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Public Finance Management Act 2013

**Presenters:
Treasury**

January 2013

BACKGROUND

- Cabinet approval to commence PFA Review November 2011.
- There was strong SIG and donor support and four rounds of consultation (accompanied by 4 discussion papers) which took place between Jan 2012 – August 2012
- Drafting and technical input from late 2012 to early 2013 with a final round of consultations with select SIG and external stakeholders March – June 2013
- Cabinet approval July 2013 and Parliament approval September 12, 2013
- Act came into force on 1st January 2014

PRINCIPLES OF THE ACT

There are thirteen parts to the Act –
PART 2 of the Act deals with principles.

Promote sound financial management through

- ⊙ Better Accountability and Transparency
- ⊙ More fiscal monitoring and reporting
- ⊙ Making things clearer and more precise

SOME MAJOR DIFFERENCES BETWEEN ACTS

	1978 Act	2013 Act
Accountable Officer	Can be any officer	Accountable Officer is Permanent Secretary or Acting Permanent Secretary or person in charge of an organisation.
Budget Preparation	Vague and open ended - just sets limits for various heads	Set time lines, format for budget preparation and policy frameworks
Special Funds	Need approval of Cabinet only	Annual Estimates need to be tabled in Parliament.
Debt Management	No mention of debt limit	Debt Limit set with Annual Appropriation
Budget Tracking and Reporting	Yearly statement of financial position required	Monthly statements of financial position required as well
Internal Audit	No internal Audit - Irregularities investigated by Auditor General	Establishment of an internal audit office

PART 3

DEFINITIONS AND RESPONSIBILITIES

25 Definitions clarified and responsibilities assigned. Outside the Ministry of Finance and Treasury the important ones are:

Accountable Officer – person in charge of the Ministry or Government Agency such as the Permanent Secretary. This officer will be responsible for all expenditures and revenue collection of the Ministry. Even though they can delegate they are still responsible. If they do delegate then this person can not further delegate. Must understand the leadership code and constitution – especially chapter 10. All now part of the performance agreements of Permanent Secretaries.

Financial Controller – person assigned financial responsibility for a Ministry. Accountable to both Permanent Secretary and Accountant General

Accounting Officer – any person handling money.

Officially publish – publish on government website, Gazette or national newspaper.

PART 4 - INTERNAL AUDIT

Allows for the establishment of an Internal Audit Office headed by Director of Internal Audit who can enter any Government office, have access to all records and report any irregularity firstly to the PS and then to Auditor General . Can go directly to Police, Ministry of Public Service and Leadership Commission.

Previous powers to some extent under a variety of Acts and Regulations.

There is also an Audit Committee to be established which is responsible for advice and oversight.

PART 5 - MANAGEMENT OF FUNDS AND PUBLIC MONEY

Sets out more clearly the rules for managing the consolidated fund and other funds. In particular it clarifies the use of special funds which shall have estimates of Income and Expenditure and cannot be used until tabled before parliament. (NB as per the constitution they do not form part of the consolidated revenue – earnings/profits are retained by the fund)

The concept of “targeted funds” is introduced to mean the budget for a particular purpose and can come from donors as well as from government.

Sets out the rules for managing money deposited with the Government which for various reasons cannot be allocated.

Set out the duties of the government official and the minister for handling and investing money.

Sets out procedures for preparation of budget and, if needed, a supplementary budget as well as reporting on budget expenditure and undertaking virements. Of particular significance is :

Ministry of Finance and Treasury requirement to:

1. Develop Budget strategy at least 5 months before start of financial year.
2. Fiscal and debt management strategies at least 3 months before end of financial year.
3. Report to Parliament and officially publish budget expenditure

Ministries' accounting officers required to:

- Forecast revenue and expenditure for up to three years

PART 7 - AUTHORISATION TO EXPEND PUBLIC MONEY

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Sets out the process for spending money – firstly Parliament Appropriates money then different types of warrants allow expenditure.

The “General Warrant” to spend the money appropriated.

The “Accounting Warrant” to provide money to the Ministries.

In particular an accounting warrant authorises the Ministries to spend money that is in their budget.

PART 8 - GOVERNMENT BORROWING, ON-LENDING AND GUARANTEES

This gives the Minister **and only the Minister** power to borrow money.

However the Minister must seek advice from a debt management advisory committee comprising executives from Ministry, Central Bank, Ministries of Development, Planning and Aid Coordination

Minister must also set a borrowing limit as part of the Annual Appropriation Act.

The minister can on-lend to Honiara City Council, provincial governments and state owned enterprises and will guarantee these loans.

PSs of Ministries responsible for the SOEs need to be aware of the above and SIGs Debt Management Strategy including Cabinet Submissions on SOE borrowing policy, On-lending Policy and Guarantee Policy.

PART 9 - PROCUREMENT AND USE OF PUBLIC RESOURCES

The Ministry of Finance shall prepare rules and regulations for procurement.

It states the **principles** related to value for money, fairness, publication of procurement needs, awarding of bids which have been developed and for which trainand recording of assets.

However the **rules** is left to the subsidiary procurement regulations which will be developed in the near future.

Details of the processes and documentation required are set out in ***Procurement and Contract Administration Manual*** which also assigns responsibilities of various people in the SIG Procurement Process

PART 10 - PREPARATION OF PUBLIC ACCOUNTS

Ensures consistency with earlier Parts of the act (in particular part 3 on responsibilities accounting and accountable officers) and provides for more transparency and regularity in the preparation of public accounts.

In particular “every accountable officer” – head of Ministry (i.e. the PS) or Government Agency

“submit monthly financial reports to the Accountable General

(and) annual financial statements”.

The Accountant General then consolidates these reports.

Training material is being prepared and training will start next year on the format of these reports.

PARTS 11, 12 AND 13

PART 11: MISCELLANEOUS PROVISIONS

Deals with recovery of moneys owing to government, write-offs of losses, acceptance of gifts, donations, and the powers of the Minister to make regulations.

PART 12 – MISCONDUCT IN OFFICE AND SURCHARGES

Makes clear cross-references to relevant Acts governing misconduct such as Leadership Code, Public Service Act but also makes provision for officer to make an explanation, pay back the money and/or appeal to the courts.

Finally PART 13 refers to the repeal of the Act and preserves the financial instructions already in place until they are updated. The preserved financial instructions are referred to as the Interim Financial Instructions and can be found on the Ministry of Finance and Treasury website.