Issue Date: **May 2008**	Effective Date: **May 20, 2008**	Responsible Agency: **Financial Operations, Department of Finance**	Directive No: **917-1**
Chapter: **Control of Revenues**			
Directive Title: **WRITE-OFF**			

1. POLICY

Any write-offs of an asset of the Government of Nunavut or a debt or obligation owing to the Government of Nunavut must be in accordance with *S.24* of the *Financial Administration Act (FAA).*

2. DIRECTIVE

2.1 The write-off of an asset of the Government or a debt or obligation owing to the Government that exceeds $20,000 requires the express authority of an Act for that write-off.

2.2 The write-off of an asset of the Government or a debt or obligation owing to the Government that does not exceed $20,000, must be approved as follows:

- Up to $20,000 - The Minister of the Department who owns the asset or to whom the debt is owed.
- Up to $10,000 – The Deputy Head of the department who owns the asset or to whom the debt is owed.

2.3 The financial limits referred to in this directive relate to the carrying value of the asset in the accounts of the GN.

3. PROVISIONS

3.1. Collection Action
Departments are to take all reasonable steps to collect an amount or obligation receivable before considering the account for write-off. Collection of accounts receivable must be in accordance with Directive 908 – Collection of Amounts Owing to the Government.

3.2. Charging the Write-Off

Any debt or obligation owing to the Government or non-capital asset belonging to the Government that has been written off will be charged against an appropriation of the department controlling the asset, debt or obligation owing in the year that the debt has been written off.

3.3. Public Agencies

S. 82 of the *FAA* prohibits Public Agencies from writing off an asset of the Agency or debt or obligation owing to the agency that exceeds $20,000 without the expressed authority of an Act of the Legislature. Amounts not exceeding $20,000 may be approved by the Board of the Agency.

3.4. Whole or Part of an Asset or Debt

A debt, asset or obligation may be written off in whole or in part. Parts of an item being written off cannot be segregated into smaller portions to render them beneath the thresholds contained in this directive. The item being written off consists of the whole of each type of asset or amount owing. That is, the amount owing from an organization would be the sum of the amounts owing from its different divisions, and not the amount owing from each individual division. The same principal applies to assets.

3.5. Timing of write-off

The thresholds contained in this directive relate to the item being written off and not to the timing of the write-off. Part of an asset, debt or obligation cannot be written off in one year and part in another year to keep them within the thresholds. Write-offs may occur over a period of time if the circumstances surrounding the asset, debt or obligation justify this action.

3.6. Deletion of Inventory

This directive does not apply to the deletion of inventory from a Revolving Fund covered in *S. 64* of the *FAA.* These deletions are covered under Directive 704-4 of this manual.

3.7. Amounts Owing that are Statute Barred

Certain statues and court orders prevent creditors from collecting amounts owed by debtors. When these situations arise, the removal of the amounts from the accounting records is not considered a write-off but merely an accounting entry to remove the amount or adjust the former receivable. This accounting entry must be completed by the Office of the Comptroller General. Any such accounts so removed, that exceed $20,000, must be reported to the Financial Management Board at the earliest opportunity following the act of removal or adjustment.

The main situations when this situation occurs are as follows:

3.7.1. Discharged Bankrupts - The Canada *Bankruptcy and Insolvency Act* provides that upon discharge, a bankrupt is released from all debts, except for certain debts relating to student loans, court orders, fraud, alimony and the like.

3.7.2. Judgments or Court Orders – when it is determined that the Government can only collect a lesser amount than the recorded debt the Comptroller General must adjust the account on the basis of the recoverable amount and it must be charged to an appropriation..

3.7.3. Restrictions Imposed by Statute – where a statute restricts the amount of a debt (e.g. the *Limitation of Actions Act*), the Comptroller General must adjust the account on the basis of the recoverable amount.

3.8. Valuation of Receivables and Inventories
Generally Accepted Accounting Principals require that accounts receivable and inventories be valued at no higher than their net realizable value. Allowances created to value accounts receivable or adjustments to inventories are not considered write-offs and this directive is not applicable to allowance for doubtful accounts and write down of inventories.

3.9. Write-down of Tangible Capital Assets
Public Sector Accounting Standards requires that the carrying value of tangible capital assets be no greater than the value of the future economic benefits associated with the tangible capital asset. Adjustments to the cost of the tangible capital asset to reflect the decline in the asset's value are not considered write-offs and this directive does not apply to them.

3.10. Reporting Requirements
All write-offs and remissions that exceed $500 must be reported to the Comptroller General so that they may be recorded and included in the Public Accounts, as is required under *S. 26* of the *FAA.* Public Agencies are required to include all write-offs in excess of $500 in their Annual Report.

3.11. Conditional Write-Off or Settlement
Debts or obligations receivable may be written off subject to certain conditions. The approvals required by this directive are needed prior to committing to the conditional write-off or settlement but the actual write-off is not recorded until all of the conditions have been fulfilled. The department to whom the debt is owed is responsible for monitoring the conditions.

3.12. Amounts receivable from another Government department
Transactions between departments are created for administrative and management purposes and do not create true accounts receivable or payable. They may be adjusted with agreement of the departments involved and the provisions of this directive do not apply.

3.13. Accounting Errors
The provisions of this directive do not apply to adjustments required to correct accounting errors. In these instances, the amount recorded against the asset was incorrect and the adjustment is required to reflect the true value of the asset. This situation also applies to amounts recorded as receivable that do not have sufficient documentation to support the right to collect.

3.14. Estimates and Professional Judgment
The preparation of financial statements involves professional judgment, reasonable estimates and accruals. Adjustments to correct these judgments, estimates or accruals are not considered write-offs and the provisions of this directive do not apply to them.