002.

As part of the implementation of the Norridge Loan System, a general review of outstanding loan accounts has been completed. Accounts are being investigated and a list for write off is now being prepared.

The Department has increased its emphasis on the monitoring of loan accounts. We are insisting on the completion of an annual review of all loan accounts by the loan officers to ensure that the conditions of the loan agreements are upheld and the required documentation is provided by the client. Monitoring is a primary responsibility of the loan officers and has been included in their individual work plans on which their performance will be evaluated.

Department of Finance

11.36 Our main focus in this Department was on property tax receivables, which totalled \$579.5 million at 31 March 2002. Of this amount, \$102 million represented arrears to 2001 and prior years; the balance of \$477.5 million represented the 2002 tax levied on 1 March 2002.

Monitoring and collection of receivables can be improved

11.37 The collection of property tax receivables has not always been the main focus of collection activities in the Department. In prior years the focus was on other receivables such as sales tax. This has now changed and there are currently twice as many people dedicated to collecting property tax receivables as there were two years ago. This additional staff should help reduce the number of overdue accounts.

11.38 Property tax receivables are not always collected on a timely basis as indicated by the large number of accounts (39,000) one year or more in arrears. Included in the 39,000 accounts are 15,000 that are three years or more in arrears.

11.39 Proper follow-up procedures are needed to ensure timely payments. This would include follow-up on missed payments or deviations from agreements made with the Department for the repayment of taxes owing.

11.40 We reviewed twenty-four property tax accounts to see what the documented collection activity on file would show about the monitoring and collection of outstanding accounts. Many of these properties were included in classes of accounts (not-for-profit and parks) under study by the Department. For this reason no recent contact had been made. Others had no recent documented contact for a variety of reasons.

11.41 In one case a taxpayer owed property, gasoline and sales tax. An agreement was made to make monthly payments, keep current with property tax, and make a lump sum payment on the arrears at the end of the agreement in October 2001. The taxpayer did not keep current on the property tax or make the lump sum payment. As at June 2002 there was no indication in the file of any further actions to collect this debt or a new agreement to deal with outstanding monies owed. The Department accounts receivable collection policy states that if a taxpayer fails to make scheduled payments in accordance with the agreement and if the collection officer is unsuccessful in securing the required payment, the account will be forwarded to departmental staff in order to begin tax sale action. This was not done in this case.

Recommendation

11.42 The Department should put in place appropriate follow-up procedures to ensure all repayments are made on time and in accordance with the terms of the agreements.

Departmental response

11.43 *The department had recognized the need to automate the process for timely monitoring of payment arrangements to ensure the arrangements were being honored. As was identified during the audit, the department was well underway to enhancing its payment arrangement tracking system. The required changes to this system have been completed and tested. We are now in the process of converting the existing arrangements to meet the standards required of the enhanced system and once the conversion is completed all property tax arrangements will be monitored on a monthly basis. Expected payments will be automatically matched, against a payments received file, and exception reports will be generated and reviewed by the appropriate staff. We anticipate that this automated monitoring will be fully operational before year-end.*

Timeliness of client contact

11.44 Certain clients that are in arrears may justify earlier contact than others. Such an example would be non-residential and commercial properties where the business has a potential of going bankrupt. It may be worth while to review the more risky accounts and increase collection activity earlier.

Recommendation

11.45 The Department should review its policies in regards to the timing of client contacts. It may be appropriate to contact certain clients sooner than others.

Departmental response

11.46 *The department is in the process of updating its collection procedures with a stronger focus on aging, dollar value and ratio of balance due to assessed value. In addition, the department had recently hired a fourth collection officer whose main function is receivable accounts involving not-for-profit organizations and large dollar value accounts.*

Documentation in files needs improving

11.47 The property tax files have a lack of documentation. There was no evidence in the files to indicate why some properties were sent to tax sales while others were not. Also there was no information on file to explain why decisions were made. For example, in one case we examined, the first action noted was to send a collection letter and obtain tax sale data. As this is one of the final steps in the collection process, we expected to see other information about prior contacts in the file.

11.48 Also there was no evidence in the consumption tax files that collection procedures were applied equitably and consistently. There was no indication in the files on how decisions were made on the amounts sent for remission, on payment terms or on forgiveness of interest and penalties. If a client has an agreement for a remission or reduction of debt, the files should be updated with information to provide backup for the agreement or remission.

Recommendations

11.49 All files should be updated as they are reviewed. Files should include all agreements as well as backup for the agreements.

11.50 The rationale and documentation for reductions and forgiveness of interest and penalties should be included in the files.

