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MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

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13 July 2012

From: Financial Secretary

To: Supervising Officers-in-Charge of Ministries/Departments and Accounting Officers

FINANCIAL MANAGEMENT KIT (FM KIT)

Financial Instructions

Losses, Deficiencies and Write-off of Goods

Please refer to our letter dated 22 November 2011.

2. The Financial Management Review Committee (FMRC) under MOFED has examined the comments received from Ministries/Departments and has amended, where necessary, the financial instructions.
3. The final version of the financial instructions is enclosed. These instructions will take effect as from the date of this circular letter. Any application for write off pending at MOFED will have to be dealt with in accordance with these instructions.
4. To oversee the efficiency and effectiveness of the write off system and the clearance of Advance Accounts in relation to write-off of goods, MOFED will keep and maintain a database of cases of write off and clearance of Advance Accounts approved by Supervising Officers/Accounting Officers.

A. Mansoor

(A. Mansoor)

Financial Secretary

Losses, Deficiencies and Write-Off of goods

1. Interpretation of terms used -

“discrepancy” arises when the physical balance of goods does not tally with records.

“deficiency” arises when, at any point in time, the physical quantity of goods is less than the balance in the records.

“goods”, as defined in the Public Procurement Act, means objects of every kind and description including commodities, raw materials, manufactured products and equipment, industrial plant, objects in solid, liquid or gaseous form, electricity, as well as services incidental to the supply of the goods such as freight and insurance. In the context of this Financial Instructions the terms ‘asset’ and ‘goods’ are used interchangeably as appropriate.

“loss of goods” means physical loss, or loss in value which may arise as a result of deterioration or damage, suspected tampering leading to damages or sabotage.

“excess” arises when, at any point in time, the physical quantity of goods exceeds the balance in the records.

“fair value” of an asset is the monetary value that fairly reflects the state and condition of the asset or the price at which an asset in the same state or condition would be acquired. Fair value may be determined as per paragraph 14.

“Outstations” refer to locations other than Warehouses where Government goods are normally held under the custody of a public officer or any other authorised person.

Losses of goods in Warehouse/ Outstation or in personal custody

2. Any case of loss, deterioration or damage (other than damaged or short-landed goods in consignments from overseas), suspected tampering leading to damages or sabotage, whether arising in a warehouse or an outstation, should be brought at once to the attention of the Accounting Officer by the OIC Procurement & Supply or by any other officer concerned, as appropriate.

3. Goods referred to in paragraph 2 above include-
 - (a) goods held in a warehouse;
 - (b) a Government vehicle and accessories under the responsibility of a driver at the time the loss occurred;
 - (c) an asset provided to a public officer for official use and held in his personal custody; and
 - (d) any other asset in use.

4. Every public officer, in the performance of his duties, is duty bound to report immediately to his superior officer for transmission to the Accounting Officer and the police, any loss, theft, burglary or robbery, irregularity, fraud or sabotage, involving property of Government or for which Government is responsible. The hiding or the failure to report such cases will result in disciplinary action against the officer responsible.

5. The report referred to in paragraph 4 should include the following information –
 - (a) exact place where the loss occurred;
 - (b) full details of the goods lost, with the quantity and value;
 - (c) a description of the circumstances in which the loss occurred;
 - (d) the date and time on which the loss was discovered and by whom;
 - (e) the date on which the goods lost were last checked/seen and the result thereof;

