



Industry
Canada

Industrie
Canada

Audit of Revenue

Final Report

Audit and Evaluation Branch

September 2003

Canada 

AUDIT OF REVENUE– AUDIT REPORT

Table of Contents

1.0	Executive Summary	1
2.0	Management Response	4
3.0	Introduction	10
3.1	Background	10
3.2	Audit Scope	10
3.3	Audit Objectives	11
3.4	Audit Approach and Methodology	11
4.0	Spectrum Information Technologies and Telecommunications (SITT)	12
4.1	Overview	12
4.2	Compliance with FIS Requirements	12
4.3	Integrity of Revenue Reporting	13
4.4	Revenue Reconciliations	13
4.5	Impact of Multiple Systems	14
5.0	Industry Canada Corporations Canada (ICCC)	15
5.1	Overview	15
5.2	Compliance with FIS Requirements	16
5.3	Data Integrity	16
5.4	Revenue Reconciliations	17
5.5	Impact of Multiple Systems	17
6.0	Small Business Loans Administration (SBLA)	18
6.1	Overview	18
6.2	Compliance with FIS Requirements	19
6.3	Data Integrity	20
6.4	Revenue Reconciliations	22
6.5	Impact of Multiple Systems	22
7.0	Comptroller	22
7.1	Overview	22
7.2	Compliance with FIS Requirements	23

1.0 EXECUTIVE SUMMARY

The audit of revenue was undertaken as part of the Audit and Evaluation Branch's 2002-2003 audit plan. The overall objectives of the revenue audit were to provide assurance to Industry Canada that:

- revenues reported in the departmental financial statements comply with the financial information strategy (FIS) requirements and are supported by the sector or branch systems;
- data integrity exists in the sector or branch systems such that the summary information provided to and recorded in IFMS can be relied upon;
- revenue reconciliations support the preparation of year-end adjustments; and
- multiple systems are not causing needless duplication of data entry.

In the audit planning phase, the revenue systems of eight of Industry Canada's branches and sectors were reviewed. A number of criteria were developed to select three branches for inclusion in the detailed examination phase of the audit. The criteria ensured that a significant amount of revenue dollars and revenue transactions would be covered in the audit scope and also that a wide cross section of information systems, types of financial processes and revenue streams would be included as well. In addition to the Comptroller which has a significant role in all revenue systems, Industry Canada's Corporations Canada (ICCC), Small Business Loans Administration (SBLA) and Spectrum, Information Technologies and Telecommunications (SITT) were included in the detailed audit examination.

The following audit report details the audit observations and recommendations by branch reviewed. For summary purposes, the following provides an overall assessment and overview of the audit work by audit objective.

AUDIT OBJECTIVE: REVENUES REPORTED IN THE DEPARTMENTAL FINANCIAL STATEMENTS COMPLY WITH THE FINANCIAL INFORMATION STRATEGY (FIS) REQUIREMENTS AND ARE SUPPORTED BY THE SECTOR OR BRANCH SYSTEMS.

The audit team was able to verify with a high degree of assurance that revenue information captured in Integrated Financial and Materiel System (IFMS) was well supported by detailed revenue information in the ICCC, SBLA and SITT information systems. The three branch information systems were developed for branch specific needs and they operate on a cash accounting basis. Procedures were in place to adjust revenues at fiscal year end for the required accrual accounting basis.

Recommendations were made in the audit to improve the documentation and sign-off procedures for the calculation of these year end accrual entries for SITT. Some minor recommendations were also made regarding the management of deposit accounts and refund tracking for ICCC.

The current practise of reporting revenue in the Public Accounts for SBLA by Regional Agency has caused a number of challenges for Industry Canada. The audit team was not able to undertake a reconciliation of revenue amounts reported on a cash basis on SBLA's annual report to parliament

AUDIT OF REVENUE– AUDIT REPORT

and the amounts reported on an accrual basis in the Public Accounts across agencies. SBLA and the Comptroller (Financial & Materiel Management Directorate (FMMD) are currently working on a solution to this reporting issue.

Finally a number of recommendations were made to the Comptroller regarding revenue reporting issues. A material error was noted during the audit on the 2001-2002 deferred revenue amount reported for SITT. The Comptroller should review its account coding for ICCC vote net revenue to ensure that it is appropriately recorded as vote net and other non-tax revenues as per the approved appropriations. Finally, prior to the audit, SBLA noted an input error on the 2002-2003 Main Estimates. Additional financial statement review processes by the Comptroller would reduce the probability of this occurring.

AUDIT OBJECTIVE: *DATA INTEGRITY* EXISTS IN THE SECTOR OR BRANCH SYSTEMS SUCH THAT THE SUMMARY INFORMATION PROVIDED TO AND RECORDED IN IFMS CAN BE RELIED UPON.

Overall, the results of the detailed transaction testing done by the audit team provided a high degree of assurance that revenues were accurately entered into IFMS. SITT in particular exhibited a very high degree of control over the accuracy and completeness of its revenue transaction data.

Recommendations were made for both ICCC and SBLA regarding the tracking and internal verification of certain revenue streams. At the time of the audit ICCC was in the process of implementing a system to track annual return summaries as they become due for processing. This process once implemented will not only provide greater assurance for revenue tracking but also for forecasting of this significant revenue stream.

SBLA and the Comptroller need to work together to determine if the existing reliance on external audit reports to verify amounts due for annual loan administration fees is sufficient or if additional internal control processes need to be formally adopted to complete the revenue verification process. Finally, some recommendations were made for SBLA regarding timeliness and security of its bank deposits.

AUDIT OBJECTIVE: *REVENUE RECONCILIATIONS* SUPPORT THE PREPARATION OF YEAR-END ADJUSTMENTS.

To varying degrees all three branches require additional control processes to improve or implement reconciliation procedures. Of the three branches reviewed, SITT was the only one with complete revenue reconciliation processes in place. Further improvements could be had by SITT by documenting these processes and implementing a schedule for reconciling Branch to IFMS revenue information.

Both ICCC and SBLA had processes in place to reconcile some of their branch revenue information to information reported to IFMS. However, the processes were not in place at the time of the audit to regularly reconcile the summary information reported in IFMS to provide assurance throughout

AUDIT OF REVENUE– AUDIT REPORT

the year. Both branches need to ensure that complete reconciliation procedures are implemented and carried out according to schedule. The Comptroller must be involved in these processes to provide guidance as well as access to IFMS data.

