

SUPPLEMENT to the Solomon Islands GazetteWednesday 22nd March, 2018

S.I. No.24

[Legal Notice No. 35]

ISABEL PROVINCE FINANCIAL MANAGEMENT ORDINANCE 2018

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**ISABEL PROVINCE FINANCIAL MANAGEMENT
ORDINANCE 2018**

IN exercise of the powers conferred by section 34(4) of the *Provincial Government Act 1997*, the Minister for Ministry of Provincial Government and Institutional Strengthening makes the following Ordinance.

Part 1 Preliminary matters

1 Citation

This Ordinance may be cited as the **Isabel Provincial Government *Financial Management Ordinance 2018***.

2 Commencement

This Ordinance commences on the date of publication in the *gazette*.

3 Definitions

“Account Code” means a code used to detail each type of revenue and expenditure within the Provincial Government. Account codes are categorised into account types, such as income and expenditure but also reflect the divisions of the Provincial Government;

“Accountable Stationery” means any official stationery of the Province which requires control over its distribution, including such items as receipt books, ticket books and so on;

“Accountant General” means the person designated as such;

“Accountable Officer” means the Provincial Secretary. The accountable officer has overall daily responsibility to control and account for all funds received and paid by the Province;

“Accounting Officer” means the Provincial Treasurer;

“Accrual basis of accounting” means transactions and events are recognised the moment they occur and the invoice is received or raised;

“Advance of salary” means Provincial money that is given to an employee of the Province in advance of his or her usual salary payment. An advance of salary is repaid by way of a deduction from the employee’s salary. An advance of salary is cash equivalent only when they are recovered within 3 months of the end of the financial year as per IPSAS Standard;

“Asset register” means records of all Provincial assets. This register does not take depreciation of assets into consideration for the fact that depreciation is not recognised in cash basis of accounting;

“Administration” means the entire administrative set-up of the Province;

“Adopted estimate” means the original estimate for the Province for a financial year including any amendments to the estimate adopted by the Province;

“Advertising” means promoting to the public an idea, goods or services by using a medium commonly used for promoting ideas, goods or services and for which a fee is paid;

“Allocation” means the total dollar amount of spending allowed for each account code in the estimate;

“Appropriation Ordinance” means the official document that authorises the Province to spend in that financial year. The appropriation ordinance applies until the last day of the financial year only and then needs to be replaced with a fresh annual Appropriation Ordinance;

“Approved for Payment” means the process of approving a Payment Voucher or Local Purchase Order for payment;

“Approved Estimates” means the estimates contained in the Appropriation Ordinance;

“Arrears” means any transaction, revenue or expenditure, not yet completed by the Province and considered to be overdue;

“Arrears of Expenditure” means payments due to be made, but not yet paid, by the Province;

“Arrears of Revenue” means revenue owed to the Province, but not yet collected;

“Asset” means Provincial property;

“Asset Register/Asset Registers” means records of all Provincial assets;

“Auditor-General” means the person holding the position within the Office of the Auditor General;

“Bank Account” means an account with a bank or other financial institution;

“Budgetary basis” means the accrual, cash or other basis of accounting adopted in the budget that has been approved by the Provincial Assembly;

“Buying Goods and Services” means buying goods and services for use by the Province;

“Cash basis” means transactions and events are recognised only when cash is received or paid;

“Cash equivalent” means any near asset of the province that can be converted into cash within three months;

“Cash Flow Estimate” means an estimate of actual spending to be made in each month of the Financial Year;

“Cash in Transit” means cash, cheques, postal orders, money orders and other negotiable documents of value being remitted or transferred from one office or place to another;

“Commitment” means any payment that has been approved and recorded by the Province, but not yet paid;

“Comparable basis” means the actual amounts presented on the same accounting basis, the same classification basis, for the same entities and for the same period as the approved budget;

“Comparison of Budget and the Actual Amounts” means a comparative analysis of original budget, revised budget and the actual budget as part of Part 1 of provincial government annual financial statements;

“Conflict of Interest” means any situation where a provincial employee’s or elected official’s decision is influenced by opportunities for personal financial gain or other personal advantage;

“Consolidated Financial Statement” means a Provincial Government financial statement that includes the Financial Statement of the controlled entity both in receipts and payments;

“Control Measure” for managing a risk, means a measure that may be adopted for reducing the risk;

“Debtor” means the person owing money to the Provincial Government;

“Delegate” means any provincial employee formally appointed to carry out the duties of the Accountable Officer;

“Delegation” means transfer of authority to another person;

“Depreciable Amount” for an asset, means the depreciable amount for the asset;

“De-reservation” means where the Premier or member of the Provincial Executive responsible for Finance allows reserved funds to be spent;

“De-reservation Warrant” means the document that authorises the Province to spend that part of their Accounting Warrant that was at first withheld from spending. General warrants apply until the last day of the financial year only; and then need to be replaced with a fresh annual Warrant;

“Division” means a business unit of the Provincial Government. Examples may include, amongst others, “works division” and “finance division”;

“Document” means all forms of physical and electronic documents;

“Estimate” means the Estimates of Recurrent and Development Revenue and Expenditure, or budget book, prepared each year for approval by the Provincial Assembly and the Minister;

“Estimate Control” means continual checking of spending against the allocation for each account code to make sure overspending does not occur, this also includes budgetary controls;

“Estimate Transfer” means the complete or partial transfer of allocations between account codes;

“Estimate Transfer Warrant” means the official document that authorises divisions to transfer estimate allocations from one account code to another. Warrants apply until the last day of the financial year only, and then need to be replaced with a fresh annual Warrant;

“Executive” means Provincial Executive;

“Expenditure” means spending;

“External Assistance” means donations or contributions from sources outside the Solomon Islands Government;

“External Auditors” means auditors from the Office of the Auditor General that carry out routine annual audits on the financial statement;

“External Third Party Contributions” means contributions from organisations or departments outside the reporting entity of the provincial government;

“Files” mean storage of documents;

“Financial Statement” means statement of receipts and payments within a given financial year that reports on approved budget performance;

“Financial Year” means the 12 month period between 1st April and 31st March;

“General Ledger” means an accounting book summarising all of the province’s financial transactions. The general ledger is used to help prepare financial statements and other reports;