- (f) action taken to secure the place where the loss occurred; and
 - (g) details of any action taken to recover the lost goods.
6. The Accounting Officer should, where appropriate, request the Director, Internal Control (DIC) to investigate the causes leading to the occurrence of the event.
 7. The DIC should, within the agreed timeframe, submit its findings and recommendations to the Accounting Officer. The findings should indicate-
 - (a) whether there has been complicity/negligence on the part of any public officer or any other person;
 - (b) whether there has been a failure in the internal control system; and
 - (c) where applicable, the amount with which an advance account should be opened as required under paragraphs 11, 12 and 13.
 8. Where, at any time before the submission of a Police report or Internal Control (IC) report, a Responsible Officer considers (on the basis of the report referred to at paragraph 4) that there are reasonable grounds that a public officer should be subject to disciplinary proceedings under the appropriate service commission regulations, he shall take appropriate action accordingly.
 9. Where, in the light of facts reported to him, a Responsible Officer considers that a public officer should, in the interest of the public service, instantly cease to exercise the powers and functions of his office, the Responsible Officer should proceed with the interdiction of the public officer in accordance with the appropriate service commission regulations.
 10. Where the Responsible Officer is satisfied that, on the basis of the IC report, there is complicity/negligence on the part of a public officer, the Responsible Officer should proceed in accordance with paragraph 8 above.
 11. In the circumstances referred to in paragraph 9, an entry in Advance Ledger (Losses-Memorandum) should be made in the name of the officer concerned. The value of the goods

lost and other relevant details should also be recorded for follow up.

12. Subject to paragraph 13 below, where the public officer consents to make good the loss, an Advance Account Personal should be opened in Treasury Accounting System in the name of the public officer with the fair value of the goods lost.
13. In the case of loss of an asset provided to a public officer for official use and held in his/her personal custody, an Advance Account (Personal) should be opened in the officer's name unless the latter provides justifiable reasons as to why such action should not be taken. Examples of assets covered in this paragraph are laptops and mobile phones.
14. The fair value of an asset may be determined with reference to –
 - (a) the Depreciated Replacement Cost (DRC);
 - (b) the Net Book Value of such asset (NBV); and
 - (c) whether the asset was still in useable condition.

Depreciated Replacement Cost is measured as the replacement cost of the asset, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. Replacement cost refers to the acquisition cost of a similar good.

15. Where the public officer does not consent to make good the loss, the Accounting Officer should refer the matter to the State Law Office for appropriate action.
16. For the purpose of calculating DRC or NBV, the depreciation rates indicated in the table below should be applied.

Class of Asset	Useful Life	Residual Value
Plant and machinery	15 Years	10%
Furniture & fittings	10 Years	10%
Computer and office equipment Includes printers, fax machines, mobile Phones, laptops, photocopy	5 Years	5%

machine, Projectors		
Motor vehicles	7 Years	15%
Other electronic/electrical equipment Includes kitchen equipment and Entertainment equipment	5 Years	5%
Tools	5 Years	5%

17. The Accounting Officer may entrust the determination of the fair value of an asset to a team of officers comprising at least one officer of the Internal Control Cadre.
18. Where negligence on the part of a private party is established following the report of IC, the value of loss should be recorded in the Advance Ledger. The value of the loss should be recovered in accordance with the terms of the contract between the Department and the private party or by such other appropriate means. The Accounting Officer should report the negligence of the private party to the Procurement Policy Office (PPO).
19. Where the Accounting Officer is satisfied that, on the basis of the IC report, there is no negligence on the part of a public officer, the Accounting Officer may proceed with the write-off of the loss as per procedures laid down in paragraphs 43 to 51.
20. The Accounting Officer shall designate an officer other than an officer of the Procurement and Supply Cadre, not below the rank of a Senior Officer, to deal with the reporting and follow-up of all cases of loss.
21. The scheduled officer, referred to at paragraph 20, should maintain a Register of Losses as per Layout 13 and should at all times keep the Register up to date. The Register of Losses should also include losses of Government-owned goods incurred by private parties.
22. Accounting Officers should follow up the status of cases referred to Police and take appropriate action depending on the outcome of each case –
 - (a) where the case is “classed”, any entry recorded in the advance ledger should be cleared, unless an advance account was initially opened in the name of a public

officer for loss of an asset in his personal custody;