AUDIT OBJECTIVE: *MULTIPLE SYSTEMS ARE NOT CAUSING NEEDLESS DUPLICATION OF DATA ENTRY.*

The three branch systems used to manage revenues for ICCC, SBLA and SITT were all developed for program specific purposes. They varied greatly in their financial capabilities and none of them had the capacity to handle accrual accounting. There is no overlap between information kept in the ICCC system and the financial information reported in IFMS since the ICCC system was designed as a database system that tracks information regarding corporations, has a workflow component to manage work and create an audit trail for work processing as well as an image documenting system. SBLA tracked registration fees received for new loan guarantees but not fees received on individual loans for the annual administration fees. SITT's system was the most advanced and tracked all billing and payment information.

Given the differing purposes of these information systems with IFMS it is for the most part unavoidable that revenue information needs to be entered into the financial system using manual processes. SITT was the only branch noted in the audit where there is currently potential for additional electronic interfaces for financial data.

CONCLUSION:

Overall the audit concluded that for the most part revenue information was accurately processed in the branch systems and that summary information provided to IFMS was reliable. Data captured in the information systems was accurate although improvements could be made in a couple of cases to improve the tracking of revenue due to Industry Canada. The reporting processes for revenue information in public accounts and annual reports need strengthening. There are opportunities to improve the reconciliation processes of information captured between branch systems and IFMS. Finally, due to the differing purposes of the information systems there was limited opportunity to reduce current data entry requirements.

2.0 MANAGEMENT RESPONSE

Below are the management responses received from the Comptroller's Branch, SITT, ICCC and SBLA for each of the 16 recommendations included in this report.

Recommendation #1

SITT should formally document its accounting procedure for the calculation of the year-end deferral. The procedure should include a process for calculating prepayments outstanding at the end of the year and to include these in the deferral. The written procedures for the year end adjusting entries should be approved by the Comptroller.

Management Response Submitted by SITT

The procedures have been set up and a chart for the calculation of the year-end deferred revenue, including prepayments, has been developed and will be included in the ALS Financial Centre manual. The procedures used for this calculation and the list of included revenues will be sent to the Comptroller for review and subsequent approval. Actual year-end adjusting entries are done in IFMS by the Comptroller.

Recommendation #2

SITT needs to implement a formal review and sign-off by a financial officer for its year-end accounting adjustments submitted to the Comptroller. Additionally the Comptroller should review the calculation of all material accruals prior to posting in the public accounts.

Management Response Submitted by SITT

The sign off has commenced this fiscal year 2003 and all documentation were forwarded to the Comptroller's Branch.

Recommendation #3

SITT needs to document its reconciliation procedures, have them approved by the Comptroller, and include these in its Financial Centre policies and procedures. SITT Financial Centre Staff and management should determine an appropriate schedule for these reconciliations and include this information in the formal documentation. Finally, SITT should continue to take steps to automate these reconciliation processes.

Management Response Submitted by SITT

Reconciliations are done on a daily and monthly basis. The procedures will be written in the Fall and will be included in the ALS Financial Centre Manual. The IFMS reconciliation procedures will be sent to the Comptroller for review and subsequent approval. We are in the process of developing a new cash processing system which will automate some of the functions of the reconciliation processes.

Recommendation #4

AUDIT OF REVENUE– AUDIT REPORT

SITT and the Comptroller could consider the feasibility of uploading summary deposit information directly from the Branch system into IFMS. Additionally, SITT could consider the use of Strategis, BCE Emergis and the RG Buy button to further facilitate IFMS integration into its systems.

Management Response Submitted by SITT

Deposits are not entered in the ALS system, transactions are recorded individually by the ALS Financial staff and the district office staff. The ALS Financial Centre and each Region have their own IFMS entry procedures. Costly studies have been done since 1995 and all recommended solutions were not cost effective and also not beneficial to SITT.

Recommendation #5

When ICCC takes over completely the management of the deposit accounts it should take that opportunity to ensure that these accounts are appropriately managed within departmental policy. It should notify clients of overdrawn accounts in an immediate fashion and ensure that any overdrawn account are appropriately recorded as accounts receivable.

Management Response Submitted by ICCC

ICCC agrees with this recommendation. Once the responsibilities are transferred from the Comptroller's Branch, which is planned for early September, it will review the management of the deposit accounts and ensure they are managed in accordance with departmental policy.

Recommendation #6

ICCC should consider implementing ways to reduce the number of refund transactions that are due for foreign currency transactions and CCRA filings. Additionally it should continue its work in developing systematic ways to monitor refund transactions due as a result of its regular operations.

Management Response Submitted by ICCC

In the Fall, ICCC will be implementing a new module within the EBE system which will identify automatically corporations that should be receiving a refund. The system will monitor the status of the applications from the first step where a notice of refunds is sent up to the time where a refund is processed.

ICCC will also review its refund procedures and evaluate if there are opportunities to reduce the number of refund transactions. This will be done in consultation with the Comptroller's Branch.

Recommendation #7

ICCC should continue its plans to develop a systematic method to identify annual returns and summaries due from the active corporations in its database. We recommend this initiative as this additional control will not only enhance compliance but also will provide a means to better track and forecast this significant revenue stream.

Management Response Submitted by ICCC

AUDIT OF REVENUE– AUDIT REPORT

ICCC has introduced, in June 2003, an automatic process within its EBE system that identifies on a monthly basis Corporations that are due to file 30 days prior to the year-end of the Corporations.

A reminder notice is sent to the corporations to incite them in filing their annual returns timely basis and default notices are also being sent to impel compliance on the annual returns not filed.

Recommendation #8

As ICCC implements its new organizational structure for its revenue section, processes should be developed and implemented to systematically reconcile transactions processed by ICCC examiners and officers to fees collected in the IFMS financial system. These should be approved by the Comptroller.

Management Response Submitted by ICCC

ICCC is presently in the process of establishing a new revenue section. One of its mandates for FY 2003-04 will be to develop and implement revenue reconciliation procedures between the various systems. ICCC will seek the Comptroller's approval on the procedures.

Recommendation #9

The Comptroller and SBLA need to work together to ensure that external reporting of SBLA revenue figures are consistent between the public accounts and the SBLA annual report. If accounting for revenues by region is to be continued, the Comptroller needs to review financial reporting across the regional agencies to ensure that they provide consistent reporting of SBLA revenues on the public accounts plates. SBLA should incorporate additional financial information in its annual report that would allow a reader to readily reconcile revenues reported with revenue figures in the Public Accounts.

