

Financial Instructions

Contents	Page
1. Definitions & Abbreviations	2
2. Constitutional Provisions	2-4
3. Ministerial Financial Instructions – Background	4
4. Ministerial Financial Instructions	4
M8 1 Observation of Financial Instructions	4
M8 2 Duties of the Minister of Finance	4
M8 3 Duties of the PSF	4-5
M8 4 Audit Committee	5-6
M8 5 Internal Audit	6
M8 6 Internal Audit authority	6
M8 7 Reporting of an irregularity	6
M8 8 Miscellaneous	6
5. Permanent Secretary Finance Financial instructions	6

1. Definitions & Abbreviations

PF&A is the Public Finance and Audit Act, 1978, as amended.

SIG is the ‘Solomon Islands Government’.

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

AO is an ‘Accounting Officer’.

2. Constitutional Provisions

The Constitution includes the requirements that:

108(3) The public accounts of Solomon Islands, of all Ministries, offices, courts and authorities of the Government, of the government of Honiara city and of all provincial governments, shall be audited and reported on annually by the Auditor-General, and for that purpose the Auditor-General or any person authorised by him in that behalf shall at all times be entitled to access to all books, records, returns and other documents relating to such accounts.

108(4) The Auditor-General shall submit his reports to the Speaker who shall cause them to be laid before Parliament; and he shall also send a copy of each report to the Minister of Finance and the Minister concerned.

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 10(2) Notwithstanding the issue of a warrant referred to in subsection (1) [of section 10], the Minister may limit or suspend any expenditure not being statutory expenditure with or without cancellation of the warrant if in his opinion financial exigencies or the public interest so require.

Section 35(1) “In exercising the powers conferred by section 108(3) of the Constitution of audit and examination of accounts the Auditor-General may require evidence so far as is reasonably practicable -

(a) that all reasonable precautions have been taken to safeguard the collection and custody of revenue and that the Act, Regulations and Instructions relating thereto have been duly observed;

(b) that moneys which have been appropriated and disbursed have been applied to the purposes for which they were so appropriated, and that the expenditure conforms to the authority which governs it;

(c) that public moneys other than those which have been appropriated have been dealt with in accordance with proper authority;

(d) that expenditure has been incurred with due regard to economy and the avoidance of waste;

(e) that all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of Government property including stamps, securities and stores and that the Regulations and Instructions relating thereto have been duly observed; and

(f) that adequate Regulations and Instructions exist for the guidance of accounting officers.

(2) Notwithstanding the provisions of this section, the Auditor-General shall not be required to examine, enquire into or audit the accounts of any trust or other fund or account not provided for in section 108(3) of the Constitution or section 38 of this Act unless the officer administering such fund or account has been directed by the Minister in accordance with subsection (2) of that section to prepare, sign and transmit to the Auditor-General an account of such fund or account”.

Section 36(1) “In the exercise of his duties, the Auditor-General or any person duly authorised by him in writing shall have access to all records, books, vouchers, documents appertaining to matters of finance and accounts; and to all cash, stamps, securities, stores or other Government property whatsoever in the possession of any public officer, any person duly authorised by him in writing shall have access to all records, books, vouchers, documents appertaining to matters of finance and accounts; and to all cash, stamps, securities, stores or other Government property whatsoever in the possession of any public officer.

(2) In the exercise of his duties to audit, enquire into and examine accounts the Auditor-General may -

(a) call upon any officer for any explanations and information which he may require in order to enable him to discharge his duties;

(b) authorise any person publicly carrying on the profession of accountant or any public officer to conduct on his behalf any enquiry, examination, or audit and such person shall report thereon to the Auditor-General;

(c) without payment of any fee, cause search to be made in and extracts to be taken from any book, document or record appertaining to matters of public finance or accounts; and

(d) lay before the Attorney-General a case in writing on any question regarding the interpretation of any Act concerning the powers of the Auditor-General and the discharge of his duties, and the Attorney-General shall give a written opinion upon such case.

Section 39(1) On receipt of the accounts prescribed by section 38 the Auditor-General shall cause them to be examined and audited and shall, within a period of twelve months after the end of the financial year to which the accounts relate or such longer period as Parliament may approve, certify in respect of each account the result of the examination and audit, and shall within the aforesaid period prepare, sign and transmit to the Speaker a report upon the examination and audit of all such accounts and shall send a copy of such report to the Minister together with copies of the accounts, certified as aforesaid.

3. Ministerial Financial Instructions - Background

These 'Audit' financial instructions are issued by the Minister for Finance in accordance with section 6(2) of the Public Finance and Audit Act, 1978, as amended (PF&A), (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 and record keeping 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 PF&A 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; e.g. M8; and Permanent Secretary Instructions numbering are preceded with a 'P' and the number of the Chapter; e.g. P8.

