

Financial Instructions

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1. Definitions & Abbreviations

ACT is the Public Finance and Audit Act, 1978(Cap 120)

SIG is the ‘Solomon Islands Government’.

PSF is the ‘Permanent Secretary for Finance and Treasury’.

AO is an ‘Accounting Officer’.

Section 2 of the PF&A - "**accountable officer**" means any public officer other than an accounting officer concerned in or responsible for the collection, receipt, custody, issue or payment of public moneys, stores, stamps, investments, securities or negotiable instruments, whether the same are the property of the Government or on deposit with or entrusted to the Government or to any public officer in his official capacity either alone or jointly with any other public officer or any other person;

Section 2 of the PF&A - "**accounting officer**" means any public officer so designated or appointed under section 17 and charged with the duty of accounting for any service for which moneys have been appropriated;

Public office means any position occupied by an officer appointed or paid by SIG, including Accountable Officers, and sometimes referred to as an office of ‘emolument’.

Section 2 of the PF&A - "**public officer**" has the meaning prescribed by section 144 of the Constitution. A Public Officer is subject to the General Orders administered by the Public Service Commission.

Section 144 of the Constitution "**public officer**" - means a person holding or acting in any public office.

2. Constitutional Provisions

The PF&A includes the requirements that:

Section 6(1) “The Minister shall so supervise the **finances** of the Government as to ensure that a full account is made to Parliament and for such purpose shall, subject to the provisions of this Act, have the management of the Consolidated Fund and the supervision, control and direction of all matters relating to the financial affairs of the Government”.

Section 6(2) “For the purpose of ensuring compliance with the provisions of subsection (1) the Minister may issue instructions to be called Financial Instructions and Stores Instructions for the better carrying out of the provisions and purposes of this Act”.

Section 7(1) “Every accounting officer and every accountable officer shall obey all instructions that may from time to time be issued by the Permanent Secretary in respect of all accounting or accountable matters for which he is responsible”.

Section 17 (1) An accounting officer shall be designated in the annual estimates of revenue and expenditure in respect of each head for any financial year to control and account for the expenditure of moneys applied to that head by an Appropriation Act:

Provided that the Minister may at any time by writing under his hand appoint any other public officer to be the accounting officer for any head.

Section 17(2) “An accounting officer shall be accountable for all public moneys received, collected or disbursed and for all public stores received, held or disposed of by or on account of the head for which he is the accounting officer”.

Section 17(3) “An accounting officer may, and shall if so required by the Permanent Secretary, define in writing the extent to which the powers conferred or imposed upon him may be exercised or performed on his behalf by any officer under his control and give such directions as may be necessary to secure the proper exercise or performance of such powers and duties”.

Section 22(1) “Subject to subsection (2), if it appears to the Minister that any person who is or was a public officer—(a) has failed to collect any moneys owing to the Government, the collection of which he is or was responsible; (b) is or was responsible for any improper payment of public moneys or for any payment of such moneys which is not duly vouched;(c) is or was guilty of negligence or misconduct in relation to any deficiency in or for the destruction, damage or loss of any public moneys, stamps, securities, stores or other Government property; or (d) is or was responsible for causing any financial loss to the Government through failure to obey any order or instructions properly given or issued to him, shall be guilty of misconduct in office and further if, within a period of one month from the date of the notice under subsection (2), an explanation satisfactory to the Minister is not furnished to him by such person with regard to the failure to collect, the improper payment, the payment not duly vouched, the deficiency, destruction, damage or loss or the failure to obey the order or instructions, the Minister may surcharge such person a sum not exceeding the amount not collected, the amount improperly paid, the amount not duly vouched, the amount of deficiency or loss, the value of the property destroyed or lost, the cost of damage or the amount of the financial loss, as the case may be, and the Minister shall then notify such person of the surcharge.

Section 22(2) No person shall be surcharged under subsection (1) unless the Minister has notified the person of the conduct in respect of which the surcharge is intended to be made and the person has been requested to furnish an explanation with regard to the conduct.