Departmental response

11.51 *The department concurs that all agreements taken should be noted on file, including all supporting documentation, and updated after each review, and this is, in fact, our policy. We acknowledge that improvements can be made on the information that is placed on file to explain the rationale for decisions involving forgiveness of penalty/interest. Therefore, we concur with this recommendation.*

Write-off of old receivables not timely

11.52 Receivables that are not collectable should be written off. We noted several accounts on the books which appeared to be uncollectable.

Recommendation

11.53 Receivables should be written off when it is deemed they will not be collected.

Departmental response

11.54 *The department agrees with this recommendation and steps have already been taken to finalize the pending remissions and deletions. The department will submit future requests for write-off approval in a timely manner.*

Not-for-profit receivables are severely overdue

11.55 The Department's collection policies are not being followed in regards to the not-for-profit accounts. The collection policy states that if a satisfactory payment arrangement cannot be obtained, the account is to be referred to the tax sale area.

11.56 In 1997 a Board of Management minute allowed all not-for-profits to pay their outstanding property tax and have all related interest forgiven. This minute was for all arrears before the 1998 taxation year. The minute also allowed the Department of Finance to

enter into reasonable long-term repayment agreements with the not-for-profits. The legislation was also changed and the rates to be paid by not-for-profits were reduced for the years 1998 onward. We were pleased to see this initiative taken by the Board of Management in an attempt to resolve the situation. However we have noted that a number of the not-for-profits have not taken advantage of this opportunity.

11.57 Not-for-profits represent approximately \$39 million or 38% of the total receivables in property tax. Of this amount, \$6.6 million represents tax levies, with \$32.4 million representing accumulated penalty. Of the \$32.4 million in accumulated penalty, \$32.3 million can, with Board of Management approval, be cancelled upon payment of the associated tax levies. While many not-for-profits have paid on a regular basis, some have not and are expecting or wanting special treatment. Some not-for-profits have not been contacted in a number of years. This situation is once again under review by the Department of Finance

Recommendation

11.58 The Department should decide on a course of action to deal with these delinquent taxpayers.

Departmental response

11.59 The department intends to bring forward, in the near future, a further proposal for addressing these accounts for consideration by government.

Setting and achieving targets

Property tax target

11.60 The Department manages the collection of a large number of receivable accounts. There were 39,124 receivable accounts outstanding for more than twelve months at June 2002. Including the not-for-profits the total value of these old receivables was \$82.5 million. We were concerned about the large number of accounts still outstanding and wondered how the Province would compare with other jurisdictions (provinces, municipalities, etc.) in this respect. While we did not perform any comparative work on our own we do feel this type of information would be available from other jurisdictions. Comparative information would be helpful to the Department in evaluating its own performance and in setting targets for improvement.

Targets for staff

11.61 Staff and management should be held accountable for monitoring and collecting all receivables. To better assess their performance the Department should have performance goals and targets against which to assess their efforts. These goals and targets should form part of the annual review of staff performance.

Annual reporting

11.62 Currently little information is presented in the annual report in regards to receivables, collections, or performance measures relating to collections. More financial information in the report would provide useful information on the Department's performance.

Recommendations

11.63 The Department should set a target level(s) for receivables collection based on the best collection experience of other jurisdictions and aim to meet or exceed that level.

11.64 The Department should determine appropriate performance measures for staff and set clear, measurable goals related to its programs for collecting overdue taxes. It should also monitor performance relative to these goals.

11.65 Public reporting should include financial information and performance measures relating to the collection function. The Department could include, as part of the accountability information it provides to the Legislative Assembly, year-to-year comparisons of:

- the number and dollar value of taxpayer defaults during the year;
- recoveries and write-offs;
- timeliness of collection;
- costs of programs for collecting overdue taxes; and
- the balance of overdue accounts at year end.

Departmental response

11.66 *Although New Brunswick is somewhat unique in that the property tax field is shared with municipalities, with the Province performing the collection function, we concur that information on successful collection practices in other jurisdictions will assist our administration. As such, research will be conducted to identify jurisdictions with high success rates in collections.*

11.67 *The department is establishing both short and long-term target objectives for receivables collection. These performance measures will extend to the individual collection staff and performance will be monitored relative to these goals. Strategies have been developed and implemented for ultimately bringing all accounts to a current status.*

11.68 *The department will consider including more extensive collection information in Annual Reports provided to the Legislative Assembly.*

Department of Justice

11.69 Total accounts receivable in this Department at 31 March 2002 were in excess of \$20 million. Over \$12 million of this amount relates to outstanding court fines, and \$7 million to insurance premium taxes.