Management Response Jointly Prepared by SBLA and FMMD

The Small Business Loans Administration (SBLA) is working to improve compliance with FIS requirements. Beginning with the 2002-03 Annual Report, SBLA will be adopting accrual accounting procedures similar to the Public Accounts for the reporting of program revenues and expenses. Furthermore, to increase the consistency and transparency of program reporting, SBLA and the Comptroller are working with the Treasury Board Secretariat, the Regional Development Agencies, and the Office of the Auditor General to repatriate and consolidate the reporting of this program in totality under Industry Canada.

Recommendation #10

SBLA, with the assistance of the Comptroller, should continue to review the reporting relationship of CSBFA revenue across Industry Canada and the Regional Agencies. If this method of reporting is to be retained, additional control processes will need to be implemented to ensure that the revenue is properly reconciled and accurately reported in the Public Accounts.

Management Response Jointly Prepared by SBLA and FMMD

AUDIT OF REVENUE– AUDIT REPORT

SBLA and the Comptroller, in consultation with the Treasury Board Secretariat, the Regional Development Agencies and the Office of the Auditor General, will examine the reporting relationship of financial information across Industry Canada and the Regional Development Agencies. Specifically, we are working towards repatriating and consolidating the reporting of this program in totality under Industry Canada.

Recommendation #11

The Comptroller and SBLA need to ensure that adequate control measures are in place to provide assurance that administration fee revenues received are accurate and complete. The current reliance on the lender's external audit report to provide this assurance should be verified or additional measures added as seen fit by the Comptroller and SBLA.

Management Response Jointly Prepared by SBLA and FMMD

SBLA, in consultation with the Comptroller, will continue to explore ways to increase assurance that administration fee revenues received are accurate and complete. As part of the comprehensive review of the *Canada Small Business Financing Act* starting in the Fall of 2003, SBLA will consult with lenders regarding improved control measures.

Recommendation #12

SBLA management needs to ensure that appropriate back-up personnel are in place to cover key staff during periods of absence and during peak times of the year to ensure that SBLA deposits are made in a timely basis and in accordance with Treasury Board Regulations. SBLA should ensure that adequate safeguarding measures are in place so that cheques awaiting deposit are handled and stored in secure facilities.

Management Response Prepared by SBLA

SBLA Management has put measures in place to ensure that appropriate back up personnel cover key staff absences to ensure that SBLA deposits are made in a timely basis in accordance with Treasury Board Regulations. Measures have been put in place to ensure that cheques awaiting deposit are handled and stored in secure facilities.

Recommendation #13

Comptroller and SBLA need to work together to implement a revenue reconciliation process to ensure that SBLA revenues as recorded in SBLA's branch information system (and subsequently reported in their annual report) and those reported in the Public Accounts, are appropriately reconciled for accuracy.

Management Response Jointly Prepared by SBLA and the Comptroller

SBLA and the Comptroller are working together to ensure that financial information reported in the Annual Report and the Public Accounts are appropriately reconciled. Beginning with the 2002-03 Annual Report, SBLA will be adopting accrual accounting principles similar to that used in the Public Accounts for the reporting of program financial information. This, combined with future consolidated program reporting within the Public Accounts, should ensure the consistency of program reporting and significantly reduce any revenue reconciliation issues.

Recommendation #14

AUDIT OF REVENUE– AUDIT REPORT

Comptroller should implement additional reviews of its public accounts revenue figures prior to finalization to ensure material errors resulting from year-end accruals are captured. These reviews could include:

- *having revenue figures vetted by the Branches and Sectors of Industry Canada to validate the amounts reported and to provide explanation for annual variances; and*
- *reconciling figures reported between the Public Accounts and Industry Canada's Departmental Financial Statements as a control in assuring the accuracy of the reported revenue figures for both documents.*

Additionally, the Comptroller should ensure that the Receiver General is aware of this error in its last year's public accounts plates and that any corrective action necessary is taken to adjust the accounts for 2002-2003.

The Comptroller should provide guidance on how to apply FIS accounting procedures to its staff and to the implicated sectors and should monitor how well it is being done.

Management Response Submitted by the Comptroller

The transition to accrual accounting principles from a modified cash-based system presented many challenges for the staff of the Comptroller's Branch, specifically in the preparation of the Public Accounts and the first set of departmental financial statements. These challenges were not unique to Industry Canada. Staff have obtained considerable knowledge over the past fiscal year and are in the process of developing and documenting new procedures to assist in the reconciliation of revenue figures to ensure the integrity and synchronicity of various public reporting documents.

The Comptroller's Branch and the Receiver General is aware of the error on Form E of the 2001-02 Public Accounts and agrees that enhanced reconciliation measures would improve the accuracy and consistency of revenue amounts.

Recommendation #15

The Comptroller should ensure that sufficient control procedures are established to ensure accuracy of amounts reported in the Main Estimates. At a minimum, this should include appropriate sign-off for accuracy by a staff member independent of the input process of the final document. The Comptroller could also consider having the individual Branches or Sectors sign off on the final Main Estimates 'Plates' prior to submission.

Management Response Submitted by RMD (Comptroller's Branch, Resource Management Directorate)

The Comptroller's Branch is fully aware of the situation described and has already put additional control procedures in place for future years. The Comptroller's Branch staff responsible for the Main Estimates have documented the new procedures in the appropriate files with respect to a duplicate validation of the SBLA numbers for the Main Estimates exercise by a member of the staff who is independent of the input to the final document. Specifically, the Main Estimates plates will be reviewed and approved by the respective sector Senior Financial Management Advisors prior to submission. These new procedures have been communicated to the appropriate stakeholders.

Recommendation #16

AUDIT OF REVENUE– AUDIT REPORT

The Comptroller should review its account coding for ICCC's revenue reporting to ensure that the correct amounts are recorded for vote-net and non-vote-net revenues as per the approved appropriations.

Management Response Submitted by RMD

The Comptroller has looked into the possibility of applying this recommendation, i.e. to modify account coding for ICCC's revenues. As a result, each year, at the end of April, ICCC will prepare a journal voucher to transfer old year user fee revenues above 125% of their net voting authorities to the Consolidated Revenue Fund (CRF). A second journal voucher will be processed in May to transfer old year user fee revenues between 100% and 125% of their net voting authority to the CRF which were not spent by ICCC for the previous fiscal year. This last adjustment will be to finalize the amounts as per the approved authorities.