Section 30 “Subject to the provision of this Part, the Permanent Secretary is hereby authorised to administer, and in appropriate cases to refund, deposits to the person or persons entitled to them”.

Section 35(1)(f) “that adequate Regulations and Instructions exist for the guidance of accounting officers”.

Section 43(1) “In exercising the powers conferred upon the Auditor-General under Parts VI, VII and VIII, the Auditor-General may stipulate a reasonable period within

which any public officer shall answer any queries raised, or submit to him for inspection any records, books, vouchers or other documents pertaining to the audit”.

Section 44 “Any public officer who contravenes or fails to comply with the provisions of section 43 is guilty of misconduct in office”.

Section 45 “The references to 'misconduct in office' in sections 22 and 44 shall for the purposes of this Act be construed as acts of misconduct specified in Chapter VIII of the Constitution or the Public Service Commission Regulations 1979 or any other rules or regulations applying to public officers.

3. Ministerial Financial Instructions - Background

These ‘Public Officer responsibilities’ instructions are issued by the Minister for Finance in accordance with section 6(2) Act (hereinafter referred to as a Ministerial Financial Instructions) for the better carrying out of the provisions and purposes of the Act. Refer to the ‘Introduction, principles, security, record-keeping and compliance instruction’ for a full explanation and aims of Ministerial and Permanent Secretary Instructions.

Hereinafter the collection of Ministerial and Permanent Secretary Instructions described in section 6(1) of the Act as ‘Financial Instructions and Stores Instructions’ will be simply referred to as the ‘Financial Instructions’ (FIs). Ministerial Financial Instructions numbering are preceded with an ‘M’ and the number of the Chapter; i.e. M3; and Permanent Secretary Instructions numbering are preceded with a ‘P’ and the number of the Chapter; i.e. P3.

4. Ministerial Financial Instructions

All Officers with financial responsibilities must observe these guiding principles whenever they are acting on behalf of SIG

M3 1 Observation of Financial Instructions

- 1.1 All Officers must observe these Financial Instructions and apply them to achieve the six central principles whenever they are acting on behalf of SIG. Any instances of failing to observe any instruction will be dealt with in accordance with the ‘Non-compliance, Misconduct and Penalties’ section of Chapter 1.

M3 2 Minister of Finance instruction to the PSF

- 2.1 The PSF must issue instructions, and may amend and augment those instructions as changing circumstances require, for the management of all Accounting and Accountable officers except for accountable matters and duties of the Minister of Finance and the PSF.

M3 3 Duties of the Minister of Finance

- 3.1 The powers of the Minister under the PF&A and other legislation include:
 - (a) making FIs and any directions necessary to carry out the purpose of the Act and ensure that public revenue and property are managed efficiently and effectively.

- (b) managing the Consolidated Fund and the supervision, control and direction of all financial matters of Government.
- (c) at any time by writing under his hand appoint any other public officer to be the AO for any head in accordance with section 17(1) of the PF&A.
- (d) accessing all financial documents, records and information.
- (e) refusing to pay any voucher considered to be an unacceptable use of public money; and
- (f) Limiting or suspending spending (excluding Statutory Expenditure) with or without cancelling any prior authority, if considered necessary due to a financial emergency or in the public interest.

