

# ANNUAL LOSS SUMMARY REPORT

## Risk Management Branch and Government Security Office

NOTE: Annual Loss Summary Reports for programs are not included within the above graphical statistics.

Four ministries, in addition to reporting General Incidents or Losses, are tasked to report losses associated with their Program Areas. A 1997/98 report by the Auditor General identified that this second tier reporting would be appropriate to the [then] Ministries of Human Resources, Forests, Health, and Transportation and Highways.

(Core Policy 20.2.6) Due to the nature of certain programs, some ministries experience recurring losses from general incidents and/or illegal activities. These ministries often have internal resources dedicated to managing the losses (e.g., Prevention and Loss Management Services Branch). Examples of such loss incidents include:

- Suspected false or fraudulent claims for social benefits, loans, grants, or transfers including employment and income assistance, student loans and MSP.
- Overpayments or erroneous payments.
- Loss of revenue that should have been received or collected.
- Theft of Crown property (e.g., unauthorized timber harvest); damage to Crown property; etc.

These ministries, that have internal resources dedicated to managing losses, must report their loss incidents to the Risk Management Branch by June 30th of each year for the preceding fiscal year, on an Annual Loss Summary Report.

### FISCAL 2011/12 – Annual Loss Summary Reports

MINISTRY OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS	
Number of Loss Incidents	* 58 (FRAP) * 83 (FRPA)
Value of Losses	* \$6,748 (FRAP Assessments) * \$15,868 (FRPA Penalties) * \$4,000,000 (LAND ACT) Unknown (WATER ACT)
Value of Recoveries	* \$6,748 (FRAP Assessments) * \$7,093 (FRPA Penalties) Unknown (LAND ACT) Unknown (WATER ACT)
Net Loss	* \$6,748 (FRAP Assessments) * \$8,775 (FRPA Penalties) Unknown (LAND ACT) Unknown (WATER ACT)

<p>** Reason for Losses</p>	<p><b>FRAP and FRPA</b>  Unauthorized harvest estimated to be 10% of the volume identified in enforcement actions (.1*13294m<sup>3</sup>=1329m<sup>3</sup>) due to the inability to identify responsible parties or those incidents going undetected. Stumpage manipulation through inaccurate appraisal data or inappropriate scaling methodology. FRAP net loss equals zero for full recovery on audited tenures. Non-audited tenures may have some risk of loss but the scale is unknown. Current project underway to identify, analyze and mitigate any loss factors in the revenue stream.</p> <p><b>LAND ACT</b>  Unpaid rent on occupation under tenure or unauthorized occupation of Crown Lands without rent being assessed. Value based on actual revenue against forecasted revenue. Recoveries may occur over budget cycle. Some loss recorded may be due to system anomalies and data recording lags.  Unpaid or unreported royalties on gravel extraction under tenure or unauthorized gravel extraction. In the initial stages of analysis for this fiscal.</p> <p><b>WATER ACT</b>  Unpaid fees on current water licenses or unauthorized water use. In the initial stages of analysis for this fiscal.</p>
<p>** Safeguards and Loss Control Measures</p>	<p><b>FRAP and FRPA</b>  Inspections and investigations by C&amp;E Branch. <i>Forest Act</i> Section 103 stumpage recovery on unauthorized harvested timber brought to determination. <i>Forest Act</i> Part 11.1 Forest Revenue audits on stumpage payments.</p> <p><b>LAND ACT</b>  Broadened mandate of C&amp;E Branch Natural Resource Officers has increased the resource capacity to inspect Land Act tenures to ensure rent payments are paid and rent is collected on those unauthorized occupations that can be tenured. Gravel extraction project initiated to provide a baseline and monitoring system to measure reported royalties against volume removed.</p> <p><b>WATER ACT</b>  Broadened mandate of C&amp;E Branch Natural Resource Officers has increased the resource capacity to inspect Water Act tenures to ensure fees are paid and fees are collected on unauthorized use that can be tenured.</p>
<p>Explanatory Notes:</p> <ul style="list-style-type: none"> <li>• * Estimated.</li> <li>• ** Reasons and safeguards can be explained from the caveat.</li> <li>• FRAP = Forest Revenue Audit Program</li> <li>• FRPA = Forest and Range Practices Act</li> </ul>	

**MINISTRY OF HEALTH**  
**Audit and Investigations Recoveries**

	Number of Audits	Recovered or Ascertained
Investigations Unit	474	\$1,495,349
Audit – Billing Integrity Program	23	\$2,156,206
Audit – PharmaCare Audit	493	\$1,473,708
<b>Total</b>	<b>990</b>	<b>\$5,125,264</b>

Explanatory Notes:

- Includes a combination of amounts identified for recovery and amounts agreed to be paid, but not necessarily yet collected.

**MINISTRY OF SOCIAL DEVELOPMENT**  
**Enforcement Program Initiatives**

Type	Orders/Judgements	Value
Criminal Code Convictions	33	\$409,000
Settlement (in lieu of criminal charges or stay of proceedings)	57	\$278,000
Civil Court Orders	6	\$60,000
<b>Total</b>	<b>96</b>	<b>\$747,000</b>

Explanatory Notes:

- Values rounded to the nearest 1000.
- The number of criminal convictions each year is influenced by the time lags between receiving the allegations, obtaining approvals for charges to be laid and moving cases through the court system to conviction and sentencing.
- "Civil Court Orders" include orders from both Civil Supreme Court and Small Claims Court.
- The value of the court orders/judgements is not necessarily the amounts paid or collected.
- The Ministry of Social Development is committed to supporting BC's vulnerable citizens while maintaining its accountability to taxpayers. The Ministry actively pursues all allegations of fraud.
- Through Prevention and Compliance initiatives, Ministry staff work proactively to manage loss through client repayments, thereby minimizing claims through the BC Court system.
- The Ministry has sanctions in place to encourage clients to accurately and completely report their circumstances including income and assets, employment and family unit status.
- These proactive measures help ensure funds are going to those most in need and that we are fiscally accountable to BC taxpayers.

**MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE**

Incidents Reported	684
Value of Losses	\$2,854,625
Value of Recoveries as of June 11, 2012	\$489,308
Net Loss as of June 11, 2012	\$2,365,317
Potential for Recovery as Files Still Open	\$361,837
Potential Net Loss to Crown	\$2,003,480

## Explanatory Notes:

- Claims are received up to two years after incident date therefore the costs, recoveries and numbers of claims may change retroactively when reporting subsequent year data.
- These figures are based on incidents reported to the Ministry's Claims Section.
- Note not all incidents are reported to the Ministry.