3.0 INTRODUCTION

As part of its 2002-2003 audit plan, the Audit and Evaluation Branch (AEB) conducted an audit of revenue systems as a means to provide assurance that revenues reported in the departmental financial statements comply with the financial information strategy (FIS) requirements.

3.1 Background

In April of 2002, AEB was initially asked by staff in the Comptroller's Branch to audit revenue systems. After further discussion, it was agreed that in the fall of 2002 an audit would be conducted that would focus on the following four areas:

- the use of the Integrated Financial and Materiel System (IFMS) to record and report revenues;
- integrity of revenue reporting;
- revenue reconciliations; and
- the effect of multiple systems on the revenue management process.

3.2 Audit Scope

Eight revenue generating Branches and Sectors of Industry Canada were initially considered for review in the planning stage of this audit. These were the following Branches and Sectors: Canadian Intellectual Property Office (CIPO); Communications Research Centre (CRC); Competition Bureau (CB); Industry Canada Corporations Directorate (ICCC); Measurement Canada (MC); Office of the Superintendent of Bankruptcy (OSB); Small Business Loans Administration (SBLA); and, Spectrum Information Technologies and Telecommunications (SITT).

A number of criteria were developed and applied to assist in the selection of which branches would ultimately be selected for detailed audit review. These criteria included the following: dollar value and number of revenue transactions in a year, type of revenue received, number and type of information system used for revenue processing, level of reliance on the Financial and Materiel Management Directorate (FMMD) within the Comptroller's Branch for processing revenue transactions, as well as recent revenue reporting issues known to management.

The three revenue systems recommended for detailed examination were those of SITT, ICCC and SBLA. These three branches account for approximately two thirds of the revenue and one third of the revenue transactions of the total population. They also provided a good cross section of the other audit criteria. While the revenue systems of three specific branches were examined, the work of the Comptroller was also included in the scope of the examination for their part of the revenue processing and reporting systems.

3.3 Audit Objectives

AUDIT OF REVENUE– AUDIT REPORT

The main objectives of the audit were to provide assurance that:

- revenues reported in the departmental financial statements comply with the FIS requirements and are supported by the sector or branch systems;
- data integrity exists in the sector or branch systems such that the summary information provided to and recorded in IFMS can be relied upon;
- revenue reconciliations support the preparation of year-end adjustments (most FIS accounting for revenues occurs at the year-end as year-end adjustments); and
- multiple systems are not causing needless duplication of data entry.

An audit program was developed in the planning phase of the audit, applying specific criteria to these objectives and outlining the audit approach that will be undertaken in each case.

3.4 Audit Approach and Methodology

The audit work took place in three phases: the preliminary survey, the detailed examination phase and audit reporting. During the preliminary survey phase of the audit, interviews were conducted with managers from the eight branches under initial consideration, a documentation and policy review was undertaken and finally an analysis of various revenue characteristics was undertaken based on criteria developed for the review work. The deliverable for this phase of the audit were the selection of the three branches for detailed examination, the audit program and the detailed criteria for the audit objectives. Finally the plan of work and time schedule for the audit was developed and agreed to.

The audit program of work was undertaken in the detailed examination phase of the review. In this phase a review of the control systems in place to manage and report revenue in both the branches and the Comptroller was undertaken. Methodology included staff interviews and detailed transaction testing of the revenue systems. The results were analysed and evaluated according to the audit criteria.

The audit findings and recommendations were then discussed with staff in a series of debriefing meetings with both Branch and the Comptroller's staff. Finally, Industry Canada Managers were asked to respond to the audit recommendations. The results of this work are summarized in this report.

4.0 SPECTRUM INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS (SITT)

4.1 Overview

AUDIT OF REVENUE– AUDIT REPORT

SITT assigns licenses to users of the public radio spectrum in accordance with the *Radiocommunications Act* and the *Telecommunications Act*. It has two main revenue streams: Radio Licenses and Auction Revenue.

SITT's revenue streams are significant in that they accounted for some 60% of Industry Canada's revenue in 2001-2002. SITT's main information system, the Assignment and Licensing System (ALS), captures all information regarding the assignment of radio and telecommunications licenses and the resulting financial information. Auctions occur periodically and result in large revenues that are accrued over the life of the assigned licenses and are managed in IFMS.

SITT staff are responsible for all ALS information management as well as all bank deposits and IFMS input. They calculate the year end deferred revenue adjustment and undertake periodic reconciliations of ALS to IFMS information.

Overall SITT's financial processes are in compliance with FIS and Industry Canada policy. For its own purposes, SITT manages its revenues on a cash basis. It maintains its own licensing information system that tracks amounts due and collected for radio license fees. In IFMS, SITT does not record deferred revenues on an ongoing basis. Necessary adjustments are made only at year-end.

There is a high degree of control over invoicing and billings in the ALS information system. The system uses bar-code readers for processing invoices and payments and this is an effective control against data input error. Information provided to IFMS was traced back to ALS invoices and a 100% accuracy rate was noted in the sample. Supporting back-up documentation was readily available to support IFMS summary amount and found to be in excellent order and completeness.

Overall the assessment for SITT was good. As evidenced from the transaction and batch samples exercises and a review of reconciliation controls, there exists a high level of data integrity for cash revenue received by SITT and recorded in IFMS. SITT was also the only branch that had a process in place to reconcile revenue captured in its own information system to IFMS. Opportunities may exist to eliminate data entry between ALS and IFMS at the revenue summary level.

The balance of this section provides details of the recommendations made for SITT.

4.2 Compliance with FIS Requirements

Radio spectrum licenses are structured in such a manner that license revenue is due by March 31st, although it is actually applicable to the next fiscal year. As a result, a large deferred revenue adjustment must be calculated at year end in order to meet the FIS requirement of matching revenue to the appropriate accounting period.

The calculations for the SITT year-end accrual are reasonable for the revenues with one exception. The current entry does not take into account prepayments of revenues that come with new applications at the end of the year but rather only includes revenues associated with the renewal of licences. This omission resulted in an overstatement of 2001-2002 revenue by at least \$2 million, the amount that should have been deferred to 2002-2003. SITT should calculate at year-end the

amount of prepaid revenue for which licenses have not been issued and include this revenue in its deferred revenue calculation.

Additionally, SITT does not have a set of written procedures for this deferred revenue calculation. Having a set of written procedures would lessen the possibility of calculation errors as it would provide a permanent record for this annual calculation as well as to provide a basis for review and approval of the work. To ensure accuracy of the year end adjusting entries, the Comptroller should approve the written procedures.