M3 4 Duties of the PSF

- 4.1 The PSF is responsible for the implementation of SIG financial and accounting strategies and polices, including the management of all financial and accounting operations, in accordance with the instructions of the Minister.
- 4.2 The PSF shall, under the direction of the Minister, and under Section 7 of the Act, issue any instructions to Accounting and Accountable officers necessary for the efficient carrying out of these FIs. These instructions would be in addition to amendments issued under **M3 3.1(a)**
- 4.3 The PSF has the power to authorise in writing any PSF duties stated in these Financial Instructions to any Officer considered capable of undertaking the duties effectively.
- 4.4 Ensure an AO is designated in the annual estimates of revenue and expenditure in respect of each head for any financial year to control and account for the expenditure of moneys applied to that head by an Appropriation Act.
- 4.5 Ensure proper systems of accounts are established in every Ministry and department.
- 4.6 Prepare SIG's annual accounts for audit.
- 4.7 Ensure the timely collection and receipt of public revenue.
- 4.8 Ensure all revenue or other money paid to Government is recorded under revenue account codes that are consistent with the revenue type.
- 4.9 As AO, ensure all public money and securities held by the Ministry of Finance and Treasury is kept in safe custody.
- 4.10 Ensure all AOs are effectively supervising all Officers responsible for receiving and spending public money through spot checks and inspections of records to ensure carelessness or fraud do not occur.
- 4.11 Ensure spending and other SIG payments to ensure payments are made only with the proper authorisations and that payments are not made if the allocation for that charge has been spent. Any payment considered improper must be brought to the attention of the Minister in writing.
- 4.12 Ensure all SIG payments are charged to account codes consistent with the payment purpose.
- 4.13 Investigate and correct any improper financial transaction brought to the PSF's attention.

- 4.14 Report to the Minister any failure of any AO to receive, record and account for public money.
- 4.15 Report to the Minister within 5 working days after the end of each month any revenue accounts falling into arrears.

M3 5 Financial duties of all Public Officers

- 5.1 All Officers involved in public financial management must comply with Section 7 of the Act and obey all instructions and directions given by the Minister or those delegated by the Minister.
- 5.2 All Officers must be aware of and obey the FIs, particularly those directions that affect their work. If an Officer makes a mistake which causes financial loss to SIG a lack of knowledge or ignorance of any FI is not an excuse for its infringement or for non-compliance. It is therefore the duty of all officers to be acquainted with FIs as from time to time in force.

M3 6 Accountant General

- 6.1 The Accountant General is responsible for making sure the following duties are carried out promptly and effectively-
 - (a) All accounting records needed to produce SIG Accounts are kept in a format defined by the Financial Framework Chapter of the FI.
 - (b) Monthly and annual accounts and reports are completed within FI and PF&A time limits.
 - (c) All money received or paid out by Treasury Division is entered immediately into a cash book.
 - (d) Every entry in the cash book has a receipt, Payment Voucher or Local Purchase Order attached that is prepared and approved according to these Financial Instructions.
 - (e) All vouchers for receipts and payments are numbered consecutively, commencing at number 1 each month except where the numbering is system generated, are entered into the cash book immediately, and that the final voucher each month is clearly marked “AND FINAL” after the number.
 - (f) All money received is banked daily.
 - (g) All cash book cash and balances are checked daily, signed and witnessed in the cash book.
 - (h) Monthly accounts are submitted promptly to the PSF with copies to the relevant AO. (Overseas agent’s accounts may be posted one month in arrears if necessary). In June each year, a forecast for the year is also submitted.
 - (i) Monthly bank reconciliation statements are submitted promptly to the PSF.
 - (j) Any other duties set down in the Accountant General’s job description.
 - (k) The Accountant General may delegate duties where necessary or any other lawful direction of the PSF or delegate.

M3 7 Sub-accountants

- 7.1 The duties of a Sub-accountant include the following:
- (a) any duties, including maintaining an up to date cash book and any other account under delegation from an Accountable Officer;
 - (b) immediately entering all money received or paid for any service into the cash book;
 - (c) ensuring entry in the cash book has a Payment Voucher or Local Purchase Order attached that is prepared and approved as set down in these Financial Instructions;
 - (d) ensuring all receipt and Payment Vouchers are numbered consecutively commencing with number 1 each month, entered immediately into the cash book and that the last voucher for the month is marked “AND FINAL” after its number;
 - (e) checking cash and balance in cash book daily, and signing and witnessing that the check has been made in the cash book;
 - (f) sending to Treasury as soon as possible all cheques and drafts that form part of the cash balance and any cash held above the approved amount set down by the PSF;
 - (g) certifying and signing the cash book at the end of each month with “I certify that the entries recorded in the month of are correct and that the cash balance of \$..... is correct and on hand”. The cash count must be witnessed by a senior Officer and the cash book signed;
 - (h) sending the end of month balanced account in the correct format with supporting documents to Treasury within 10 working days of the end of the month or as soon as transport allows;
 - (i) any other lawful direction of the Accountable Officer.

