

5.5 Accounts Receivable

Government's financial information indicates that it does not do a good job in collecting amounts owed to it. Government has historically focused on expenditures and not revenues. The lack of focus on revenues is a contributing factor in why Government does not do a good job in collecting amounts owed to it and, therefore, a significant portion of its receivables have either been written off or are considered doubtful of collection.

Figure 21 provides information on amounts owed to Government departments for each of the 14 years to 31 March 2005 along with the amount that Government considers to be uncollectible and amounts written off. These amounts owed include accounts and taxes receivable, as well as loans, advances and mortgages receivable.

Figure 21

**Consolidated Revenue Fund
Accounts, Taxes, Loans, Advances and
Mortgages Receivable
Year Ended 31 March
(\$ Millions)**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
Total Receivables	534	531	544	552	537	475	462	469	450	515	488	466	501	471	
Less: Amounts Considered to be Uncollectible	239	242	256	279	280	215	212	242	248	273	260	218	243	180	
Net Receivables	295	289	288	273	257	260	250	227	202	242	228	248	258	291	
Amounts Written Off	1	80	14	5	21	70	8	2	13	2	19	32	1	53	321

Source: Consolidated Revenue Fund Financial Statements

As Figure 21 indicates, at 31 March 2005 Government departments were owed \$471 million of which \$180 million is considered to be uncollectible. In addition, since 1992, Government has written off a total of \$321 million.

Figure 22 provides details on the \$471 million owed to Government as at 31 March 2005.

Comments on Selected Financial Information and Other Matters

Figure 22

**Consolidated Revenue Fund
Amounts Owed to Government
31 March 2005
(\$ Millions)**

Type of Receivable	Balance	Amount Outstanding in excess of one year	Amount considered doubtful of collection
Crown Agencies	149	103	67
Taxes receivable	141	49	38
Offshore royalties	42	0	0
Student loans	36	36	18
Miscellaneous receivables	34	8	5
Social Assistance Overpayments	28	27	20
Court fines	25	20	21
Commercial loans	15	15	11
Other	1	1	0
Total	471	259	180

Note 1: Comprised of: Business Investment Corporation, \$71 million;
Newfoundland Industrial Development Corporation, \$29 million;
Newfoundland and Labrador Liquor Corporation, \$42 million; and
Newfoundland and Labrador Film Development Corporation, \$7 million.

During the last 14 years Government has written off \$321 million in accounts receivable owed to it. Details of these amounts written off are presented in Figure 23.

Comments on Selected Financial Information and Other Matters

Figure 23

**Consolidated Revenue Fund
Accounts and Loans Receivable Written Off
1992 to 2005
(\$ Millions)**

Entity	Amount
Business Investment Corporation	49.5
Baie Verte Mines Inc.	47.5
Newfoundland Industrial Development Corporation	29.2
Hotel Buildings Limited	26.0
Newco Corporations	21.8
Newfoundland Enviroponics Limited	15.2
Integrated Poultry Group of Companies	12.3
Enterprise Newfoundland and Labrador	10.9
Friede Goldman	10.0
Miscellaneous amounts which are less than \$300,000 individually	8.3
Newfoundland Dockyard	8.1
Social Assistance Overpayments	6.8
Ocean Harvesters Limited	6.6
SCB Fisheries	6.5
Cape Pine Fisheries Ltd.	6.5
Fisheries Loan Board of Newfoundland	4.4
Department of Health and Community Services	3.9
Court fines	3.9
St. Lawrence Fluorspar Limited	3.9
Fisheries Loans	3.8
Notre Dame Bay Fisheries	3.8
Universal Group of Companies	3.5
Other government departments - accounts written off	3.3

Comments on Selected Financial Information and Other Matters

Figure 23 (cont.)