Recommendation 1: SITT should formally document its accounting procedure for the calculation of the year-end deferral. The procedure should include a process for calculating prepayments outstanding at the end of the year and to include these in the deferral. The written procedures for the year end adjusting entries should be approved by the Comptroller.

4.3 Integrity of Revenue Reporting

The year-end accrual is currently calculated by one of the SITT Financial Centre staff and submitted directly to the Comptroller for incorporation into IFMS. There is no formal review or vetting process in either SITT or the Comptroller for this large accrual. As a result, a calculation error occurred last year that required a large (some \$14 million) readjustment to deferred revenues for the year. Additional control and review procedures within SITT would have helped to ensure the accuracy of its year end adjustments.

Although the calculation of the year-end deferred is SITT's responsibility, it is necessary for the Comptroller to be able to understand and review the calculations and supporting documentation provided by SITT for this accrual. Having a set of written procedures, as indicated in the previous recommendation, would provide the Comptroller with a reference tool to be able to review year-end calculations and supporting documentation provided by SITT for the accrual.

Recommendation 2: SITT needs to implement a formal review and sign-off by a financial officer for its year-end accounting adjustments submitted to the Comptroller. Additionally the Comptroller should review the calculation of all material accruals prior to posting in the public accounts.

4.4 Revenue Reconciliations

SITT undertakes two reconciliation processes to verify the accuracy of the revenues it receives to information recorded in their information system and in IFMS. One reconciliation is done on a daily basis to reconcile bank deposit amounts to receipts recorded in the SITT information system. The second reconciliation is done on a periodic basis and ensures that amounts recorded in SITT's system matches financial information stored in IFMS.

There are currently no written procedures on these reconciliations. Detailed written procedures regarding reconciliations including a schedule of when they are to be performed would provide a

good base of corporate knowledge to the ALS Financial Centre. The upcoming release of the ALS Financial Centre Manual might be a good repository for this information.

Both reconciliation processes are primarily paper-based, particularly the IFMS reconciliation. Steps are currently being taken by SITT staff to automate aspects of the reconciliation processes to alleviate some of the manual calculations required.

Recommendation 3: SITT needs to document its reconciliation procedures, have them approved by the Comptroller, and include these in its Financial Centre policies and procedures. SITT Financial Centre Staff and management should determine an appropriate schedule for these reconciliations and include this information in the formal documentation. Finally, SITT should continue to take steps to automate these reconciliation processes.

4.5 Impact of Multiple Systems

The ALS system used by SITT is primarily a licensing and billing system used to track licenses and the resulting customer accounts. It is not a financial system and is used to produce summary level billings and payment reports.

It would appear that there is no unnecessary overlap of data entry at the transaction level as this detail is only kept in the ALS system. However, information does need to be input an additional time at the summary level (ie. from ALS to IFMS). An interface allowing ALS deposit summary information and credit card summary transaction to be uploaded to IFMS would eliminate duplication of information. Due to the quality of the information maintained in the ALS system, SITT might be considered a good candidate for an electronic interface to IFMS.

Because of operational needs, SITT developed its own bank interface for credit card payments, Spectrum Direct. There is no direct interface to IFMS for this program as there is for BCE Emergis and Strategis. To further streamline the interface of data from its system to IFMS, SITT may wish to consider using the proposed Receiver General (RG) Buy Button.

Recommendation 4: SITT and the Comptroller could consider the feasibility of uploading summary deposit information directly from the Branch system into IFMS. Additionally, SITT could consider the use of the RG Buy button to further facilitate IFMS integration into its systems.

5.0 INDUSTRY CANADA CORPORATIONS CANADA (ICCC)

5.1 Overview

Corporations Canada administers federal laws and statutes governing corporate activity in Canada. The more important statutes are the *Canada Business Corporations Act* (CBCA), Part II of the *Canada Corporations Act* (the not-for-profit legislation), *Canada Cooperatives Act* and the *Boards of Trade Act*. These statutes provide the legal framework for the creation and governance of federal corporate entities, so that they can engage in marketplace activities on a for-profit and not-for-profit basis.

Its revenue streams result mainly from new incorporation requests and annual processing fees as well as other fees for processing certifications and other information requirements.

All of ICCC's revenue is net and it has a significant volume of transactions, accounting for almost 20% of all revenue transactions in the audit population. ICCC's main information system, the Electronic Business Environment (EBE), is unique in that it does not contain any summarized financial information. EBE is not a financial system but a database system that tracks information regarding corporations. It has a workflow component that is used to manage work and create an audit trail for work processing. It is also an image documenting system. Additionally ICCC has been a pilot branch for the implementation of on-line access to its services and with the Canada Customs and Revenue Agency (CCRA) for client service initiatives.

Overall ICCC's financial processes were found to be in compliance with FIS and Industry Canada policy. All ICCC financial information is kept in IFMS. Currently ICCC is responsible for some IFMS input for Strategis transactions and refunds, but the majority of this work is handled by the Comptroller. In addition to its own cash offices located at its head and regional office locations, revenues are also collected by the Validation Unit of IC as well as by CCRA for annual return summaries.

The integrity of revenue data recorded in ICCC's EBE system appears high. The random audit sample results showed that 100% of the sample selected was paid in accordance with ICCC regulations. Additionally, based on a detailed analysis prepared by ICCC for the audit, there was shown to be a high degree of correlation between the transaction based information captured in EBE and the summary financial information in IFMS .

The overall assessment for ICCC is good. Revenue data appears complete and accurately reported at a summary level to IFMS. ICCC is currently implementing additional control procedures for its annual return summaries and this will ensure that all returns will be tracked and better information will be available for revenue control and forecasting purposes. Finally opportunities exist for ICCC to implement revenue reconciliation processes to better ensure the accuracy of information reported to IFMS.

The balance of this section provides details on the recommendations made specific for ICCC.

5.2 Compliance with FIS Requirements

Overall, ICCC practices are in compliance with Industry Canada accounting policies. One area of minor exception is in its deposit account practices. Deposit accounts are used by ICCC's larger

customers to prepay a deposit amount that is drawn down by ICCC when requests for service are received from that client. ICCC currently allows its deposit accounts to become overdrawn by \$500 before these clients are advised to replenish these accounts. This practise is not congruent with the Industry Canada policy on *Receivables Management* which requires that funds be received in advance of service and when credit is granted that accounts receivable amounts are set up in the departmental accounts.