M3 8 Liability and financial responsibilities of all Officers

- 8.1 All Officers, including those undertaking delegated duties, are personally liable in carrying out their duties and may be held financially responsible by the PSF, for any losses or errors (refer to Chapter 1).

M3 9 Self Accounting Units

- 9.1 Where any Ministry or Unit is defined as a self-accounting unit, the appointed AO will take on the responsibilities and duties of the Permanent Secretary and will be supervised by the PSF.

5. Permanent Secretary Financial Instructions - Background

These instructions relate to the management and responsibilities of the SIG public officers in terms of the Ministerial instruction.

6. Permanent Secretary Financial Instructions

P3 1 Accounting Officers

1.1 The duties of an AO include the following-

- (a) considering the financial impact of departmental policies and how these relate to SIG financial policies.
- (b) supervising the preparation of the annual budget for the department and control of any extra funds received.
- (c) ensuring funds budgeted and received are used properly, not wasted and that only approved spending occurs and all procurement is strictly in accordance with supply chain management requirements.
- (d) ensuring revenue due to the department is collected on time and that charges for services are reviewed regularly.
- (e) ensuring all public money and securities are kept in safe custody.
- (f) ensuring accounting procedures set by the PSF are in place and followed.
- (g) replying as soon as possible to queries from the PSF or Auditor-General, giving any information requested.
- (h) preparing as soon as possible any financial returns or statements needed by any Act, legislation or these Instructions.
- (i) ensuring in consultation with the Permanent Secretary that the needs of the public are considered in provision of services.
- (j) advising the PSF of any difficulty with accounting procedures and suggesting ways to improve these.
- (k) ensuring that any new staff are made aware of accounting and reporting procedures.
- (l) ensuring that their staff members are trained to carry out financial and accounting duties effectively.
- (m) ensuring written departmental instructions on their duties should be available to staff at all times.
- (n) ensuring any departmental instructions must be consistent with these FIs, SIG policy and legislation, and any accounting or accountable matter instruction or procedure issued by the PSF.
- (o) ensuring copies of any departmental instructions or amendments must be submitted to the PSF.
- (p) ensuring the AO can seek the advice of the PSF, regarding the proposed contents of departmental instructions.
- (q) ensuring all AOs must advise the PSF of any matter affecting the accounts or financial records which are not covered by these financial instructions.
- (r) ensuring the AOs must not change any accounting procedure set down in the Financial Instructions or any other instruction from the PSF. Any

- difficulties or changes that may be needed in accounting procedures must be reported immediately to the PSF.
- (s) ensuring the AOs must advise the PSF and the Auditor-General in writing if a new office is to be opened or an old office closed.
 - (t) ensuring advice for opening a new office must include:
 - (i) name of the new office;
 - (ii) location of the new office;
 - (iii) name and position of the Officer in charge;
 - (iv) brief description of the scope of duties of the office and the Officer in charge;
 - (v) proposed financial arrangements, including whether it is occupied by a cashier, whether a safe or lockable cash box is needed and the financial records will be required to be maintained.
- 1.2 Advice before closing an office must include what will happen to:
- (a) any public money on hand at time of closing;
 - (b) public assets on hand;
 - (c) accounting records and security and other documents;
 - (d) any revenue yet to be collected;
 - (e) any outstanding debts including contingency funds;
 - (f) existing staff;
 - (g) vacated buildings and if any alternative use can be found for the building
 - (h) security for buildings etc.
- 1.3 AOs must either carry out financial and accounting duties or authorise other Officers in writing to carry out those responsibilities under Section 7 of the PF&A. Any reference in these Instructions includes delegates of the AO.
- 1.4 Any other lawful direction of the PSF or delegate.