“Imprest” means Provincial money that is given into the personal care of a provincial employee or elected member to make Provincial payments. An imprest can only be used for that reason and/or the provincial employee or elected member does not repay the money to the Province, then the amount of the Imprest will be taken out of the provincial employee’s salary or paid from the Member’s allowance;

“Imprest Fund” means the fund which is established to advance Provincial money to an authorised provincial employee or elected member. The authorised provincial employee is responsible for the security, use, accounting and reporting of these funds, as required by this Ordinance. The authorised provincial employee or elected member will be asked to repay any money that cannot be accounted for out of the advance;

“Imprest Holder” means any provincial employee or elected member receiving a Provincial advance in the form of an Imprest Fund;

“Imprest Warrant” means the official document used to give an advance of provincial money called an Imprest Fund into the personal care of a provincial employee or elected member. The provincial employee or elected member receiving the advance is called the Imprest Holder;

“Increase/decrease in cash” means the balance of cash that is obtained after all expenditures are paid off from the receipts earned by the province by end of the financial year;

“Internal Auditors” means auditors employed to help provinces and the Ministry of Provincial Government and Institutional Strengthening to strengthen internal control measures per regulations for improved compliance;

“Internal controls” means control systems and standards that are instituted by the Ministry of Provincial Government and Institutional Strengthening and Provincial Governments to safeguard public funds and assets at provincial level;

“Internal Third Party Contributions” means contributions received from organisations or departments that are within the same reporting entity of the Province;

“IPSAS” means International Public Sector Accounting Standards either on Cash Basis or Accrual Basis;

“Journal” means an entry in a double-entry system, listing all transactions and indicating the accounts to which they belong;

“Journal Entry” means recording of financial data pertaining to a financial transaction in a journal such that the debits equal the credits;

“Land and Building” means land, buildings and enclosures which are owned, rented or occupied, by the Administration;

“Ledger” means an accounting book where transactions are listed by individual accounts;

“Loss” means any loss of Provincial monies, whether caused by accidents, negligence, theft, deficiency, fraudulent payment, suppression of revenue, irrecoverable revenue, misappropriation, misuse or unauthorized damage or destruction;

“Mandatory requirement” means Part 1 of the IPSAS financial statement that must be disclosed;

“Member” means an elected official of the Province;

“Minister” means the Minister responsible for Provincial Government and Institutional Strengthening;

“Ministry” means the Ministry of provincial government and Institutional Strengthening;

“Money/ies” includes cash, cheques, postal and money orders, stamps and other negotiable documents of monetary value;

“Official Certificate” of the Province, means a certificate that has been signed by both of the following persons;

- (a) The Provincial Secretary of the Province;
- (b) The Premier of the Province;

“Official Receipt” means a receipt duly issued using any of the revenue earning books used by the Provincial administration. Such books include all receipts, licences, certificates, permits, tickets and any similar devices, used for the collection and recording of revenue;

“Operating Bank Account” for the Province, means a bank account used only for amounts accredited to the Provincial Fund;

“Original Estimate” of the Province, for a financial year, means the estimate adopted by the Province for the financial year;

“Organisation” means any Partnerships and Companies, or other business association or society, whether incorporated or unincorporated;

“Payment Voucher” means a piece of substantiating evidence in an approved format which is duly completed and authorised. A payment voucher is required before the payment of any Provincial fund is made;

“Payables” means money that the province should have paid to their creditors but the province could not pay before the end of the financial year;

“PCDF” means Provincial Capacity Development Fund that is provided to Provincial Governments by the Solomon Islands Government through the Ministry of Provincial Government and Institutional Strengthening for small scale infrastructure investment and to promote improved public expenditure management system at provincial level. These funds are administered according to sections 27–31 of Public Financial Management Act 2013;

“Pre-numbered Forms” means receipt books, licence books, Local Purchase Orders (LPO), requests for payment, and any pre-numbered document used in the receiving or spending of public money;

“Provincial Employee” means anybody working for the Provincial Administration, either as a direct employee or seconded from the Ministry;

“Provincial Fund” means the fund used to account for all assets and liabilities of the Province, except those particularly assigned for other purposes in another more specialised fund. It is the primary operating fund of the Province. Most of the usual activities of the Province are supported by the Provincial Fund, such as the purchase of supplies and meeting operating expenditures. It includes all grants, own source revenue, timber right hearing and funds donated by third parties and paid into provincial accounts;

“Provincial Government assets” means assets that are bought by the Provincial Government or donated to the Provincial Government by a third party. These are the assets that can be recorded in the asset registers and not assets that are owned by other Ministries operating in the province;

“Provincial Treasurer” means the provincial employee of the Provincial Government who is in charge of finance. The Provincial Treasurer is referred to as the Accounting Officer;

“Provincial money” means all revenue or money raised for providing Provincial functions and services and any other money held by any person for or on behalf of the Administration. This includes any borrowing, loans, donor funds, own source revenues collected from fees or taxes, grants or gifts placed into Provincial control;

“Registers” mean any set of Provincial records maintained to hold and organise core or significant provincial information;

“Related party transactions” refer to a situation where one party has the power to exercise control or significantly influence the financial and operating decision making of another entity or person without controlling the policies;

“Replenish or Replenishment” means a payment that brings the amount of an Imprest Fund up to the original amount of the advance. The Imprest Holder needs to give a replenishment report with all supporting documentation. Documents need to show how the original Imprest Fund was spent before replenishment will be paid out to the Imprest Holder;

“Reporting entity” means the controlling entity and in this case the Provincial Government is a reporting entity;

“Reserve account” means an account that is kept separate from the main account and development account of the province. It is an account that may be used by the Provincial Government to pay in its surplus funds realised by the province at the end of the financial year. The funds will have to be re-appropriated if they are to be spent by the province through the budgetary process;

“Reserved Funds” means funds allocated under a Warrant that have been withheld and cannot be spent until the Premier or member of the Provincial Executive responsible for finance gives the approval to do so in the form of a De-reservation Warrant;

“Responsible Provincial Employee” means the provincial employee of the Province responsible for that task;

“Restricted Cash” means cash that is in the Provincial Government bank account but the Provincial Government has no right to use the cash;