Responsibility for recording and managing these accounts is planned to be transferred from the Comptroller to ICCC. This transfer of duties would provide an excellent opportunity to review the management of the deposit accounts and to make improvements to the degree of fiscal control over overdrawn accounts.

Recommendation 5: When ICCC takes over completely the management of the deposit accounts it should take that opportunity to ensure that these accounts are appropriately managed within departmental policy. It should notify clients of overdrawn accounts in an immediate fashion and ensure that any overdrawn accounts are appropriately recorded as accounts receivable.

Refunds are currently identified for processing on a manual basis. There is no systematic way to track refunds due in ICCC’s EBE system. Refunds are either manually initiated by an examiner or done at the request of a client. ICCC is currently working on a way to generate a “reject” report from EBE that will allow tracking of refunds due as a result of regular operations. This would provide ICCC with a higher level of control over its work in process in this area.

Additionally, ICCC should consider the addition of front-end controls to cut down on the number of refunds required in the first place. For example ICCC could establish a threshold for refunding excess foreign currency amounts received. Clearer documentation to clients for fees received through CCRA could be developed for the annual summary form to reduce or eliminate unnecessary filings received for provincially incorporated companies. In this way ICCC would improve and streamline its refund process.

Recommendation 6: ICCC should consider implementing ways to reduce the number of refund transactions that are due for foreign currency transactions and CCRA filings. Additionally it should continue its work in developing systematic ways to monitor refund transactions due as a result of its regular operations.

5.3 Data Integrity

For the most part, ICCC’s services are driven by client demand and fees are paid in advance of the service being granted. Annual return and annual summary filing fees are somewhat different. These are recurring fees that must be paid each year on filing the returns necessary to retain a corporation’s compliance status.

At the time of the audit ICCC was in the process of developing a system to track annual returns and summaries due by client. It is important to have a system to record these annual returns to ensure that proper records are kept not only for compliance purposes but also for revenue control and

forecasting purposes. Additionally, due to the vote net nature of ICCC's appropriations, it is important to collect all revenue accruing to the organization for funding purposes as well.

Recommendation 7: ICCC should continue its plans to develop a systematic method to identify annual returns and summaries due from the active corporations in its database. We recommend this initiative as this additional control will not only enhance compliance but also will provide a means to better track and forecast this significant revenue stream.

5.4 Revenue Reconciliations

ICCC's EBE information system reports volume and performance data, while the departmental IFMS system reports summary financial information. It is not feasible, given the reporting capabilities of the current systems, to verify the majority of IFMS summary information to the individual ICCC transactions that are included in these deposits. Transactions processed on Strategis are the exception.

There are a variety of means for revenue transactions to be recorded in IFMS. Each of these means of recording and processing ICCC transactions rely heavily on manual controls and processes. The audit tests performed by the auditor as well as the analysis prepared by ICCC during the audit show very good data integrity results which provides evidence that the controls in place are currently working well for ICCC. However, it must be kept in mind that there is a higher degree of inherent risk in systems that rely heavily on manual controls and processes.

Implementing a systematic analysis and reconciliation process, such as the one prepared by ICCC for the audit, would provide an ongoing assurance that the complex structure of manual controls in place is functioning correctly, the amounts collected for services are complete, and that revenue data reported to IFMS can be relied upon. This function could become the responsibility of the new revenue unit that is currently being organized within ICCC.

Recommendation 8: As ICCC implements its new organizational structure for its revenue section, processes should be developed and implemented to systematically reconcile transactions processed by ICCC examiners and officers to fees collected in the IFMS financial system. These should be approved by the Comptroller.

5.5 Impact of Multiple Systems

In the case of ICCC, there is no overlap between information kept in its system and the financial information reported in IFMS. The ICCC's EBE system reports volume and performance on a transaction processing basis. The IFMS system is the only system used to record financial information.

While from an efficiency point of view this set-up is very good, it does cause some challenges with respect to reconciliation of information between the two systems. As noted in the previous section of this report, the challenge for the revenue unit of ICCC will be to devise and implement

reconciliation procedures on an ongoing basis to be able to verify the completeness and accuracy of the revenue it collects and reports in the departmental financial systems.

6.0 SMALL BUSINESS LOANS ADMINISTRATION (SBLA)

6.1 Overview

The Small Business Loans Administration (SBLA) is responsible for the administration of the *Small Business Loans Act (SBLA)* and the more recent *Canada Small Business Financing Act (CSBFA)*. The two main revenue streams that result from these Acts are the fees paid to register new loans and leases and the annual administration fee payable on the outstanding amounts.

SBLA's total revenue streams are significant in dollar value. Fee processing is unique in that SBLA revenue staff do not use or have access to the IFMS. Deposit information and revenue transactions are input into IFMS by financial staff in the Comptroller's Branch.

The SBLA information system, SBLA 2000, is used to track new loan registrations and annual outstanding loan balances. It is used to provide information to management and reporting for TBS and Parliament. SBLA staff are responsible for providing information to the Comptroller at fiscal year end on adjustments required for accounts receivable entries.

Overall SBLA's financial processes were found to be in compliance with FIS and Industry Canada policy. In particular, the processes in place by SBLA to record amounts received for new loan registrations and administration fees appear to be functioning well. There exists a good system of internal controls over the recording of cheques received in both SBLA 2000 and IFMS. Information reviewed in the audit sample was successfully traced from the SBLA 2000 system to deposit summary information in IFMS.

SBLA's revenue processes are currently complicated by the reporting of revenues geographically across Industry Canada and three Regional Development Agencies. This causes challenges for revenue reporting and revenue reconciliations. SBLA and the Comptroller are currently investigating the feasibility of reporting revenues in total and not by regional allocation.

SBLA does not track revenue received on a loan by loan basis for its annual administration fees. It relies instead on reports by its client's external auditors to verify that amounts received are correct. SBLA should work with the Comptroller to ensure this is a sufficient control for the tracking and receipt of all revenue due.

The following section provide details to the recommendations made for SBLA.

6.2 Compliance with FIS Requirements

SBLA provides an annual report to Parliament on the administration of the CSBFA in accordance with section 18 of this Act. This report provides a great deal of information on program activities

AUDIT OF REVENUE– AUDIT REPORT

as well as financial information on loans registered, claims paid, and revenues collected under the Act. Because SBLA maintains its own financial records on a cash basis, information on revenues collected by the program are reported on a cash basis in the report. Revenues in the annual report are reported in total for the SBLA program and are not broken down by regional development agency.