- (b) where goods are recovered unimpaired, any entry recorded in the advance ledger should be cleared;
 - (c) where complicity/negligence of a public officer is established, the Accounting Officer should take appropriate action under the PSC Regulations and proceed with the recovery of the value of the goods from the public officer;
 - (d) where a private party does not make good the losses, the Accounting Officer should proceed with the recovery of the value of the goods from the party; or
 - (e) in any other case, the Accounting Officer should proceed in accordance with the Police report.
23. The Accounting Officer should submit annual returns of losses and advances to the Accountant-General by such date as may be specified in the Treasury Circular issued by the latter every year for the purposes of preparation of the annual statement of losses and advances.
24. The flow diagram at Annex I highlights the main actions required in cases of loss through theft, burglary, robbery, fraud or sabotage.
25. In respect of losses of goods, Subparagraph 10 (a) of Financial Instructions No. 1 of 2010 (Losses, Arrears of Revenue, Write-Off and Advances) is superseded by this Financial Instruction.

Discrepancies

26. Discrepancies between records and physical balances of goods result in either deficiency or excess. Deficiencies occur when the physical balance falls short of the balance on the records. On the other hand, an excess arises when the physical balance exceeds the balance on the records.

27. In the case of a deficiency or excess in stock in a warehouse, site or an outstation arising as a result of errors in recording transactions or casting, the relevant records must be adjusted by the officer responsible to keep such records.

Deficiency

28. Every public officer, in the performance of his duties, is duty bound to report to his superior officer without delay for transmission to the Accounting Officer any deficiency, arising other than as a result of errors, between records and the actual quantity. The hiding of or the failure to report such cases will result in disciplinary action against the officer(s) responsible.
29. The OIC Warehouse/Outstation should inform the Accounting Officer through his superior of such deficiency. In this respect, the OIC Warehouse/Outstation should fill in and sign Part I of Deficient Goods Voucher (GF 9).
30. The OIC Warehouse/Outstation shall forthwith reduce the relevant ledger balances and transfer the deficient goods to the Deficient Goods Ledger. This is not an authority for write-off. The goods remain on Ledger charge and the individual Ledger balances are brought in line with the physical stocks available for issue.
31. The Accounting Officer shall in Part II of GF 9, where appropriate, cause the deficiency to be enquired into by the DIC. The DIC should submit his findings and recommendations, within a preset time frame, to the Accounting Officer for any appropriate action. The recommendations should indicate whether-
 - (a) there has been a failure in the internal control system and/or whether there has been negligence on the part of any public officer or any other person; or
 - (b) there has been any theft, fraud, sabotage or irregularity.
32. Where the Accounting Officer is satisfied that there is no suspected irregularity, negligence or dishonesty, he may proceed with the write off of the deficiency.
33. Where there is suspected irregularity, negligence or dishonesty, the Accounting Officer should take appropriate disciplinary action as per paragraphs 8 and 9.

34. The Accounting Officer should, in cases of theft, fraud, sabotage, or where the irregularity has caused prejudice to Government, immediately refer the matter to Police.
35. Where negligence on the part of a public officer is established, the procedures at paragraphs 10 to 13 should be followed.
36. Where negligence on the part of a private party is established, the procedures in paragraph 18 should be followed.
37. Deficiencies discovered or confirmed by:-
 - (a) a Departmental officer other than the officer in charge of a warehouse;
 - (b) an Officer taking over charge of a warehouse;
 - (c) a Board of Survey;
 - (d) an Internal Control Officer; or
 - (e) any other authorised officer.

should be detailed on Handing Over Certificate (GF 13) or List of Deficiencies/Excesses (GF 14), as appropriate.
38. The officers mentioned at paragraph 37 discovering the deficiencies should report their findings and recommendations to the Accounting Officer. GF 13 or 14, as appropriate, and GF 9 (Part I duly filled in) should be attached to the report.
39. The Accounting Officer should proceed as per paragraphs 31 to 36.
40. The GF 9, 13, 14 should be copied to the scheduled officer referred to in paragraph 20 for follow up action. The scheduled officer should report, on a quarterly basis, to the Accounting Officer on status of cases of losses and deficiencies.
41. The flow diagram at Annex II highlights the main actions required in case of deficiencies.