“Revenue Account Code” means the accounting code used in the Estimate or Budget book to describe the types of revenue that are to be collected by the Province during the year;

“Revenue Collector” means any designated provincial employee who officially receives any revenue or other public money and who must give a receipt, keep an official cash book and account for all money received;

“Revised estimate” means the final budget, which is the original budget adjusted for all reserves, carry over amounts, transfers (virement), allocations, supplemental appropriations, and other authorised legislative or similar authority changes applicable to the budget period;

“Risk Management” means the establishment of policies, procedures and practices to identify, analyse, quantify, monitor, and control financial and other exposures of the Province so as to minimize potential losses;

“Special Development Fund” means a fund created by the Assembly, which is held and managed separately from the Provincial Fund. It may have its own accounting procedures, but needs to be reported on along with other funds;

“Standardised Chart of Accounts” means chart of accounts that have been standardised for all nine provincial governments to facilitate comparability and consistency in the treatment of similar items in the budgets;

“Sub-Accountant” means a provincial employee posted to a sub-station authorised to receive, hold and make payments of public money; keep a cash book and account for transaction;

“Subsidiary Ledger” means details of an account that support the amount in the general ledger;

“Treasury information” means accounting records held in the treasury / finance unit, which are the official Province records;

“Unacceptable Charge” means any payment that in the opinion of the administration is for obviously excessive price(s) or corrupt or fraudulent activity. The reasons for a refusal to pay an unacceptable charge must be documented and signed by the Provincial Secretary;

“Unallocated Stores” are stores the cost of which is charged to a Stores Control Account pending later charge to the relevant Division and item of expenditure; and

“Warrant” means a document that gives the holder the right to act in the way described in the Warrant. Warrants apply until the last day of the financial year only; and then need to be replaced with a fresh annual Warrant.

4 Application

- (1) This Ordinance applies to all financial transactions and business of Isabel Province and its Administrative units and to the management of all public monies and public property of the Isabel Provincial Government.

- (2) For the purpose of ensuring compliance with the provisions of subsection (1) the Executive must issue written instructions to be called Financial Instructions and Stores Instructions, for the better carrying out of the provisions and purposes of this Ordinance.
- (3) Where there is conflict between this Ordinance and any earlier Financial Management Ordinance, Instructions or circular, this Ordinance prevails.

Part 2 Annual Estimate

5 Preparation of Draft Estimate

- (1) The Accountable Officer and the Accounting Officer are responsible for the preparation of the draft estimate with the participation of Provincial Planning and Development Committees and Ward Development Committees.
- (2) The draft estimate consist of:
 - (a) executive policy directives and recommendations of special committees regarding proposed Provincial Government activities and income and expenditure levels for the year of estimate, before submitting to the Executive for endorsement;
 - (b) inputs from provincial heads of divisions, planning committees and provincial employees to obtain the required information for inclusion in the estimate.

6 Form of Estimate

- (1) The estimate must be in the form prescribed by the Ministry.
- (2) The estimate must include the following:
 - (a) A capital expenditure showing:
 - (i) account code expenditure to be charged to;
 - (ii) name of the capital project;
 - (iii) amount spent towards the end of preceding' estimate year;
 - (iv) amount budgeted for projects in the previous estimate;

- (v) approved budget for the current estimate year;
 - (vi) expected estimate for the next 3 year rolling development plan; for development estimates;
 - (vii) PCDF to be shown separately and clearly;
 - (ix) investment servicing cost for PCDF projects shall be shown clearly in the estimate;
 - (x) show PCDF projects being funded in the summary sheet of the estimate;
 - (xi) PCDF indicative budget and own contribution should be shown;
 - (xii) current year revised estimate (if adopted);
 - (xiii) amount of current year's estimate spent to date (if revised estimate requested);
 - (xiv) method of financing;
 - (xv) additional annual recurrent costs (both running and financial costs) of the project.
- (b) A detailed estimate using standardised chart of accounts (in account code order) for each recurrent revenue and expenditure item showing:
- (i) revenue/expenditure account code;
 - (ii) description;
 - (iii) amount spent to the end of previous estimate year;
 - (iv) amount budgeted for the account code in the current estimate year;
 - (v) approved budget for the account code in the current estimate year;
 - (vi) show third party cash contributions to the budget separately;
 - (vii) timber right hearing money must be shown in the budget;
 - (viii) if funds are taken from the reserve account to finance current estimate, this must be shown in the budget for appropriation;
 - (ix) expected budget for each account code for the next two years (following the current estimate year);
 - (x) current year revised estimate (if adopted);
 - (xi) amount of current year's estimate spent to date (revised) estimate requested);
 - (xii) a statement of proposed rates, fees and anticipated income from each classification of levy;
 - (xiii) Explanatory notes as required to substantiate all items included in the estimate.

- (c) A staff budget showing all employees of the Provincial Government by name and post designation, current grade salary and any provisions for increases of adjustments;
- (d) The sources of revenue and the amount to be collected from each sources of revenue;
- (e) Each division of the Provincial Government showing a summary of revenue and expenditure codes with monetary values used within each division. This will include details of services to be provided in order to properly inform members of the nature and scope of a division;
- (f) A statement of proposed rate levy and anticipated income from each classification of levy;
- (g) Explanatory notes as required to substantiate all items included in the estimate.

7 Budget Calendar

A budget calendar will be prepared by the division responsible for planning with the approval of the Accountable Officer.

8 Laspse of Funds

- (1) There shall be no advance payment of ward development grant from the provincial funds from either fixed service grants or own source revenue.
- (2) Outstanding arrears must not be carried forward.

Part 3 Method of Authorising and Making issues from the Provincial Fund

9 Authority for Expenditure

- (1) The authority to incur expenditure is vested in the Assembly.
- (2) All disbursements of Provincial money must be made under authority of the Provincial Executive and the Accountable Officer.