SBLA revenues are reported in the Public Accounts of Canada by amounts attributed to the regional development agencies: Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Quebec Regions (CED), and Western Economic Diversification Canada (WED). Industry Canada (IC) retains the revenue accounting information for Ontario. SBLA provides the accounting information for year-end adjustments to accounts receivable and administration fee revenues are reported on an accrual basis in the public accounts.

It was not possible for the auditor to reconcile the revenue amounts reported in the 2001-2002 SBLA annual report and the 2001-2002 Public Accounts. This was due mainly to reporting inconsistencies of SBLA revenue across the Regional Development Agencies and the differences between cash and accrual accounting. These reporting challenges regarding SBLA revenue need to be resolved on a number of fronts. If accounting for revenues by region is to be continued, the Comptroller needs to work with the Regional Development Agencies to decide on a method of reporting in the Public Accounts that will provide a clear picture of total SBLA revenues.

SBLA may wish at some point to adopt accrual accounting for its own management purposes and for reporting purposes in its annual report. Although the benefits of accrual accounting are significant, it is recognized that this may not be a feasible option in the short term. To obtain comparability with the accrual based information presented in the Public Accounts, SBLA could incorporate an additional table or note to its financial statements in its annual report that would reconcile the cash figure to the accrual based figure.

Recommendation 9: The Comptroller and SBLA need to work together to ensure that external reporting of SBLA revenue figures are consistent between the public accounts and the SBLA annual report. If accounting for revenues by region is to be continued, the Comptroller needs to review financial reporting across the regional agencies to ensure that they provide consistent reporting of SBLA revenues on the public accounts plates. SBLA should incorporate additional financial information in its annual report that would allow a reader to readily reconcile revenues reported with revenue figures in the Public Accounts.

Throughout the audit a number of areas of note were brought up with respect to the way that SBLA revenue is reported through the regional development agencies. SBLA currently allocates its revenue based on actual amounts received for new loan registrations and an estimated amount for administration fees to three regional development agencies (ACOA, WED and CED) and the Department of Industry.

The SBLA program is completely managed centrally. There are no administrative or program responsibilities for the SBLA in the regional agencies. In SBLA's 2000-2001 annual report, there is a note of the role of the regional development agencies in the program but no mention of the

rationale for the proration of this revenue. Information in SBLA’s annual report is not shown broken down by the amounts allocated to the Agencies. All tables and financial information are provided only for the total program.

A number of areas where this reporting was causing administrative and reporting problems were noted during the audit. It is understood that this reporting issue is currently under review by SBLA and FMMD. Understanding that at one time circumstances no doubt existed to make the current revenue allocation methodology desirable, IC may wish to review whether these reasons still exist and whether the allocation of revenue across the regional agencies adds value that outweighs the reporting difficulties and additional administrative processes required as a result.

If this allocation is to be continued, additional communication and training processes would need to be employed in the Regional Development Agencies to ensure proper administrative and reconciliation processes are in place and reporting issues are resolved.

Recommendation 10: SBLA, with the assistance of the Comptroller, should continue to review the reporting relationship of SBLA and CSBFA revenue across Industry Canada and the Regional Agencies. If this method of reporting is to be retained, additional control processes will need to be implemented to ensure that the revenue is properly reconciled and accurately reported in the Public Accounts.

6.3 Data Integrity

New loan registrations and the corresponding fees are recorded in the SBLA 2000 information system. SBLA does not track money paid or owed to it for the annual administration fees payable on an individual loan by loan basis.

The regulations are structured in such a manner that under Section 4 of the CSBFR (the Regulations), which governs fees paid under the Act, lenders are required to submit “...a statement that substantiates the basis on which the payment was calculated.”¹ In order to meet this requirement of the act, SBLA requires either a detailed statement of how this payment was calculated on a loan by loan basis or, for loan portfolios greater than 50 loans, an audited statement certified correct by the lender’s external auditor. As a result for much of the loan portfolio, the key control for the collection of amounts owing for the annual administration fee is an external auditor’s statement certifying that amounts paid by the lenders are correct. The external auditor’s statement does not show the details of the loans included in the certified statement.

When a claim is received from a lender, SBLA verifies that the loan has been reported as outstanding as per the reports received under section 34 of the regulations, which are not subject to external audit verification. There is no verification performed that all fees have been paid for the individual loan in question. As a result, there is a risk that in the absence of an internal verification of fees paid, a claim could be settled on a loan for which fees were not remitted.

¹ Section 4 (7) of the Canada Small Business Financing Regulations

As noted, the key control in the revenue collection process is the lender's external auditor's verification of amounts remitted. While this certainly lends a degree of assurance to the process, it is not as high a level of control as verifying internally the fees collected. It would be good management practise in circumstances such as this to verify that appropriate fees have been received for all registered loans or that they have been removed from the lender's outstanding loan portfolios. The lack of an internal verification of payments received against outstanding loans causes the risk of non-collection of funds owing to the program due to either error or misrepresentation on the part of the lenders and leasing agencies. SBLA, in consultation with the Comptroller, should determine whether the risk associated with relying on lender's external auditor certification of amounts received is acceptable.

One option to strengthen the control would be for SBLA to sample the payments of the administration fee when conducting its audit on section 15 of the CSBFA. As provided by section 15, SBLA has begun to audit financial institutions for due diligence in their loan authorization processes. It may be cost effective to include an audit test to sample revenue received versus registered loans outstanding to its existing audit process. While this would not provide as complete a review as implementing a full scale verification, it may be more efficient to implement in the short term. Depending on the results achieved, it could be adopted as a permanent control feature.

Recommendation 11: The Comptroller and SBLA need to ensure that adequate control measures are in place to provide assurance that administration fee revenues received are accurate and complete. The current reliance on the lender's external audit report to provide this assurance should be verified or additional measures added as seen fit by the Comptroller and SBLA.

Generally, SBLA cheques are processed and data is entered on a timely basis (within a few days). The *Receipt and Deposit of Public Money Regulations* requires that funds be deposited on a daily basis or, in cases where it is not cost effective, on a weekly basis. In the audit sample however, some exceptions were noted during peak periods in April and during the summer holiday period. There is one key SBLA staff member who handles the cheque deposit process. Back-up personnel need to be assigned during periods of absence of this key staff member.

To improve its controls over cheques awaiting deposit, SBLA may wish to consider dedicating a lockable office for this procedure. Additionally the group could consider the installation of a small safe that would be used to store cheques received that could not be processed immediately.