Reporting to senior management needs improving

11.70 There are no specific reports to inform management of overdue or delinquent accounts. The only report used is the aged receivables report, which is inadequate for management purposes and inaccurate in some cases. Exception reports would aid in improving the management of receivables. These reports should provide the information required to monitor the status of problem accounts, prompt collection efforts, identify potential problems and enable timely corrective actions.

Recommendation

11.71 We recommended a system to report on outstanding accounts be developed. Receivable reports should be produced on a regular basis and distributed to senior management for review and comment.

Departmental response

11.72 *The Department will develop an aged receivable report by September 30, 2003. Thereafter, the Aged Receivable Report will be produced monthly. An aged receivable analysis report will be provided to Senior Management on a regular basis.*

Monitoring and collection of receivables needs improving

11.73 The collection of receivables has not been a priority in the Department. No individual is responsible or trained for the collection of court fines. The current procedure is to have a warrant issued when an individual's fine goes into default. This procedure is not sufficient for collection of receivables as no action occurs until the individual comes into contact with the justice system again.

11.74 Staff and management should be accountable for monitoring and collecting receivables. To better assess their performance the Department should have performance targets and indicators.

11.75 Receivables prior to October 1999 of \$4.6 million are outstanding. Some of these date back as far as 1982. Staff indicated the information on the receivables prior to 1999 may not be accurate. During our audit we found one case where an amount owing of \$245,000 from 1997 had already been satisfied. After presenting this finding to staff, they investigated another 36 outstanding receivables for fines greater than \$10,000. Staff found that 11 of 36 cases had been satisfied, one defendant was deceased, and there was one error. The 11 satisfied cases reduced the receivables by approximately \$600,000.

11.76 Also included in the 36 accounts was one defendant, from October 1997, with two outstanding fines totalling \$46,420 upon which no action had been taken. We understand this is because the Crown is considering filing a civil judgement. Two defendants of the 36 (total \$40,400) had never had warrants of committal prepared for fines and four of the 36 (total \$49,415) had their warrants returned or unexecuted.

11.77 In 2000-2001 approximately \$1.3 million in fine revenue was recorded of which \$800,000 was still receivable at the end of the year. This indicates only \$500,000 of the revenue was collected in that year.

Recommendations

11.78 We recommended a formal collection system be established to collect overdue court fines.

11.79 In the short term, the Department should develop strategies, including specific objectives, to eliminate the backlog of receivables. Priority should be given to collecting large fines.

11.80 Data prior to 1999 should be verified to ensure it contains accurate information for collections and to ensure the receivable balances are correct.

11.81 The Department should prepare a business plan that identifies the cost-effectiveness of collection alternatives. This plan should be used to obtain the necessary resources to provide cost-effective collections of unpaid fines. The Department may want to consider the use of outside private sector agencies.

11.82 The Department should use performance targets, standards, and indicators to measure collection performance. These measurements should be used to evaluate the success of collection efforts and to hold staff and managers accountable for their performance.

Departmental response

11.83 *Office of the Comptroller will be consulted to discuss establishing a formal collection system that is cost effective, for overdue court fines. In the meantime, a concerted effort will be made to collect on the larger outstanding fines. The Department will continue to hold default hearings and issue warrants of committal.*

11.84 *A plan to clean up converted data will be established by November 30, 2002. The goal is to have accurate converted data balances by March 31, 2003.*

11.85 *The Department of Justice will revisit collection and enforcement practices. Cost-effective collection alternatives, in the form of passive enforcement mechanisms, have been examined and would require government policy approval.*

11.86 *Performance targets, standards will be part of the accounts receivable strategy mentioned above.*

Improvements in public reporting needed

11.87 No accounts receivable information or performance measures in regards to collections are presented in the annual report. Court fine receivables are approximately \$12 million. Included in this receivable are fines being satisfied without any payment of cash, for example, by serving jail time.

Recommendation

11.88 We recommended that annual reporting should include financial information and performance measures relating to the collection function. The Department could include, as part of the accountability information it provides to the Legislative Assembly about receivables, year-to-year comparisons of:

- the number and dollar value of fines satisfied during the year including fines satisfied by serving jail time;
- recoveries and write-offs;

- **timeliness of collection;**
- **costs of programs for collecting overdue receivables; and**
- **the balance of overdue accounts at year end.**

Departmental response

11.89 *Statistics on outstanding fine receivables will be produced in the Department of Justice Annual Report for fiscal 2003-04.*

Write-off of old receivables not timely

11.90 Receivables not collectable should be written off. Currently some long outstanding receivables relate to NSF cheques from 1993 and court fines from 1982. The last write-off of receivables was in 1998.