- (3) Payments of more than 5% of the original approved sum from the Provincial Fund (divisional budget heads) through virements during the budget implementation period (whether through General Warrant or any other Warrant) made by the Executive must have prior Assembly approval before being used, unless used for disaster relief.
- (4) Payment transactions must cease by the 15th March. This date does not affect the salaries of members and officers and the fund for disaster relief. Claims and commitments must be submitted to treasury before 15 March.
- (5) A warrant under section 36 of the Act does not apply to the following if the total sum is more than the approved sum in the policy on ward grants, all grants must be paid into a Ward Development Committee Account of the Province:
 - (a) Ward Development Grant;
 - (b) Micro Grant; or
 - (c) Business Grant
 - (d) Ward Assistance Fund
 - (e) Community grants
 - (f) All forms of grants for the wards
- (6) Operational and Policy guidelines under section 9(5) for a ward development grant and ward development committee and other planning committees must be issued by the Minister.

10 Disaster Relief Committee

- (1) The executive may establish a disaster relief committee.
- (2) The executive may approve funds for disaster relief.

11 Settlement within Financial Year

- (1) Provincial Employees are required to:
 - (a) take necessary steps to ensure that all expenditure for each account code are settled at or before the end of the financial year.
 - (b) expenditure is recorded and must be in accordance with cash basis IPSAS recognition criteria.

Part 4 Managing and Reallocation of Funds

12 Monthly Reporting of Expenditure

- (1) The Accounting Officer must provide:
 - (a) financial review at the end of each month to the Accountable Officer with his comments for consideration by the provincial executive; and
 - (b) to the Provincial Executive a comprehensive cash flow for each year by April 1;
 - (c) cash flow projections immediately after the budget is passed by the Assembly.

13 Supplementary Expenditure and Approval

- (1) Supplementary expenditure must have prior authorisation by the Provincial Assembly and Minister responsible.
- (2) The supplementary estimate must include the following:
 - (a) original estimate;
 - (b) amount spent to date;
 - (c) amount of the recommended payment giving rise to the supplementary approval request;
 - (d) total supplementary estimate required for the financial year; and
 - (e) method of financing the supplementary estimate. Where an estimate transfer is proposed, details of the estimate and anticipated underspend on the account code from which the transfer is to be made must be given.

14 Amendment to Budget Allocations from Supplementary Approval

- (1) Where a supplementary estimate is financed by a budget transfer from another account code, the reduction of such account code must be reflected in the estimates and expenditure controlled to the reduced figure.
- (2) The Provincial Government must carry out a budget revision after six months into the financial year has passed.

15 Estimate Transfer between divisions and development projects of greater than 5% or to a New Service within a Division

- (1) Where it appears to the Executive to be in the public interest to increase more than 5% the amount allocated to a Division or to a development project under the Provincial Government or to allocate funds for new services within a division, the Executive must by Order reallocate funds by a corresponding reduction of the funds allocated to another division or project; provided that:
 - (a) the total funds appropriated to all development projects are not exceeded; and
 - (b) any new service provided must be within the scope of the division concerned; and
 - (c) the Order must be laid before the Assembly before funds are allocated.

16 Estimate Transfer Between Divisions and Development Projects of Less than 5%

- (1) Where it appears to the Executive to be in the public interest to increase by less than 5% the amount allocated to a Division or to a project, the Executive must by Order, reallocate funds by a corresponding reduction of the funds allocated to another division or development project; provided that:
 - (a) total funds appropriated to the affected divisions are not exceeded; and
 - (b) total funds appropriated to all development projects are not exceeded.

17 Estimate Transfer Between Account Codes in the Same Division

- (1) Where it appears to the Accountable Officer to be in the public interest to increase the amount allocated to an account code, the Accountable Officer may, by warrant under the Premier and Accountable Officer's authority, reallocate funds by a corresponding reduction of the funds allocated to another account code, within the same division, provided that -

- (a) total funds appropriated to applicable account codes are not exceeded; and
- (b) total funds reallocated do not exceed 5% of the affected account codes of the approved estimate amounts.

Part 5 Use of Funds before Appropriation Ordinances

18 Continuance of Existing Services

The Premier may authorise the ordering of Stores in advance of appropriation to ensure the continuance of existing services subject to section 19.

19 Delay in Approval of Estimates

- (1) If at the commencement of the Financial year, the Appropriation Ordinance has not come into force, the Assembly by resolution may empower the Provincial Member responsible for Finance to issue from the Provincial Fund for the purpose of meeting expenditure incurred in the first quarter of the preceding financial year, until the expiration of four months from the beginning of the financial year until the coming into operation of the Appropriation Ordinance whichever is sooner.
- (2) Subject to the resolution under subsection (1) a General Warrant must be issued to the Accountable Officer to issue and pay from the Provincial Fund such sums of money set out within the estimates, but within the limits stipulated by the resolution. The maximum that can be warranted is one third of the preceding year's estimate for each division.
- (3) Copies of the General Warrants must be forwarded to the Auditor General and the Ministry.

20 Supplementary Appropriation

Any warrant made under section 19 must be included in a revised appropriation ordinance submitted to the Assembly at its next meeting.

Part 6 Use of Bank Accounts and Investment of Money**21 Maintenance of Bank Accounts**

- (1) The Accounting Officer is responsible to maintain the bank account on behalf of the Provincial Government.
- (2) Monies in the Provincial Fund, Provincial Special Funds and monies held in accordance with section 39 of the Ordinance, must be deposited in the Provincial Government bank accounts, provided that money surplus to current requirements may be invested in accordance with section 22.

22 Investment of Funds

- (1) Subject to consultation and approval by the Minister of Finance and Treasury and the Assembly, the Provincial Government may invest money into small-scale income generating activities. Revenue generated from such activities must be paid directly to treasury to ensure proper accountability of provincial funds.
- (2) The Provincial Government must:
 - (a) carry out a detailed investment appraisal; and
 - (b) submit and lay before the Assembly the report for approval before public funds are committed.

23. Signatures for withdrawals from Provincial Government Bank Accounts

- (1) The Accountable Officer and the Accounting Officer will be the primary signatories to each cheque book of each bank account of the Provincial Government.
- (2) If the Accountable Officer or the Accounting Officer is not available:
 - (i) The Deputy Provincial Secretary may be a secondary signatory on behalf of the Accountable officer;
 - (ii) The Deputy Provincial Treasurer may be a secondary signatory on behalf of the accounting officer.

- (3) If the Deputy Provincial Secretary or the Deputy Provincial Treasurer is not available, the Accountable Officer or the Accounting Officer must appoint a seconded employee.
- (4) Immediately upon a signatory ceasing to be a provincial employee the accounting officer will contact the relevant financial institution to instruct them to remove that person from the authorised signature list and replace them with an alternative signatory.