Goods found in excess

42. Where goods are found in excess, arising other than as a result of errors, the OIC Warehouse/Outstation should bring to ledger charge the excess on the strength of Surplus and/or Returned Goods Voucher (GF 10).

Write - Off

43. The Accounting Officer shall be responsible for the write off of losses and deficiencies, and the clearance of Advance Accounts.
44. The Accounting Officer should ensure that the scheduled officer, referred to at paragraph 20, maintains a list of cases set for write off. The scheduled officer should submit such a list to the Accounting Officer on Layouts 14 and 14 A.
45. The Accounting Officer has to personally approve the write off. The relevant records should thereafter be adjusted.
46. When the authority to write off is obtained, the OIC Warehouse/Outstation should adjust Deficient Goods ledger quoting the authority of Layout 14. The Register of Losses should, where appropriate, be updated by the relevant scheduled officer.
47. The accounting entries for write off of losses, deficiencies and clearing of Advance Account are set out in Annex III.
48. A copy of the approval for write off as per Layouts 14 and 14 A should be submitted on a six monthly basis to the DPS and the Accountant-General not later than 30 September in respect of period ended 30 June and 31 March in respect of period ended 31 December.
49. The Accounting Officer should ensure that the scheduled officer keeps a Management Information System on approved cases of write off.
50. The Accountant-General must, in his Annual Statements, report on losses, write off and clearance of advance account by every Department.

51. Where any good previously written off is eventually recovered, such good should be taken on charge on GF 10.

Review of Systems and Procedures

52. The occurrence of loss, deficiency, irregularity, theft, burglary or robbery and fraud or sabotage in a Department may be the result of weaknesses in systems and procedures in that Department. The Accounting Officer, through Procurement & Supply Unit, Internal Control Unit and/or any other officer, should review the systems and procedures in order to identify such weaknesses and take necessary corrective action.

DEFICIENT GOODS VOUCHER

No. 001

PART I

(TO BE FILLED BY OIC WAREHOUSE)

Ministry/Department:

To: **ACCOUNTING OFFICER**

The goods located at Warehouse/Outstations..... listed in the table below has/have been found deficient by me/ Departmental Officer /Internal Control Officer/External Auditor/Board of Survey* and has/have been transferred to the Deficient Goods Ledger.

From Ledger/Folio	Goods	Qty	Rate	Value		Transfer to Deficient Goods Ledger/Folio
				Rs	Cs	

Explanations for the deficiency

.....

Name..... *Signature*.....

Designation..... *Date*.....

* Delete as appropriate

PART II

DECISION OF ACCOUNTING OFFICER (Financial Instructions- Losses, deficiencies and write-off of goods at paragraphs 31 & 32).....

.....

Name..... *Signature*.....

Designation..... *Date*.....

SURPLUS AND/OR RETURNED GOODS VOUCHER

No. 0001

1. From:
To :

The under-mentioned goods are found surplus/returned to warehouse*. Original and Duplicate of GF 10 are submitted herewith.

Name of Officer Designation:

Signature Date

Ledger Record	Description of Goods	Unit of Issue	Quantity	Value Rs	Reasons	Ledger Record
TOTAL						

Total in words:.....

2. I certify that the above mentioned goods have been received to-day and have been taken on charge in the Ledgers as shown above. Duplicate GF 10 is returned herewith. Original retained by me.

Name of Receiving Officer Designation

Signature Date

*Delete as appropriate

Government of Mauritius

HANDING-OVER CERTIFICATE

To : **ACCOUNTING OFFICER**

Ministry/Department

1. I certify that I have handed over to-day to Mr./Mrs/Miss*..... all goods of the warehouse hitherto in my charge. I agree with the discrepancies shown in the list on reverse at part I. My explanations regarding deficiencies are attached.

Date.....

Signature

Designation.....

Outgoing Officer's Name

2. We hereby certify that Mr/Mrs/Miss*..... is unable personally to hand over the goods of the..... warehouse/outstation* owing to.....

As directed we have held a Board of Survey on the goods and found all to be (a) correct and in order (b) correct and in order except for those noted on reverse*at part II. Our recommendations are attached.

