



MINISTRY OF FINANCE AND PLANNING
30 NATIONAL HEROES CIRCLE
P.O. BOX 512
KINGSTON
JAMAICA

ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE
ADDRESSED TO THE FINANCIAL SECRETARY AND THE
FOLLOWING REFERENCE NUMBER QUOTED:-

Telephone No. 92-28600-15

May 21, 2007

Circular No. 9
File No. 107/022
Division: Public Expenditure Policy Co-ordination

Permanent Secretaries
Chief Executive Officers
Heads of Departments

Re: Loss of Public Money

Permanent Secretaries, Chief Executive Officers and Heads of Departments are hereby advised that Financial Administration and Audit Act Instructions No. 6.44 to 6.51 have been repealed and is replaced with the following: -

Reporting Loss

(6.44) Whenever any deficiency, loss, damage or destruction occurs in respect of public monies, stamps, securities, stores or other Government property (whether by misappropriation, theft, fire, accident or damage caused completely or partially by rain, flood or any other agency, either directly or indirectly) it shall be the duty of the accounting officer to report the full details of the loss **at once** to the Financial Secretary and to the Auditor General, even when such loss has been made good by the person responsible for it.

(6.45) The report of any loss must state the following:

- (i) The amount of money or original value of the item;
- (ii) The approximate value of the item at the time of loss;

- (iii) The circumstance(s) which led to the loss;
 - (iv) The person(s) responsible, directly and/or indirectly;
 - (v) Whether the person(s) responsible has made good the loss;
 - (vi) Whether the loss was due to fraud or negligence on the part of a public officer;
 - (vii) The action which is recommended to be taken in respect of the loss; and
 - (viii) The step(s), if any, taken or proposed to be taken to prevent similar losses in future.
- (6.46) When fraud or theft is suspected it is the duty of the Permanent Secretary, Chief Executive Officer or Head of the Department concerned to call in the police forthwith.

The Conditions for Writing off Losses

- (6.47) The writing off of losses must be recommended only after: -
- (i) Sufficient efforts have been made to recover the loss in the case where such loss is recoverable;
 - (ii) The effort to recover the loss has been unsuccessful or is not cost effective to be pursued;
 - (iii) There is no alternative but to have the loss written off and put proper measures in place to mitigate or to prevent the loss from reoccurring.

Writing off Losses under \$50,000

- (6.48) Accounting officers are authorized to write off losses and deficiencies of stores, equipment, stamps, securities, overpayments, counterfeit notes, public moneys, bad debts, advances, loans, dishonoured cheques etc. up to a maximum of fifty thousand Dollars (\$50,000) for any one item. The value of any loss should be determined by the cost at the time of acquisition of the goods or asset.
- (6.49) Where the loss is due to fraud, theft, burglary or any other criminal offence, accounting officers shall not authorize its write off unless he/she has received: -
- (i) The Police Report on the matter.

- (ii) A report from the Chief Internal Auditor identifying the weaknesses in the system of internal control including recommendations for improvement and such recommendations have actually been implemented.
- (6.50) Where the loss is due to negligence of public officer(s) or his/her failure to adhere to regulations, instructions and guidelines, the accounting officer shall not authorize its write-off unless he/she has submitted a report to this ministry with surcharge recommendation for the recovery of the full loss or a portion thereof. In the case of public bodies, disciplinary action may be taken under the Public Bodies Management and Accountability Act.
- (6.51) Accounting officers must submit to the Financial Secretary and the Auditor General quarterly reports, setting out the particulars in respect of all losses written off. (See Appendix 3 for report format)

Writing off Losses over \$50,000

- 6.51 The authority to write off losses in excess of \$50,000 is vested in the Financial Secretary.
- 6.52 Recommendation for write off of all losses in excess of \$50,000 must be forwarded to this ministry with the following:-
- (i) The Police Report where applicable;
 - (ii) The Chief Internal Auditor's special report regarding weaknesses in the system of internal control including recommendations for improvement;
 - (iii) The measures that have been implemented to prevent the loss from reoccurring; and
 - (iv) Recommendation for surcharge where applicable.

Accounting Treatment – Writing off Losses

- 6.53 Losses authorized to be written off must be treated as an expense and charged against the budgetary provision for the year in which the write off is effected. The relevant budgetary expenditure activity item along with the appropriate object code as shown at Appendix 1 must be charged with the full amount of the loss.
- 6.54 Where amounts written-off are recovered in the same financial year, these sums must be credited to the relevant budgetary expenditure activity item along with the appropriate object code. However, if recovery is made in a subsequent financial year, the sums recovered must be paid over to the Accountant General for Miscellaneous Revenue.