24 Bank Account Cheque Books

- (1) Signatories under section 23 must not sign any blank or post-dated cheques.
- (2) Alterations to cheques drawn on provincial government bank accounts must be signed in full by all signatories.
- (3) Cheque books, when not in use, must be kept under lock and key in a strongroom, safe or steel cabinet under the sole custody of the accounting officer or his or her delegated representative. Care must be taken at all times to ensure that cheques cannot be extracted for fraudulent purposes.

25 Reconciliation with Bank Account

- (1) Bank accounts must be reconciled with the balance in the cashbook within 1 week of the receipt of the bank statement. The reconciliation statements must detail all outstanding cheques, outstanding debits and credits and fully explain any differences between the balances. A copy of the reconciliation statement must accompany the monthly trial balance.
- (2) Bank statements must be obtained monthly.
- (3) Action must be taken to make the necessary entries in the accounts to rectify differences between the bank statements and cashbooks, as soon as the differences have been identified.

Part 7 Advances of Salary and Imprest**Division 1 Advances of Salary****26 Prohibition on Advances of Salary**

- (1) Provincial employees are prohibited from advancing or lending any provincial money which they are responsible for except provided for.
- (2) The Accountable Officer is prohibited from charging any payments on an advance or imprest account unless authorised to do so.

27 Advances of Salary

- (1) Advances of salary out of the Provincial Fund are only available to individual direct provincial employees and must be approved by the Executive by way of a warrant under section 36 of the Act.
- (2) Advances of salary must be made on official approved forms in triplicate, one copy of which will be placed on the individual's personnel file and one copy retained in the accounting officer's office. The third copy shall support the payment voucher.
- (3) An advance of salary is limited to a total of \$5000 for every 12 month period.
- (4) Advances of salary will be collectively recorded against a staff advance account code in the general ledger. An individual advance account, in a subsidiary ledger, will be opened by the accounting officer for each direct provincial employee who is indebted to the Provincial Government. Payments and receipts will be entered as part of the normal ledger posting procedures.
- (5) Repayments commence on the pay period immediately following the pay period in which the advance of salary was made, repayments are made in equal instalments over a number of pay periods, until such time as the advance of salary is paid in full.
- (6) The regular repayment amount will not exceed one third, $\frac{1}{3}$, of the gross salary payable to the direct provincial employee within a period.

28 Reconciling of Advance of Salary

The balance of the staff advance of salary account code will be reconciled to all staff's individual advance accounts in the subsidiary ledger at least monthly.

29 Debts Due to the Provincial Government

- (1) When a Provincial employee is paid an additional sum to his or her salary, the Accountable Officer must:
 - (a) Immediately notify the employee;
 - (b) take necessary steps to recover the additional sum; and
 - (c) give the employee an opportunity to make representations about whether the proposed recovery is appropriate.

- (2) Where an overpayment of salary to a provincial employee is discovered, or when a provincial employee is surcharged, repayments commence in the pay period immediately following the pay period in which the amount of the advance or surcharge is debited to the staff advance of salary account code, as per Section 46(3). The repayments shall be in equal instalments over a number of pay periods, until such time as the advance of salary is paid in full.

30 Clearance of Advances of Salary

- (1) When a Provincial employee ceases to be an employee, it is the duty of the Accounting Officer to ensure monies due to the Provincial Government are deducted from the provincial employee's final pay.

- (2) The Accountable Officer is responsible for informing the Accounting Officer of the departure of a provincial employee.

- (3) The accounting officer must be given notification of an impending departure of a Provincial employee to prepare a liabilities schedule to calculate the amount due, if any, from the provincial employee.

- (4) The completion of repayment must result in the copies of the advance of salary form, held by the Accounting Officer and within the individual's personnel file, being endorsed to that effect.

31 Refund of Overpayment

When the amount recovered from a provincial employee's advance account is in excess of the amount of the advance, a refund on an ordinary payment voucher will be prepared and the amount refunded.

Division 2 Imprest

32 Imprest

- (1) An imprest advance will be made on written authority of the Provincial Secretary on receipt of an application from the provincial employee concerned through their head of division, or on receipt of an application from the member concerned duly endorsed by the Premier or member of the Provincial Executive responsible for Finance.
- (2) The amount of the imprest will be limited to a reasonable estimate of the costs to be incurred.
- (3) The accounting officer is responsible for ensuring that an imprest is accounted for within one week of its necessity ceasing.

33 Standing Imprest

- (1) Only a provincial employee designated as the payment cashier will maintain a standing imprest (petty cash imprest).
- (2) The petty cash imprest will be limited to an amount not exceeding \$5000.
- (3) The petty cash imprest holder will limit the amount payable from this source to \$500.
- (4) Claims for reimbursement of expenses greater than \$100 are to be made through the cheque payment process as specified in Provincial Financial Instructions and Stores Instructions.

34 Requirement to Retire Imprest Accounts

- (1) Imprests must be paid back to the Provincial Government immediately that the necessity for it ceases. All disbursements out of imprests must be recorded, as supported by relevant documents, the cash remaining must agree with the imprest amount.
- (2) The imprest holder is responsible for the accounting and submission of the necessary claim forms and receipt forms.

- (3) Imprest for the Accounting Officer must be authorised by the Accountable Officer together with the Premier.
- (4) Imprest retirements are to be accompanied with a detailed report on the activity undertaken by the imprest holder.

35 Temporary Imprest

- (1) Temporary imprests are issued for specific purposes and must only be used for the purpose which it was issued, and must be retired immediately when its purposes ceases.
- (2) Where a temporary imprest account provided to a provincial employee is not cleared within the specified time, repayment of the outstanding imprest will become payable from the salary of the employee, the Accountable Officer will:
 - (a) immediately notify the employee; and
 - (b) propose a method and schedule to recover the amount outstanding; and
 - (c) give the employee an opportunity to make representations.
- (3) Repayments must commence on the pay period immediately following the pay period in which the imprest was paid. It must be in equal instalments over a number of pay periods, until such time as the imprest is paid in full.
- (4) The regular repayment amount will not exceed one third, $\frac{1}{3}$, of the gross salary payable to the direct provincial employee within a period.
- (5) When a direct provincial employee's service with the Provincial Government ceases, the Accountable Officer must notify the Accounting Officer, the Accounting Officer must then ensure that all monies due to the Provincial Government are deducted from the direct provincial employee's final pay.

