

Interim Financial Instructions

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1. Definitions & Abbreviations

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

PFMA is the Public Financial Management Act 2013.

SIG is the ‘Solomon Islands Government’.

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

AO is both an ‘Accountable Officer and Accounting Officer’.

Assets are resources controlled by an entity as a result of past events (such as through acquisition, donation to the entity by an external party, or transfer from another entity) and from which future economic benefits or service potential are expected to flow to the entity.

Asset management - is a set of tools and organisational procedures designed to support the proficient management of non-current assets. Asset management stresses full life-cycle management from procurement through maintenance to disposal..

Current asset is an asset that normally would be convertible into cash or consumed by an entity within the normal operating cycle of the entity (one year). Current assets include: stocks, debtors, and short-term deposits.

Non-current asset is an asset that is not expected to be converted into cash, sold, or exchanged within the normal operating cycle of the entity (one year). Noncurrent assets include land, buildings, and leasehold improvements, machinery and other equipment, motor vehicles, and office furniture.

Capitalisation threshold value is the value at acquisition of non-current assets at or above which expenditure is to be capitalised under an accrual accounting framework and to which depreciation will be applied. Under both an accrual and a cash accounting framework, the acquisition and disposal of non-current assets valued at or above the threshold value should be recorded in an asset register.

Moveable assets are non-current assets that are not land or buildings or attached to land or buildings or a specific location, but which can be readily moved from one location to another.

Inventory assets are moveable assets where the value at acquisition is less than the capitalisation threshold.

2. Constitutional Provisions

The Public Finance and Audit Act, 1978, (as amended), includes the requirements that: **Section 35(1)(e)** “that all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of Government property¹ including stamps,

¹ Especially note that section 35 refers to “Government property” which is interpreted to refer to safeguarding the receipt, custody, issue and proper use of all Government assets, including infrastructure and movable.

securities and stores and that the Regulations and Instructions relating thereto have been duly observed”.

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

The PFMA includes the requirement that:

Section 90 (1) “Any acts performed or agreements entered into under the repealed parts of the *Public Finance and Audit Act* (Cap. 120) shall continue to have force as if they had been performed or entered into under this Act”

Section 90 (2) “The following shall continue to apply until such time as new order and regulations are made under this Act-“

Section 90 (2) (c) “the financial instructions made under the repealed Act subject to such modification and adaption as may be necessary for conformity with this Act.”

3. Ministerial Financial Instructions - Background

These ‘Asset Management’ Interim Finance Instructions are issued by the Minister for Finance in accordance with PFMA, (hereinafter referred to as a Ministerial Instructions) for the better carrying out of the provisions and purposes of the PFMA. 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 the PFMA 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. M4; and Permanent Secretary Instructions numbering are preceded with a ‘P’ and the number of the chapter; i.e. P4.

It should be noted that ultimate accountability for compliance with the PFMA rests with the Accountable Officer. They are responsible for the actions of the accounting Officer and all staff within their ministry in performing their duties under this and all the Chapters making up the Financial Instructions as if they had performed the tasks themselves

4. Ministerial Financial Instructions

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

M4 1 Observation of Financial Instructions

- 1.1 All Officers must observe these Financial Instructions and apply them to achieve the 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.

M4 2 General asset management principles

- 2.1 The PSF in consultation with all ministries, must develop and implement an Asset Management Framework for the effective, efficient and sustainable management and safeguarding of the Government's property, and subsequently amend and augment any asset instructions as required by the framework. The framework must include a capitalisation threshold value and policy that describes whether expenditure would be capitalised under an accrual accounting system, or recorded as recurrent expenditure. [The implementation of this Ministerial Instruction is delayed until the year beginning on 1 January 2011]

M4 3 Minister of Finance Instruction to the PSF

- 3.1. The PSF must issue instructions, and may amend and augment as changing circumstances require, for the safe custody of public moneys and stamps.

Non-current Assets

M4 4 Non-current asset registers to be kept

- 4.1 Registers of non-current assets with a value at acquisition at or above the threshold value owned by SIG and controlled by each ministry must be kept by each ministry's AO. The extent and form of the record will be decided by the PSF. This provision comes into force on 1 January 2012 unless extended by notice in the Gazette. However, the non-current assets registers are to be completed by 1 January 2015 unless extended by notice in the Gazette. [The implementation of this Permanent Secretary Instruction is delayed until the year beginning on 1 January 2012 with the non-current assets registers to be completed by the year beginning 1 January 2015].
- 4.2 Inventories of moveable non-current assets with a value at acquisition less than the threshold value (inventory assets) owned by SIG and controlled by each ministry must be kept by each ministry's AO. The extent and form of the record will be decided by the AO with the agreement of the PSF but should include identification of the officer responsible for the asset's safekeeping. This provision comes into force in 1 January 2012 unless extended by notice in the Gazette. However, the inventories are to be completed by 1 January 2015 unless extended by notice in the Gazette. [The implementation of this Permanent Secretary Instruction is delayed until the year beginning on 1 January 2012 with the inventories to be completed by the year beginning 1 January 2015].
- 4.3 Each Officer responsible for non-current asset registers and inventories must provide an annual certificate to the AO to show that the asset register has been checked, updated and the attainment or otherwise of expected useful lives noted.