Recommendation

11.91 **We recommended old receivables be written off promptly when it is deemed they will not be collected.**

Departmental response

11.92 *A report and recommendation will be made annually to Board of Management for the write off of old receivables.*

Insurance Branch Receivable System needs improvement

11.93 The current system does not produce reports for overdue receivables or for late payments. Each company must be checked manually on the system to ensure that all payments have been made. No ageing of receivables is available from the system. In order to determine if a company is delinquent in its payment, staff must manually go through each company's records to determine if any payments are late or missing. The *Premium Tax Act* indicates exact payment dates by which companies must submit fees.

Recommendation

11.94 **We recommended that the Insurance Branch system be modified to produce reports which track overdue receivables. The system must identify if companies are delinquent in their payment to ensure the *Premium Tax Act* is being followed.**

Departmental response

11.95 *Information systems staff are currently enhancing the insurance system. Testing for Phase I will be completed by November 1, 2002. The delinquency report will be available by November 1, 2002.*

Department of Public Safety**Motor vehicle revenue**

11.96 During the year, we completed an audit of the Department of Public Safety – Motor Vehicle Revenue. Our audit included a review of the systems in place to control revenue from *Motor Vehicle Act* fees and fines, and motor vehicle inventory.

Agreement with Service New Brunswick (SNB)

11.97 There is no recent agreement between the Department and Service New Brunswick (SNB). An older agreement (dated 6 September 1995) between SNB and the Department of Transportation was found. This agreement had not been updated to reflect the shift of motor vehicle responsibilities to the Department of Public Safety. Also some services are not included in this agreement. For example, the maintenance and control of the various motor vehicle inventories (tickets, stickers, etc.) are not mentioned at all in this agreement.

Recommendation

11.98 We recommended the Department formalize a new agreement with Service New Brunswick to clarify its expectations with regard to motor vehicle revenue and inventory. We made several other recommendations concerning the process for transferring funds from SNB and record keeping for motor vehicle inventory.

11.99 Control of *Provincial Offences Procedure Act* (POPA) tickets can be improved. The control systems in place provide no assurance that POPA tickets sent to the courts by police forces are fully accounted for. Currently copies of paid, void and “gone to court” tickets are sent by law enforcement agencies to SNB to update the ticket inventory. There are no controls in place to ensure that “gone to court” tickets arrive at the court and that the Department’s portion of the ticket is received by the Department after court for processing in the Department’s record system.

Recommendation

11.100 We recommended that only copies of paid and void tickets be forwarded to SNB by police agencies. Tickets destined for court should be taken to the courts as court dates occur. The court should then keep its copy and forward all other copies to the Department for processing. The SNB copy would then be sent to SNB and the ticket inventory updated. This would provide assurance that all tickets processed through the court system are properly accounted for and that the Department’s record system is updated as required. This would also provide more meaningful and accurate tracking of POPA ticket inventory by SNB.

Departmental response

11.101 The Department provided the following response to our observations and recommendations.

The recommendation to formalize a new agreement with Service New Brunswick is almost complete. A draft document has been prepared to identify the guiding principles to be used in interactions between the Department of Public Safety and Service New Brunswick. Other agreements dealing with specific services and procedures will be completed and attached to this document as Appendices. The recommendations in your report have been referred to the committee drafting this report and will be reviewed for incorporation into the agreement.

We have identified a need to review all revenue handling policies and procedures in Licensing and Records (Motor Vehicle) and have contacted the Office of the Comptroller to participate in a joint review by their staff and our internal audit staff. Your recommendations regarding this area will be incorporated in the revised policy and procedures developed by the review team.

Losses through fraud, default or mistake

11.102 Section 13(2) of the *Auditor General Act* requires us to report to the Legislative Assembly any case where there has been a significant deficiency or loss through fraud, default or mistake of any person.

11.103 During the course of our work we became aware of the following significant losses. Our work is not intended to identify all instances where losses may have occurred, so it would be inappropriate to conclude that all losses have been identified.

Department of Finance

- Theft of laptop computer \$4,000

Department of Education

- Missing equipment, money and supplies in various school districts \$36,158

Department of Transportation

- Missing equipment and supplies in various districts \$37,418

Department of Health and Wellness

- Missing money and equipment and ineligible Medicare service claims \$5,286

Department of Training and Employment Development

- Missing equipment in various community colleges \$9,965

Department of Family and Community Services

- Cheques cashed by persons not eligible to receive the funds \$33,774

Department of Natural Resources and Energy

- Missing equipment \$21,021

11.104 Losses reported by our Office only include incidents where there is no evidence of break and enter, fire, or vandalism.

11.105 The Province reports in Volume 2 of the *Public Accounts* the amount of lost tangible public assets (other than inventory shortages).

11.106 In 2002, the Province reported lost tangible public assets in the amount of \$135,471 compared to a loss of \$194,802 reported in 2001.