36 Outstanding Imprest

No imprest may be advanced to a provincial employee or member where a previous imprest is still outstanding.

Part 8 Acceptance of Deposits

37 Cheque

A cheque received by a provincial employee on behalf of the Provincial Government, must be in accordance with the Provincial Financial Instructions and Stores Instructions. If it is not in accordance with the Financial and Stores Instructions requirements, it must be referred to the accounting officer.

38 Acceptance

- (1) The Accounting Officer must maintain separate records of monies received or held which do not form part of the Provincial Fund or a Provincial special fund.
- (2) The authority of the Accounting Officer to receive and hold monies which do not form part of the Provincial Fund or a provincial special fund is restricted to monies that is:
 - (a) Monies legally due and payable to Provincial members, provincial employees and agents, where payment cannot be immediately effected;
 - (b) payable to contractors under the terms of a contract;
 - (c) held in trust where the Assembly, the Executive, or a member of the Assembly or Executive in his or her official capacity is a trustee; and
 - (d) received in advance for the services provided.
- (3) If monies held by the Accounting Officer which do not form part of the Provincial Fund or a Provincial Special Fund remain unclaimed after seven years, it must be paid into the Provincial Fund.
- (4) If any person claims the sum before the lapse of 7 years, the claim must be made in the prescribed form in accordance with Financial Instructions.
- (5) Cash paid into the Provincial government account is considered under IPSAS to be “control of cash”. If the cash is being held on behalf of another entity or a third party, control is transferred when cash is transferred.

Part 9 Special Funds

39 Power to create special funds

- (1) The Executive may establish special funds for the furtherance of any of the functions, services or projects of the Province, (include development projects such as PCDF).
- (2) The Ministry in coordination with the Solomon Islands Government or other donors, may establish access conditions to this special fund (such as PCDF) and related accountability mechanisms in the form of an operational and performance manual.
- (3) The manual must specify the expected performance level for access to the special funds in accordance with sections 27-31 of the *Public Financial Management Act 2013*.
- (4) The Provincial Government must take part in annual independent performance assessments to determine the qualification of the province to the special funds.
- (5) Signatories to special funds accounts shall be the same as the Provincial Government's main bank account.

40 Rules

The provincial executive must make rules for the proper management and control of each special fund established by the Executive, the rules include:

- (a) accounting signatories to special funds set up by the Provincial Government shall be the same as the signatories to Provincial Government main bank accounts; and
- (b) disbursement of funds must follow proper procurement rules and procedures as prescribed in the procurement manual; and
- (c) the fund is subject to audit by the Office of the Auditor General or any independent auditor requested for special audit either by the Ministry or the Provincial Government.

Part 10 Appointment, Duties and responsibilities of Staff Charged with Accounting Tasks

Division 3 Provincial Secretary

41 Appointment of Provincial Secretary

The Ministry and the Public Service Commission in consultation with the executive will appoint the Provincial Secretary and confirmed by the Provincial Assembly in writing.

42 Duties of the Provincial Secretary

It is the duty of the Provincial Secretary:

- (a) to ensure that a proper system of accounts exists in the Provincial Government; and
- (b) that adequate arrangements exist for the safe-keeping of cash, and stocks of revenue earning books and all other accountable stationery; and
- (c) that proper supervision is exercised over the receipt and disbursement of Provincial Government Funds and to take all possible precautions against the occurrence of fraud or negligence by ensuring the prescribed checks as laid down in this Ordinance are carried out; and
- (d) to supervise and see that estimates and supplementary estimates are prepared for approval by the Assembly and are assented by the Minister; and
- (e) together with Premier, supervise the preparation of the annual financial statements; and
- (f) that books of account and registers are maintained in accordance with Financial Instructions and Stores Instructions and approved systems; and
- (g) that the control over revenue earning books as required by this Ordinance and Financial Instructions and Stores Instructions are maintained; and

- (h) to ensure that inventories of all permanent assets are accurately maintained; and
- (i) to advise the Executive on all issues of strategic importance; and
- (j) to oversee all internal controls within the Provincial Government and ensuring that officers tasked with internal control issues perform their responsibilities; and
- (k) to assist the internal audit division of the Ministry; and
- (l) to attend all executive and assembly meetings.

Division 4 Provincial Treasurer

43 Appointment of Provincial Treasurer

The Ministry and the Public Service Commission will appoint the Provincial Treasurer.

44 Duties of the Provincial Treasurer

- (1) The Treasurer shall be responsible for financial transactions of the Provincial Government.
- (2) It is the duty of the Accounting Officer, as head of the Treasury division of the Provincial Government:
 - (a) to see that a proper system of accounts is established;
 - (b) verification of all cash books, subsidiary cash books, payment vouchers before or at the end of each month;
 - (c) to supervise receipt and collection of revenue;
 - (d) to deposit under each relevant account code, all monies, paid into the Treasury or to the Cashier;
 - (e) safe-keeping of all Provincial monies;
 - (f) supervision of provincial employees entrusted with the receipt or expenditure of the Province's money, making efficient checks, including surprise inspections, against the occurrence of misappropriation or negligence;
 - (g) to supervise expenditures incurred and that each payment is properly authorised;
 - (h) To prepare bank reconciliations for each bank account held by the Province at regular intervals, not exceeding 1 calendar month;

- (i) to prepare a monthly report for the Executive showing
 - (A) The revenue and expenditure for the month;
 - (B) The yearly cumulative totals for each account code against the budgeted amount; and
 - (C) The bank reconciliation report for the month;
 - (j) to submit Financial Statements, and any other necessary returns, for audit or inspection in the format specified under section 64;
 - (k) To report, in writing, any material irregularity connected with the Province's accounts or monies that may have been brought to his or her notice; and
- (2) The Accounting Officer must attend all meetings held by the Assembly or the Executive. For each meeting of the Executive the accounting officer must prepare a financial report for submission to the Executive showing the following:
- (a) the reconciled bank balance of all Bank Accounts for each month;
 - (b) the revenue and expenditure since the previous Executive meeting; and
 - (c) the yearly cumulative totals for each account code against the budgeted amount.
- (3) The Accounting Officer must make frequent survey of the cash in the following manner;
- (a) checking the safe or cash box from the relevant provincial employee in his or her presence;
 - (b) entering the relevant information in the inspection form;
 - (c) copies of all receipts issued since the previous survey must be presented and the total amount must be calculated and recorded.
- (4) The financial report submitted by the accounting officer must also include an explanation of the current state of the Provincial finances, containing a reference to any current or future commitments of financial consequence to the Executive.