NAME	DESIGNATION	SIGNATURE
Chairperson :		
Member :		
Member :		
Member :		
Member :		

Date.....

3. I certify that I have taken over to-day all goods of the above-mentioned warehouse/outstation situated at

(i) from Mr/Mrs/Miss*.....and that I have checked the goods on hand and found all to be (a) correct and in good order (b) correct and in good order except for those noted on reverse*at part III .

(ii) from the Board and that I was present during the survey. Goods found in excess have been taken on charge.

Date.....

Signature

Designation.....

Incoming Officer's Name

*Delete as appropriate

LAYOUT 13 (REVERSE)

Entry in Advance Ledger:

Date: Amount: Ledger Folio:

Date Advance Account opened in TAS and amount thereof

Date Police report received

Implementation of IC recommendations

.....

.....

Disciplinary action taken, if any;

.....

.....

Recovery of losses, if any

Date loss written off by Accounting Officer

Write off authority reference.....

Date Layout 14 (Write off of Losses & Deficiencies) and 14 A (List of Goods Set for Write Off) submitted to Accountant-General / DPS.....

Any other relevant information

.....

.....

.....

.....

.....

Follow up action required.....

.....

.....

.....

.....

Government of Mauritius

Write off of Losses & Deficiencies

Department:

Reference:

To Accounting Officer

The list of goods attached as per Layout 14 A is submitted for write off.

.....
Signature of Scheduled Officer

.....
Date

Name:

Rank

I am satisfied that-

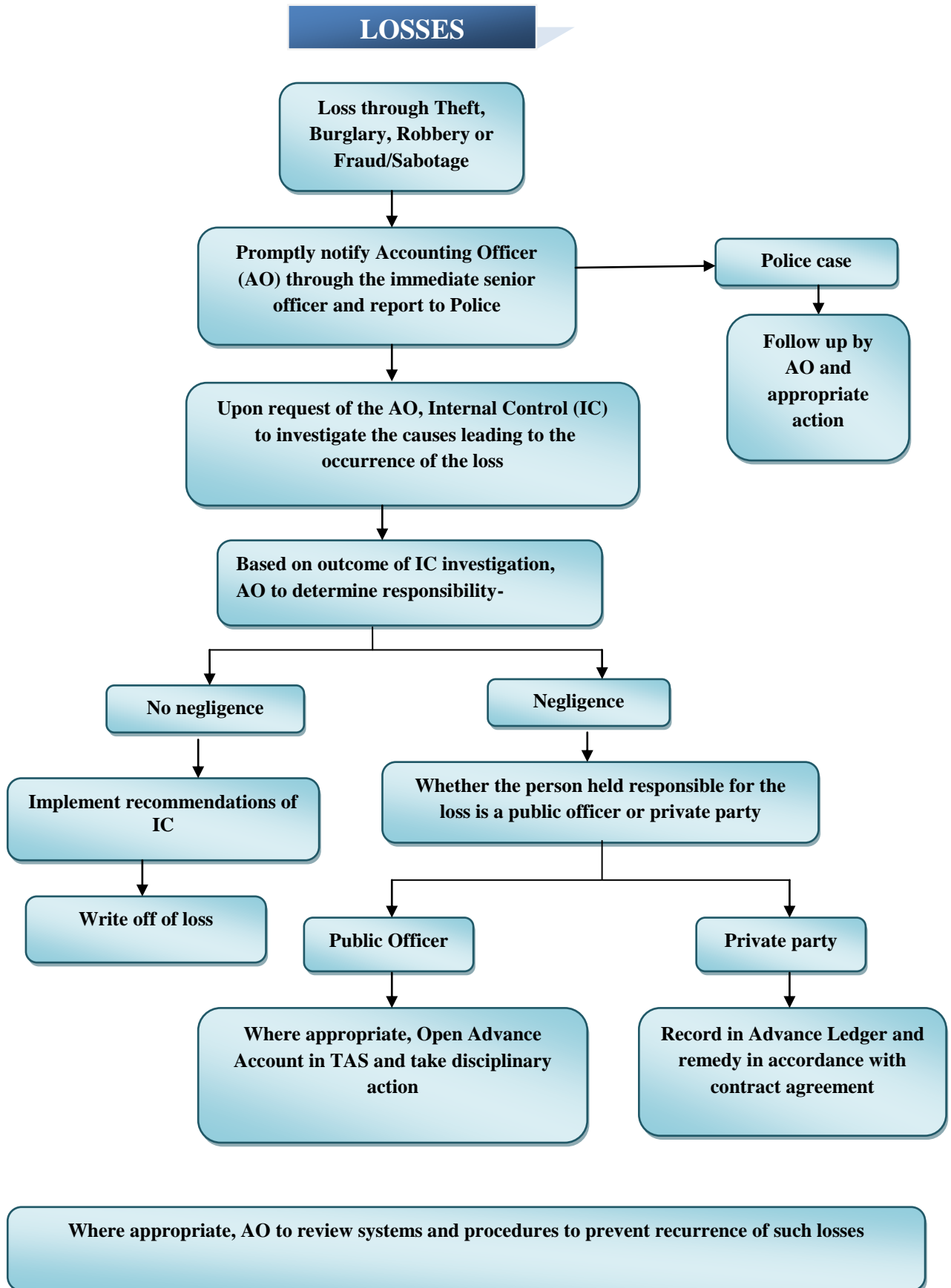
- (a) the case(s) has/have been **fully investigated by Internal Control and/or Police**;
- (b)* (i)there has been **no negligence on the part of any officer** of this Department on the basis of investigations carried out so far as I have been able to ascertain by all possible enquiries; or
 (ii) there has been **negligence and** appropriate **disciplinary action** has been taken against the officer responsible;
- (c) remedial actions have been taken to address weaknesses found in the system so as to prevent recurrence;
- (d) the case(s) has/have been classified by Police; and
- (e) the goods have been/not been* recovered.