4. Ministerial Financial Instructions

M8 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. The purpose of these instructions is for effective internal audit management and oversight to strengthen and then maintain corporate governance.

M8 2 Duties of the Minister of Finance

- 2.1 Issue the Internal Audit Committee, on the advice of the PSF, with a charter for the effective functioning of that committee.

M8 3 Duties of the PSF

- 3.1 Maintain and ensure that Internal Audit is operated in line with all relevant National and International auditing standards and reports directly to the PSF.
- 3.2 Ensure that the head manager of internal audit is a member of the Institute of Internal Auditors.
- 3.3 Establish and maintain an audit committee including advising the Minister of Finance in respect to an appropriate charter, which lays out the constitution,

purpose, authority, composition subject to the minimum requirements FI requirements, meetings subject to minimum Financial Instructions requirements, and terms of reference of the audit committee; and making committee appointments including committee member experience requirements.

M8 4 Audit Committee

4.1 The audit committee is an independent advisory body which must review, appraise and advise the Minister of Finance through the PSF on these matters:

- (a) Soundness, adequacy and application of internal financial controls and internal audits
- (b) Risk management, including the protection from loss arising from:
 - (i) fraud and other offences;
 - (ii) waste and inefficient management;
 - (iii) accounting policies;
 - (iv) adequacy, reliability, accuracy and suitability of financial reporting and information;
 - (v) extent the SIG's assets and interests are accounted for and safeguarded from losses of all kinds including fraud, waste, extravagance, inefficient administration, poor value for money procurement;
 - (vi) Ministry adherence to approved or adjusted expenditure estimates;
 - (vii) performance management and evaluation;
 - (viii) effective governance;
 - (ix) overall level of compliance with this PF&A, FIs and any other applicable legislation
 - (x) any other issues referred to it by the Minister of Finance.
- (c) Review the annual accounts to provide the Minister of Finance with an authoritative and credible view of the financial position of SIG
- (d) Respond to the PSF on any issues raised by the Auditor-General in the audit report under section 39 of the PF&A
- (e) Recommend to the Minister of Finance through the PSF, that financial exigency exists, or that it is in the public interest that certain expenditure is limited or suspended in accordance with the PF&A
- (f) Carry out such other investigations into the financial affairs of the SIG or other corporate bodies that the Minister of Finance directs
- (g) Perform such other functions as may be instructed by the Minister of Finance.

4.2 The audit committee must consist of:

- (a) at least four persons with appropriate experience of whom the majority may not be in the employ of SIG;
- (b) one of the members, who is not in the employ of SIG, must be appointed as the independent chairperson of the committee;
- (c) one of the members must be the most senior manager of Internal Audit.

- 4.3 No parliamentarian or any Permanent Secretary may be an audit committee member.
- 4.4 Meet as often as is required to perform its functions, but at least four times a year.

M8 5 Internal Audit

- 5.1 The internal audit unit or committee must:
 - (a) prepare a risk-based audit plan and an internal audit program for each financial year;
 - (b) advise the PSF and report to the audit committee on the implementation of the internal audit plan and matters relating to:
 - (i) internal controls;
 - (ii) accounting procedures and practices;
 - (iii) risk and risk management;
 - (iv) performance;
 - (v) loss control;
 - (vi) compliance with the PF&A, the FIs & Stores Instructions and any other applicable legislation
 - (c) perform such other duties as may be assigned to it by the PSF.
- 5.2 The internal audit function may be outsourced if the Minister of Finance, on the advice of the PSF has determined that this is cost-effective.

M8 6 Internal Audit authority

- 6.1 The officer-in-charge of Internal Audit will have authority to:
 - (a) enter any SIG premises or land at any reasonable time;
 - (b) access all records, documents and correspondence relating to financial and other transactions of SIG;
 - (c) obtain such information and explanations as necessary concerning any matter under examination;
 - (d) request any SIG employees to produce cash, stores or other Government property under the employees' control.

M8 7 Reporting of an irregularity

- 7.1 Whenever an irregularity or suspected irregularity concerns cash or other Government property, the AO must immediately advise the PSF who will take any steps necessary to investigate and report on the irregularity. The matter will also be referred to the Attorney-General as appropriate.

M8 8 Miscellaneous

- 8.1 A green pen is to be used only by the Office of the Auditor General. A purple pen is used only by Internal Audit.
- 8.2 Any error in internally audited figures in account books must only be changed by staff of Internal Audit and will be initialled by them.

5. Permanent Secretary Financial Instructions

There are no PSF financial instructions in this Chapter.