Division 5 Provincial Employees**45 Duties of Provincial Employees**

- (1) It is the duty of a Provincial employee having financial responsibilities in his or her official capacity to:
 - (a) fully acquaint themselves with the Province's Financial Management Ordinance, and Financial Instructions and Stores Instructions;
 - (b) assess revenue in accordance with the relevant law or by-law and to secure collection;
 - (c) allocate under proper account code headings all monies collected;
 - (d) ensure proper management of Provincial Government money, official receipts, requisitions, cheque books, Local Purchase Order books and all other accountable documents and assets under his or her charge;
 - (e) payments must be authorised and accurately quoted on the payment voucher;
 - (f) financial records must be frequently checked and verified;
 - (g) report all other losses and deficiencies in writing to the accounting officer with a copy to the Provincial Secretary;
 - (h) to charge promptly in his or her accounts under the proper account code headings and sub-headings all disbursements of Provincial Government money in accordance with the current estimates;
 - (i) to produce, when required, all assets, securities, books of account, vouchers or other documents in his or her charge for inspection by the accounting officer, their authorised assistant, the Auditor General or their officers, or any other duly authorised personnel;
 - (j) to reply promptly and fully to all financial and other queries raised by the accounting officer, Provincial Secretary, Premier, Minister, or by the Auditor General giving the particulars or information required.

Part 11 Quotations and Tenders

46 Authority to Procure Goods and Services

The Province has authority to procure all works, supplies and services.

47 Establishment of Provincial Tender Board

A Provincial Tender Board is established.

48 Function of the Board

- (1) The function of the Board is to approve and award provincial tenders for the procurement of works, supplies and services.
- (2) Provincial Tender Evaluation Committee is to evaluate every tender bid for technical competence and financial proposals, (instructions are included in the Financial and Stores instructions) members are appointed by the Accountable Officer in consultation with PTB.

49 Members of the Board

- (1) The Chairman will be the Accountable Officer.
- (2) The Board consists of 3 members as follows:
 - (a) The Accountable Officer;
 - (b) The Accounting Officer;
 - (c) An Engineer or an Architect or a Quantity Surveyor;

The members are appointed by the Provincial Executive.

- (3) Procurements up to \$10 000.00 require 3 quotations and must be approved by the Accountable Officer;
- (4) Procurements between \$10 001.00 to \$100 000.00 must be open for local competitive bidding;
- (5) Procurements of \$100 001.00 and above must be open for national competitive bidding. The province must use the provincial tender board when undertaking procurement.

50 Technical Evaluation Committee

The Technical Evaluation Committee is established.

51 Membership

The Accountable Officer in consultation with the Provincial Tender Board will appoint the following members:

- (1) Chief Planning Officer;
- (2) Senior Works Officer;
- (3) A representative from the sectors (education or health, Agriculture or fisheries or commerce).

52 Tender Board Approval

- (1) Procurements above \$500,000 require a member of the Ministry of Provincial Government and Institutional Strengthening Tender Board to be present during the tender process.
- (2) There is to be an exception where the Permanent Secretary of the Ministry of Provincial Government and Institutional Strengthening confirms that no member from the Ministry is available to attend the Provincial Tender Board meetings, the provincial procurement process can proceed.
- (3) Conflict of interests and related party transactions must be declared and avoided during the procurement process.
- (4) Procurement thresholds, rules and procedures apply to:
 - (a) Consultancies for technical designs and technical supervision;
 - (b) Use of provincial fixed service grants;
 - (c) Use of PCDF;
 - (d) Use of Provincial Governments' own source revenue;
 - (e) Use of all special funds provided by SIG or any Solomon Islands Government Ministries' funds paid to provincial accounts for service delivery and infrastructure projects.
 - (f) Any donated fund that is paid into provincial government accounts.

**Part 12 Sale and Disposal of Provincial Government Property,
Shares and Assets**

53 Items Valued at Less Than \$1,000

Where an asset is not used or is no longer needed, and where the value does not exceed \$1,000, it may be sold or destroyed on the authority of the Accountable Officer.

54 Items Valued at Greater Than \$1,000

Where the value of Provincial Government property, shares or assets is greater than \$1,000 the Provincial Government property, shares or assets may be sold or destroyed only after Provincial Tender Board approval.

55 Prohibition From Selling or Disposing of Non-Provincial Government Property

No person within the Provincial Government has the authority to sell or otherwise dispose of any property, shares or assets which are not owned by the Provincial Government.

Part 13 Borrowing of Funds

56 Borrowing to Comply with Public Financial Management Act 2013

- (1) All borrowing by the Provincial Government requires the consent of the Minister of Finance and Treasury.
- (2) The Provincial Government shall not borrow money until
 - (a) Its audited financial statements are current and of good standing;
 - (b) Its membership subscriptions and contributions for employees to the National Provident Fund are up to-date; and
 - (c) It complies with the tax laws and regulations in force and has no outstanding unpaid tax liabilities during the period in consideration.

- (3) The Provincial Government shall not borrow money to finance a planned deficit.
- (4) The Provincial Government shall not collect local revenues in advance of the financial year.

57 Authorised Lenders

For the purpose of section 56, or a lender authorised by the Minister of Finance and Treasury refers to a regulated entity under the Credit Union Act or the Financial Institutions Act.

Part 14 Accounts Committee

58 Appointment

- (1) The committee consists of no more than 7 members in Provinces with 14 or more wards and four members in Provinces with 13 or less wards.
- (2) Members of the Provincial Public Accounts Committee shall be nominated and appointed by the Provincial Assembly.