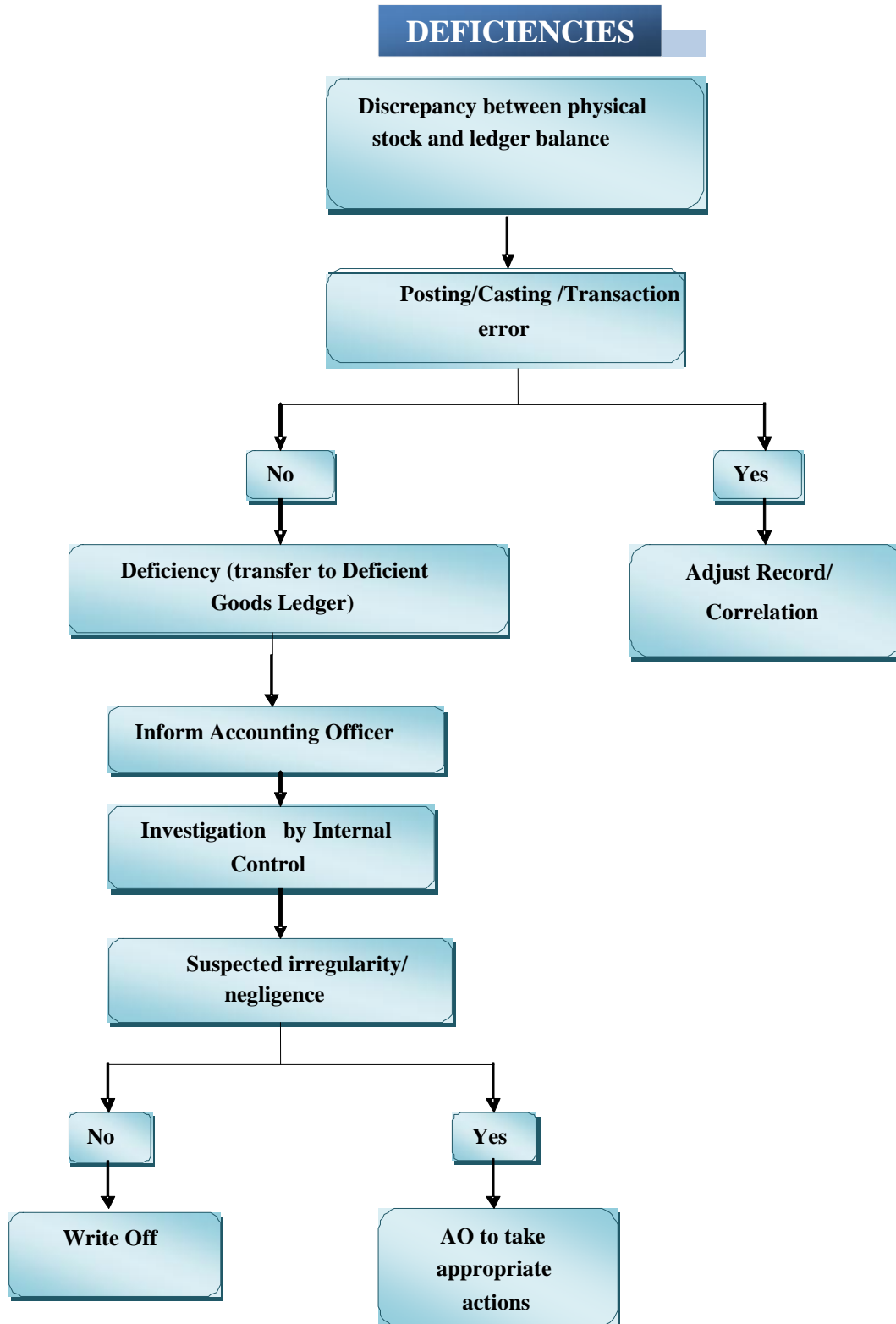
.....
Signature

.....
Date

Name of Accounting Officer:

** Delete as appropriate*





Accounting Entries In Respect Of Advance Accounts

1. *Loss Of Asset (In Year Of Acquisition or in a subsequent year)*

An Advance Account Personal is opened in the name of the loser for the value of asset lost and the following accounting entries are made:

DR Advance Account Personal

CR Recovery of Asset (ROA) A/c

Note: The ROA A/c will be disclosed in the Statement of Assets & Liabilities under item “Deposits and Other Credit Balances”

2. *Recovery of Asset*

When the asset is recovered (in the year of loss or in a subsequent year), the accounting entries made for the creation of the Advance Account should be reversed as follows-

(a) *Where the value of the asset is unimpaired*

DR Recovery of Asset A/c

CR Advance Account Personal

(b) *Where the value of the asset is impaired*

Example: Value of asset at time of loss - Rs1000
Value of asset on recovery - Rs 800
Impaired amount - Rs 200

(i) **Scenario where loser makes good (i.e pays cash) the impaired amount**

DR Recovery of Asset A/c with value on recovery (i.e Rs800)

DR Cash with impaired amount (i.e Rs 200)

CR Advance A/c Personal (Rs 1000)

Then, to clear ROA A/c:

DR Recovery of Asset A/c (Rs 200)

CR Miscellaneous Revenue (Rs 200)

(ii) Scenario where impaired amount is written off

DR Recovery of Asset A/c (Rs 800).....value of asset on recovery

DR Recovery of Asset A/c (200).....amount w/off

CR Advance A/c Personal (Rs 1000)

3. Reimbursement of Loss by custodian (in Cash)

Where loser makes good the value of the loss by cash payments, 2 sets of entries should be made:

(i) To clear Advance A/c

DR Cash

CR Advance A/c Personal

(ii) Then, to clear ROA A/c

DR Recovery of Asset A/c

CR Miscellaneous Revenue

4. Where the asset lost is not recovered or reimbursed, the Department should proceed with write-off. The following accounting entries should be made after approval for write off is obtained:

DR Recovery of Asset A/c

CR Advance Account Personal