Entity	Amount
Harbour Grace Fishing Company Limited	2.4
Oceana Seafood Processors Limited	2.2
St. Clares Mercy Hospital	2.0
Superior Seafoods Limited	1.6
St. John's Metropolitan Area Board	1.5
Governor's Park Limited	1.4
Great Northern Seafoods Limited	1.4
Petty Harbour Fishermen's Producer's Co-operative Society Limited	1.3
Blue Ocean Products Limited	1.3
Gander Masonic Memorial Complex	1.2
Salvation Army Grace General Hospital	1.0
Reid's Products Limited	0.9
Petty Harbour Fisheries Ltd.	0.9
Belle Isle Seafoods Ltd.	0.8
S. T. Jones and Son Limited	0.8
White's Fisheries Limited	0.8
Northeast Coast Sealers Co-op Society Limited	0.6
Island Tile and Slate	0.5
Nordco Limited	0.5
Reg Petten	0.5
W. Deluney and L. McCarthy	0.4
Sop's Arm Fisheries (1988) Limited	0.3
Ocean Kist Products (1970) Ltd.	0.3
Trouty Seafoods Limited	0.3
Total	320.6

Comments on Selected Financial Information and Other Matters

The presence of appropriate collection procedures is important, not only for purposes of reducing receivable balances, but also for use in developing historical collection information which can be used as a basis for establishing an appropriate allowance for doubtful accounts. The submission of complete and accurate information by departments is essential to the preparation of the financial statements of the Province.

The lack of adequate collection efforts at departments is a contributing factor in Government's poor performance in collecting amounts owing to it. As part of the audit of the Financial Statements of the Province for the year ended 31 March 2005, we reviewed the submissions made by the various departments to the Government Accounting Division of the Department of Finance for inclusion in the Province's financial statements. Our review indicated that many of the accounts receivable balances included in submissions had been outstanding for lengthy periods of time, in many cases in excess of one year. Figure 22 indicated that at 31 March 2005, \$259 million of the total \$471 million in accounts receivable was outstanding in excess of one year. We noted that collection efforts in many of these cases were inadequate.

In 2002 Treasury Board Secretariat issued a letter to all deputy ministers regarding accounts receivable collection. The letter, dated 19 August 2002, referred to a decision by Treasury Board relating to a number of initiatives. The initiatives and their status are as follows:

- Departments were directed to document policies and procedures relating to the collection of accounts receivable. Although a follow-up letter was issued in December 2003, our review disclosed that the departments of Environment and Conservation; Health and Community Services; and Education have not yet documented their accounts receivable procedures.
- The Department of Finance, in consultation with the Office of the Comptroller General, was to establish a Central Provincial Collector function to provide assistance and training to departments in their collection efforts. However, although officials at the Department of Finance indicated that a plan has been developed, no Central Provincial Collector function has been established to date.

Another initiative that could be utilized by more departments relates to the Office of the High Sheriff of Newfoundland and Labrador. That Office has a Judgment Enforcement Registry that all Government departments could use to register amounts owing to Government. This Registry is checked by all financial institutions and other lenders before they will provide credit and, therefore, if used by departments would effectively eliminate or restrict the ability of Government debtors to obtain credit until they settled their debts to the Province.

Our review of the various departments disclosed that of thirteen departments which have accounts receivable balances and which could take advantage of this Registry, only four use the Registry. The four departments which use the Registry are: Finance; Fisheries and Aquaculture; Innovation, Trade and Rural Development; and Justice.

Recommendations

Government should be more diligent in collecting amounts owed to it.

The initiatives identified by Treasury Board should be implemented.

Departments should register amounts owing with the Office of the High Sheriff.

5.6 Adjustments in Public Accounts Submissions

Each year in preparing the Public Accounts, the Office of the Comptroller General relies on submissions and information received from the various departments. In recent years I have noticed that there has been an increase in the quantity and types of errors in the departmental submissions. Although my audit work can identify errors in items that are included in the submissions, it is not always possible to identify items that have been omitted. The presence of errors in submissions supporting the financial statements of the Province presents a major risk in completing these financial statements and ensuring their accuracy.

Figure 24 provides a summary of the absolute dollar value of errors detected during our audit of the Public Accounts for the years ended 31 March 2005 and 31 March 2004. As the Figure shows the absolute dollar value of errors has increased from \$40.7 million in 2004 to \$75.5 million in 2005.