6.55 There shall be no budgetary provision to effect write off of losses. Ministries, Departments and Agencies shall therefore be required to absorb the loss within their existing budgetary allocation.

6.56 The accounting entries for effecting the write off of losses are shown at Appendix 2

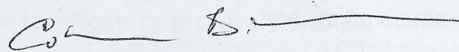
Risk Management

6.57 Permanent Secretaries, Chief Executive Officers and Heads of Departments must ensure that risk management is included as part of their organisation's corporate governance strategy and plan. All potential risk must be identified, analysed and measures put in place to address them. These measures must be periodically reviewed to ascertain their effectiveness and strengthened where necessary.

6.58 Where an organisation does not have an officer designated as "Risk Manager" the Accounting Officer must appoint an appropriate senior officer to perform this task (N.B No new post should be created on account of this function).

Circular Distribution

Permanent Secretaries, Chief Executive Officers and Heads of Departments and Agencies must ensure that this Circular is brought to the attention of all relevant public officers.



Colin Bullock
Financial Secretary

Appendix 1

OBJECT CODE RE LOSSES

37 LOSSES

370100	Imprest Losses (Cash and Stamp)
370101	Imprest – Shortage
370102	Imprest – Burglary, Theft & Robbery
370199	Imprest - Other Losses
370200	Stores Losses
370201	Stores Shortages – Normal Loss (evaporation, wear & tear etc.)
370202	Stores Shortages – Abnormal Loss
370203	Stores Burglary, Theft & Robbery
370204	Expired and /or Spoiled Goods, Material, Medicine etc.
370205	Damaged and Defective Goods and Material caused by Act of God.
370206	Damaged and Defective Goods and Material caused by Act of Man
370299	Other Stores Losses
370300	Loans, Advances & Other Receivables
370301	Bad Debt due to death or bankruptcy
370302	Bad Debt due to Other Reasons
370303	Advances Written off
370304	Uncollected Revenue
370400	Foreign Exchange Loss
370500	Counterfeit Money
370501	Jamaican Currency
370502	Foreign Currency
370600	Dishonoured Cheques
370700	Electronic Payment Losses
370701	Debit Card Payment Loss
370702	Credit Card Payment Loss
370800	Securities and Investment Losses
370900	Production Processing (Manufacturing) Loss
370901	Normal Loss
370902	Abnormal Loss
371000	Fuel Coupon
379900	Other Losses

Appendix 2

ACCOUNTING ENTRIES FOR WRITING OFF LOSSES

(NB. The accounting entries below are standard for general circumstances and maybe varied for special or specific situations)

Type of Loss Approved for write off		Accrual Accounting MDAs		Cash Accounting MDAs
1	Inventory/ stores	Expenditure Control Dr Inventory/ stores Cr		Not Applicable (Make entry in stores and inventory memorandum register)
2	Investment Loss	Expenditure Control Dr Investment Control a/c Cr		Expenditure Control Dr Investment Control a/c Cr
3	Bad Debt	Expenditure Control (Bad Debt) a/c Dr Debtors/Account Receivable a/c Cr		Not Applicable
4	Advances	Expenditure Control Dr Advance Control a/c Cr		Expenditure Control Dr Advance Control a/c Cr
5 (i)	Imprest Shortage, Theft etc.	Imprest Loss a/c Dr Imprest Control a/c Cr		Not Applicable
5 (ii)	Imprest Loss	Expenditure Control Dr Imprest Loss Cr		Expenditure Control Dr Imprest Control a/c Cr
6	Imprest Loss Replacement	Imprest Control a/c Dr. Bank a/c Cr		Imprest Control a/c Dr. Bank a/c Cr
7	Dishonoured Cheques (where properly accepted as stated in Circular No. 10 – Acceptance of Cheques in Payment of Public Monies)	Expenditure Control a/c Dr. Dishonoured Cheque a/c Cr.		Expenditure Control a/c Dr. Dishonoured Cheque a/c Cr.

Appendix 3

QUARTERLY REPORT ON LOSSES

Ministry/Department /Agency.....

Financial Year Quarter

Description of Loss	Date Reported to MOF	Amount of Loss	Write off Approved YES/NO	Approved Write OFF			REMARKS
				Approved By	Date of Approval	Amount Approved	

We hereby certify the report herein represents an accurate account of all losses occurred by the ministry/department/agency during the quarter of the financial year stated above.

Accounting Officer

Date

Chief Internal Auditor

Date