Recommendation 12: SBLA management needs to ensure that appropriate back-up personnel are in place to cover key staff during periods of absence and during peak times of the year to ensure that SBLA deposits are made in a timely basis and in accordance with Treasury Board Regulations. SBLA should ensure that adequate safeguarding measures are in place so that cheques awaiting deposit are handled and stored in secure facilities.

6.4 Revenue Reconciliations

SBLA has measures in place to record revenue and to reconcile the amounts recorded from the SBLA to IFMS on a daily bank deposit basis. Also, in the past year, SBLA has implemented a

monthly reconciliation procedure for loan administration fees received and allocated to the regional development agencies. These procedures appear to provide well functioning daily and monthly control mechanisms for the applicable revenue streams.

There is however no overall reconciliation of revenues reported by Industry Canada and the Regional Development Agencies in the public accounts with revenue information contained in SBLA's own information system. Given the reporting differences between revenue in SBLA's 2001-2002 annual report and the 2001-2002 Public Accounts, a reconciliation would be necessary to ensure the accuracy of revenue reported to external users of this information.

Because of the way that the revenue reporting is distributed between SBLA, Comptroller and the Regional Development Agencies, a reconciliation process would require information from all of these sources. FMMD and SBLA need to work together to implement such a process and coordinate it on an ongoing basis.

Recommendation 13: Comptroller and SBLA need to work together to implement a revenue reconciliation process to ensure that SBLA revenues as recorded in SBLA's branch information system (and subsequently reported in their annual report) and those reported in the Public Accounts, are appropriately reconciled for accuracy.

6.5 Impact of Multiple Systems

SBLA's financial information system, the SBLA 2000, records necessary data according to its own requirements and the needs of the program. SBLA revenue staff do not have access to or use IFMS financial data in the management of revenues. The two systems operate completely independently. There are no apparent opportunities for combining or streamlining system use given the complex nature of SBLA's revenue reporting by Regional Development Agency. As noted in previous sections of this report, additional reconciliation procedures are necessary to ensure the accuracy of revenue reporting in the Public Accounts for SBLA.

7.0 COMPTROLLER

7.1 Overview

Comptroller has overall responsibility for the financial reporting of Industry Canada in the Departmental Financial Statements and the Public Accounts of Canada. For revenue reporting it relies heavily on information processed by the branches to complete its financial statements. The branch systems are generally not financial in nature and were developed to serve the needs of the program. The requirement for the Comptroller to merge revenue information from these cash and transaction based systems into the required accrual based financial statements poses some challenges.

As indicated in previous sections of this report, data integrity of information captured in the branch systems and transferred to IFMS appears high. Challenges exist for the branches in tracking all revenue due to them and for reconciling their information to that of the IFMS system.

For the Comptroller, the main issues in this audit were in the area of revenue reporting in the Public Accounts. These related to the implementation of accrual based accounting and other statutory changes. The implementation of additional review controls over the Public Accounts process will increase the accuracy and reliability of these statements.

The following section provide details to the recommendations made specific for the Comptroller.

7.2 Compliance with FIS Requirements

An error was noted on Form E of the Public Accounts plate for SITT revenue. Revenue for 2001-2002 appears to have been overstated by the amount of the 2002-2003 deferred revenue accrual (\$212,364,800). This error causes Industry Canada's reported revenue for the last fiscal year to be significantly overstated.

As this was the first year of FIS reporting, it is understandable that account coding errors could have occurred. However, given the size of the error and the impact on the revenue figure, it would be desirable to implement additional financial statement reviews to ensure material errors are captured. The risk of error appears to be higher for year-end adjustments and accruals as these entries are not subject to the reconciliation processes that the cash accounts are. A reconciliation of revenue figures between the public accounts and the departmental financial statements (which do not appear to have this error) would have detected this problem.

Recommendation 14: Comptroller should implement additional reviews of its public accounts revenue figures prior to finalization to ensure material errors resulting from year-end accruals are captured. These reviews could include:

- ***having revenue figures vetted by the Branches and Sectors of Industry Canada to validate the amounts reported and to provide explanation for annual variances; and***
- ***reconciling figures reported between the Public Accounts and Industry Canada's Departmental Financial Statements as a control in assuring the accuracy of the reported revenue figures for both documents.***

Additionally, the Comptroller should ensure that the Receiver General is aware of this error in its last year's public accounts plates and that any corrective action necessary is taken to adjust the accounts for 2002-2003

The Comptroller should provide guidance on how to apply FIS accounting procedures to its staff and to the implicated sectors and should monitor how well it is being done.

Prior to the audit, an error was discovered by SBLA on the 2002-2003 Main Estimates. The 2002-2003 estimated revenue was transposed with the expenditure amount for that year causing forecasted

AUDIT OF REVENUE– AUDIT REPORT

revenue to be overstated some by \$40M. This transcription error occurred when copying information from the program document into the main estimate template by the Comptroller.

It is understood that since the incident occurred, the Comptroller has asked that the individual who does the input to this document re-confirm the amounts prior to publication. However, a stronger control is recommended for this important reporting function. This could be achieved, for example, by having a different individual confirm the accuracy of the data input. Further, the Comptroller may wish to consider having the final document vetted by the Branches or Sectors prior to publication, as this would strengthen the overall control over the accuracy of reporting information in the Main Estimates process.

Recommendation15: The Comptroller should ensure that sufficient control procedures are established to ensure accuracy of amounts reported in the Main Estimates. At a minimum, this should include appropriate sign-off for accuracy by a staff member independent of the input process of the final document. The Comptroller could also consider having the individual Branches or Sectors sign off on the final Main Estimates “Plates” prior to submission.

A review was made of amounts reported in the Public Accounts for the 2001-2002 year, which was the first year that ICCC had vote-net authority. Revenue recorded in the Public Accounts for ICCC showed 100% of the 2001-2002 revenue (\$8.6M) as vote-net. This, however, is not correct. The main estimates for the same period correctly reported vote-net revenue for ICCC at \$4,792,000. There is approval for an additional 25% of vote-net authority if the volume of activity warrants it. In 2001-2002 this was the case and the total available under the vote net authority for this year was \$5,990,000.

Recommendation 16 : The Comptroller should review its account coding for ICCC vote net revenue to ensure that it is appropriately recorded as vote net and other non-tax revenues as per the approved appropriations.

AUDIT OF REVENUE– AUDIT REPORT