P3 2 Accountable Officers

- 2.1 The duties of an Accountable Officer include the following:
- (a) Accountable Officers must carry out these FIs as authorised by the AO.
 - (b) Keeping account books and other records up to date as set down by these FIs and any other written instructions issued by the PSF.
 - (c) Promptly collecting, recording, banking and accounting for all revenue due to SIG and any other public money.
 - (d) Submitting all arrears of revenue to the PSF monthly.
 - (e) Keeping in safe custody all public money, stamps, receipt books, licenses and other documents.
 - (f) Ensuring that no payment is made without proper authority, that payment vouchers are correct and that they are entered on the Account Code Control Card before payment.
 - (g) Daily checking and signing off by Accountable Officer and witness on the balances of all cash in the cash book.

- (h) Repaying and signing for any shortfall in cash below \$50. Where a shortfall is more than \$50, a written report must be made to the AO, with a copy to Internal Audit. Where a shortfall is more than \$1,000, a written report must be made to the PSF by the AO, with a copy to Internal Audit and the Auditor-General; and the PSF will decide if the Officer will repay the shortfall or if any other action will be taken.
- (i) Receipting and signing for any cash in excess of the cash book balance. Where the excess is more than \$50, a written report must be made to the AO, with a copy to Internal Audit.
- (j) Giving access to and producing cash, securities, account books, records, vouchers and any other public money immediately as and when requested by the PSF or delegated staff, the Auditor-General or delegated staff, or AO.
- (k) Preparing and submitting all returns when due and in the required format.
- (l) Promptly replying to any query from the PSF, Auditor-General, senior Officer or AO.
- (m) Promptly reporting to the PSF any difficulty with accounting procedures and suggested ways to improve these.
- (n) Supervising and training staff working under the Accountable Officer, including regular inspections and checks to minimise errors and reduce the possibility of fraud.
- (o) Contacting any Revenue Collector who fails to report on the scheduled day.
- (p) Meeting the needs of the public in its dealings with SIG while following these FIs.
- (q) Any Accountable Officer with personal financial difficulties must immediately report this to a senior Officer and be transferred to duties which do not involve handling cash.
- (r) The Permanent Secretary may request at any time and without reason, the transfer of an Accountable Officer. Such a request must be acted on as soon as possible.
- (s) Any other lawful direction of the Permanent Secretary or delegate.

P3 3 Revenue collector

3.1 The duties of a Revenue collector include the following:

- (a) Must give a receipt, maintain an official cash book and account for all transactions within that cash book to an AO or chief accountant.
- (b) Revenue responsibilities are further defined in Chapter 5 of the FIs; or
- (c) Any other lawful direction of the Permanent Secretary, AO or delegate.

P3 4 Requesting officer

4.1 Responsibilities are detailed in Chapter 7, 'Supply Chain Management' FIs.

P3 5 Certifying officer

5.1 Responsibilities are detailed in Chapter 7, 'Supply Chain Management' FIs.

P3 6 Delegation of financial management functions

- 6.1 Accounting Officers must delegate financial management functions to Accountable or other public officers in accordance with the needs of the Ministry to function effectively.
- 6.2 Delegations must take into consideration the ability and capacity of the officers to fulfil a delegated financial management function.
- 6.3 Delegations must be in writing and acceptance of the delegation must be acknowledged in writing, which may be achieved by inclusion in an approved position description.

P3 7 Handing-over/ Taking-over certificates

- 7.1 All Officers either handing-over or taking-over duties have a personal responsibility to ensure that a Handing Over Certificate is completed accurately and signed in a hand-over of duties.
- 7.2 Officers must not accept cash, issue a receipt, pay a payment voucher or make an entry in a cash book until the Handing-over certificate has been completed and signed by the two Officers involved.