



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

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

June 10, 2013

Circular No. 15
File No. 107/022
Division: Public Expenditure Policy Co-ordination

Permanent Secretaries
Chief Executive Officers of Executive Agencies
Heads of Departments

Re: Revised Circular on the Write-off of Loss of Public Money

The attention of Permanent Secretaries, Chief Executive Officers of Executive Agencies and Heads of Departments is invited to the revised guidelines herein regarding the write-off of losses. These guidelines are in accordance with Sections 82(c) (i) and 106 (2) of the Financial Administration and Audit Act Regulations 2011 (FAA Act Regulations 2011).

Losses to be written off shall consist of losses arising from uncollected debt, outstanding advances, theft, disaster, deficiencies, loss of revenue, and other losses. Accountable officers must ensure that in all cases of losses, Sections 6.44, 6.45 and 6.46 of the Financial Administration and Audit (FAA) Act Instructions are complied with.

1. Basis for Writing-off Public Losses

1.1. The write-off of losses may be recommended in any of the following circumstances: -

- (i) All efforts to recover the loss have been unsuccessful and it is futile to make any further effort for recovery;
- (ii) The value of the loss is such that it is not cost effective to pursue its recovery;
- (iii) The debtor or the advancee is deceased, bankrupt or cannot be located;
- (iv) There is inadequate evidence to establish or prove liability for the debt or loss;
- (v) The debt or advance has become statute barred based on Section 51 of The Limitation of Actions Act and there is no means of recovery from the debtor;
- (vi) The loss is due to theft or fraud and a claim cannot be established against any person or institution;

- (vii) Advances to Government entities that are on the books for more than two (2) financial years and is unable to be cleared due to budgetary constraints of the Government entity that received the advance;
- (viii) Advances to non-Government entities/individuals that are on the books for more than two (2) years and the bills, invoices, etc required for clearing the advance cannot be found, but a written and signed declaration is made by the entity/individual or by an appropriate officer stating that the goods and services were properly received;
- (ix) Unreconciled differences on bank reconciliation statements for amount greater than One Hundred Dollars being carried for more than twelve (12) months which cannot be identified, after exhaustive investigations and numerous consultations with the bank;
- (x) Unreconciled differences on the bank reconciliation statement for amounts less than One Hundred Dollars being carried for more than three (3) months;

2. Losses Written Off by Accounting Officers

- 2.1. Accounting officers, Chief Executive Officers and Heads of Departments are authorized to approve write-off of losses of public moneys, bad debts, advances, loans, unreconciled differences, deficiencies of allocated stores and equipment, inventory loss or any other losses up to Two Hundred Fifty Thousand Dollars (\$250, 000.00) per item.
- 2.2. Accounting officers must ensure that the proper procedures at (1.1) above and (2.3) below are carried out before a decision is taken to approve the write-off of losses.
- 2.3. A submission must be made to Accounting officers, Chief Executive Officers and Heads of Departments by the appropriate person requesting the write-off of losses. The submission must include the following information:
 - a) The nature of the loss, stating the following:-
 - The circumstance(s) which led to the loss;
 - Documentary evidence of the efforts made to prevent or recover the loss including legal action(s), if any;
 - The name and address of the debtor/advance (if applicable);
 - The value of the loss;
 - b) Recommendation for-write off of the loss in accordance with Section 1.1;
 - c) The step(s) taken or proposal to prevent similar losses in the future;

d) A report from the Chief Internal Auditor on the following:-

- Weaknesses in the system of internal control, including recommendations for improvement; and
- Support for or objection to the recommendations being made for write-off of the loss.

2.4. Accounting officers should only consider writing off losses after careful evaluation of the circumstances that led to the loss, and is satisfied that reasonable actions were taken to effect recovery, and there is no other feasible recourse but to write-off the loss.

3. Losses Written Off by the Financial Secretary

3.1. Accounting Officers, Chief Executive Officers and Heads of Department must submit to the Financial Secretary requests containing all the relevant documents at (2.3) above for approval to write-off losses valuing over Two Hundred and Fifty Thousand Dollars (\$250, 000.00).

3.2. The Financial Secretary shall examine recommendation for write off of losses exceeding Two Hundred and Fifty Thousand Dollars (\$250,000.00), and shall grant approval where considered appropriate for losses up to but not exceeding Fifteen Million Dollars (\$15,000,000.00).

3.3. The Financial Secretary shall submit to the Minister for approval recommendations for write-off losses exceeding Fifteen Million Dollars (\$15,000,000.00).

4. Accounting Treatment – Writing off Losses

4.1. 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 must be charged with the full amount of the loss.

4.2. Where approval has been given to write off losses, Ministries, Departments and Agencies (MDAs) shall absorb the loss within the existing budgetary allocation. In exceptional circumstances, where the write off of the loss cannot be absorbed in the budget of the MDA, a request should be submitted to the Financial Secretary to include the amount in the Estimates of Expenditure, Supplementary Estimates or the Final Supplementary Estimates whichever is appropriate.

4.3. Where amounts written-off are recovered in the same financial year, these sums must be credited to the relevant budgetary expenditure activity item, and the appropriate object code or the relevant revenue code. However, for Ministries and Departments, if recovery is made in a subsequent financial year, the sums recovered must be paid over to the Accountant General for Miscellaneous Revenue.

4.4. Agencies which use the accrual accounting method may make provision for bad debt once it has been established that the debt is likely to be uncollectible. The provision for bad debt should be a reasonable estimate of the value of debt which is not likely to be

collected. If the agency is absolutely sure that the debt is irrecoverable, then the debt shall be written-off.

4.5. Accounting Officers, Chief Executive Officers and Heads of Departments are required to submit to the Financial Secretary and the Auditor General quarterly reports, setting out the particulars in respect of all items written off in accordance with Section 6.48 of the FAA Act Instructions.

4.6. When approval is given for losses to be written off the accounting entries to record write-off of losses is stated in **Appendix A**.

Conclusion

This Circular supersedes Circular # 9- Loss of Public Monies, dated May 21, 2007.

Permanent Secretaries, Chief Executive Officers and Heads of Departments must ensure that this Circular is brought to the attention of all relevant public officers in their Ministries, Departments and Agencies. This Circular takes immediate effect.

A handwritten signature in black ink, consisting of several loops and a trailing flourish.

Devon Rowe
Financial Secretary

Appendix A

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 <i>(Make entry in stores and inventory memorandum register)</i>
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/ Dr. Bank a/c Cr