59 Functions

- (1) The Committee:
 - (a) must operate in accordance with the Standing Orders and in the Financial Instructions and Stores Instructions;
 - (b) meetings must not be held before the Executive finalisation of the budget;
 - (c) be given a minimum of five working days to scrutinise the Provincial Government budget, Financial Statement, and other financial matters of the province per Orders 204 and 205 of Standing Orders;
 - (d) Scrutinise and submit its report with recommendation to the Provincial Assembly;
 - (e) reports must be presented to the Premier for consideration by the Executive.

- (2) The Executive:
- (a) must finalise the budget/estimate before handing it over to the Chairman of the Provincial Public Accounts Committee;
 - (b) has three working days to decide if it will agree with any of the changes or recommendations made by PAC;
 - (c) If the Executive agrees to any changes, those changes may be made only in the Committee of Supplies in the Assembly.

Part 15 Offences and Penalties

60 Offences

- (1) Where the Accountable Officer intentionally or recklessly without reasonable excuse:
- (a) fails to comply with the provisions of this Ordinance;
 - (b) incurs expenditure for which there is either insufficient or no provision in the approved estimates;
 - (c) makes commitments without available cash for payment;
 - (d) fails to ensure that a budget is prepared within the prescribed time and manner;
 - (e) fails to be up-to date with salary payments;
- (2) An elected member or provincial employee, intentionally or recklessly fails to comply with the provisions of this Ordinance or where a senior provincial employee intentionally or recklessly gives wrong instructions to a junior provincial employee leading to financial loss to the Provincial Government.
- (3) The Accounting Officer intentionally or recklessly and without reasonable excuse;
- (a) fails to produce monthly financial reports for submission to the Executive in the specified time;
 - (b) fails to ensure that revenue collectors carryout their duties properly to ensure that all revenue due to the administration is promptly collected in the approved manner and banked \ intact;

- (c) fails to keep proper books of account and to balance the accounts for the year and produce statements of final accounts within 9 months from the end of the year.
- (6) A provincial employee intentionally or recklessly and without reasonable excuse fails to:
- (a) ensure safe custody of public money, documents and books of account;
 - (b) account for Government funds;
 - (c) be responsible for the due performance of financial duties, for the proper revenue collection and custody of all administration money, stores, and assets receivable.

61 Penalties

- (1) Any provincial employee or elected member who commits an offence under Section 60 is liable to disciplinary action under the Provincial Staff Instructions, Leadership Code Commission and Public Service Commission Regulations and other relevant regulations.
- (2) In addition to subsection (1), where a loss or deficiency of Provincial Government funds or assets occurs and the Provincial Executive or the Minister is satisfied after due enquiry, that the negligence or misconduct of a provincial employee or elected member caused or contributed to the loss or deficiency:
 - (i) The amount of the loss or deficiency;
 - (ii) The value of the property destroyed; or
 - (iii) The cost of replacing or repairing the damage to that property.
- (3) Where the negligence or misconduct of the provincial employee or elected member is not the sole cause of any loss, deficiency or destruction resulting in an action, the amount recoverable from the provincial employee or elected member may be restricted to only the cost of replacing or repairing the loss, deficiency, damage or destruction that the Court considers, after due enquiry, to be just and equitable, having regard to the contribution made by the provincial employee or elected member to that loss, deficiency, damage or destruction.

Part 16 Miscellaneous**62 Financial Instructions and Stores Instructions**

Requirements in relation to the quotation and tender process and procurement procedures and issues are included in the Financial and Stores instructions.

63 Format of Financial Statements

- (1) The format of the Annual Financial Statements to be submitted to the Auditor General each year will be in the format specified by the MPGIS.
- (2) The Provincial Government must produce financial statements based on IPSAS cash basis on or before 31 December each year. The financial statements shall have disclosure requirements as detailed in Annex 4 of Provincial Government financial instructions.

64 Format of Other Reports

The Provincial Government will prepare and present any other report requested by the Ministry in the required format. The format of such reports is to be determined by the Ministry.

65 Timing of Financial Statements and Audit

- (1) The Provincial Government's annual financial statements will be prepared and lodged with the Auditor General within 9 months of the end of the Financial Year, the statements must include:
 - (a) Cash receipts and cash payments during the period of reporting;
 - (b) Restricted Cash - the financial statement shall clearly indicate cash that is within the provincial account but yet the provincial government cannot use it because it is in transit. This element of the financial statement shall be audited thoroughly;
 - (c) Comparable basis (comparison of budget and actual amount);

- (d) Increase/decrease in cash - this section of the report shall show the receipts and payments and determine as to whether there has been surplus or deficit during the period under review.
- (e) To know the overall sources and use of funds during the reporting period, external third party and internal third party contributions, either in cash or in kind shall be reported on the face of the financial statement.
- (f) The Provincial Government as a reporting entity and controlling entity may consolidate their financial statements with that of their controlled entities. The consolidation process of the reporting entity and controlling entity and that of the controlled entity shall be undertaken by combining the receipts and payments.

66 Inspection of Financial Statements by the Public

- (1) Once the audit of the annual financial statements is completed such documents will be open to public inspection.

The Provincial Government will ensure that the public are advised that they can view the approved appropriated ordinance (after they are assented by the Minister) and the audited financial statements as soon as the public are advised that they can view the audited financial statements as soon as possible after the documents are returned from the Auditor General.

- (2) The Provincial Government must submit the audited financial statements to the chairman of provincial PAC within seven days and the PAC shall meet within 28 clear days to deliberate on the report.

67 Failure of Agreement between Members of the Provincial Government

Where a mutually agreed proposal cannot be reached, the matter will be immediately referred to the Commissioner of Labour or to the courts for consideration.

Part 17 Repeal

68 The previous Financial Management Ordinance of Isabel Province is repealed.

MADE IN HONIARA this fifteenth day of January 2019.

Approved by the Isabel Provincial Assembly this fifteenth day of January, 2019.

_____	_____	_____	_____
Clerk to the Assembly	Date	Speaker to the Assembly	Date
_____	_____		
Premier of Isabel Province	Date		

Assented to by the Honourable Minister to Provincial Government and Institutional Strengthening

Dated this thirty-first day of January 2019.

Hon. Nestor Giro
Minister for Provincial Government & Institutional
Strengthening