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Assets - General

M4 5 Storage of asset registers

5.1 AO's will ensure that the Ministry's asset registers and inventories are kept in a secure location and/or in electronic format.

M4 6 Marking of assets

6.1 Where feasible, moveable assets may be marked as being the property of SIG.

M4 7 Removal of assets

7.1 SIG property must not be removed, except for normal SIG business, and must not be used other than for its proper purpose.

M4 8 Unused assets

8.1 Any asset which is not used or is no longer needed, and where the value does not exceed \$1,000, will be disposed of on the authority of the AO. Where the value exceeds \$1,000 but no more than \$100,000, the asset must be disposed of by the Ministerial Tender Board or where the value is greater than \$100,000 the Central Tender Board's approval or sale at public auction.

M4 9 Deficiencies in assets

9.1 Any deficiencies in assets found on checking, must be reported to the AO and the Ministry Permanent Secretary if not the AO.

Assets - Disposal

M4 10 Disposal of Government Non-current Assets

10.1 SIG non-current assets are not to be disposed of without proper authority.

10.2 Any SIG non-current asset worth more than \$500,000 at the time of a proposed disposal will be disposed of only with the authority of the Minister of Finance. Disposal of such a non-current asset will be handled by the Central Tender Board using as appropriate the same processes and procedures used to acquire non-current assets valued in excess of \$1,000,000.

10.3 Any SIG non-current asset worth in excess of \$100,000 and up to \$500,000 at the time of a proposed disposal will be disposed of only with the authority of the PSF. Disposal of such a non-current asset will be handled by the Ministerial Tender Board using as appropriate the same processes and procedures used to acquire non-current assets valued in excess of \$100,000 and up to \$500,000.

10.4 Any SIG non-current asset worth up to \$100,000 at the time of a proposed disposal will be disposed of only with the authority of the PS of the Ministry controlling that asset. Disposal of such a non-current asset will be handled by authorised ministry officers using as appropriate the same processes and procedures used to acquire non-current assets valued up to \$100,000.

10.5 This FI does not apply to the transfer of custody of SIG non-current assets between ministries.

5. Permanent Secretary Financial Instructions - Background

These instructions relate to the management and safeguarding of Government property in terms of the Ministerial delegation.

6. Permanent Secretary Financial Instructions

Safe custody of cash, stamps and public money

P4 1 Definition of cash

- 1.1 For the purposes of this instruction, 'cash' is defined as all currency, postage stamps, cheques, bank drafts, money orders, postal orders and other items exchanged for their value.

P4 2 Misuse of cash

- 2.1 Accountable Officers responsible for cash must not:
 - (a) Use cash for personal purposes no matter how temporary
 - (b) Loan or draw cash against any IOU or similar document
 - (c) Exchange cash for personal cheque, including for own personal use, except:
 - (i) With prior written authority of the Permanent Secretary
 - (ii) Cashing of personal cheques as a bank agent
 - (iii) Cashing of personal cheques within the limits of a bank agency agreement as a bank agent.

P4 3 Responsibility for cash holdings

- 3.1 Each cash holding, except that referred to below, will be the sole and direct responsibility of one Accountable Officer who will have sole access to it and separate safe storage for it.
- 3.2 Where a cash holding is stored in a strong room or a safe which has two or more different locks, the keys will be under the control of at least two Accountable Officers responsible for the keys at all times. They will have joint access to the safe storage facility and will obey security instructions set down by the PSF in writing.

P4 4 Provision of safe custody facilities

- 4.1 AO's must make sure that safe storage facilities are provided for Officers under their control that are accountable for cash, and that all precautions are taken by Officers accountable for cash to prevent the loss or theft of cash.
- 4.2 AO's must instruct their staff on such precautions and carry out spot checks to make sure the precautions are being followed at all times.
- 4.3 All cash in the custody of Accountable Officers must be kept, at all times, in a:
 - (a) Strong room
 - (b) Safe
 - (c) Fireproof cash box, fitted with a lock; or
 - (d) Lockable, secure and fireproof drawer or cupboard.
- 4.4 In Treasury in the Ministry of Finance and other offices dealing with cash, a strong room or large safe shall be provided for the safe keeping of main cash stocks or reserved cash stocks.

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4.5 At all offices, cash will be kept in a secure environment.

P4 5 Procurement of safe storage facilities

5.1 All safes, strong rooms and cash boxes will be purchased by the PSF.

5.2 Safes and cash boxes must not be transferred within or between Ministries without the written authority of the PSF.

P4 6 Register of safe storage facilities

6.1 Each AO will keep a Register of all safes, strong rooms and cash boxes in use throughout a Ministry.

P4 7 Annual return of safe storage facilities

7.1 Responsible officers shall review the security of cash storage facilities on an annual basis.

P4 8 Use of safe storage facilities for other purposes

8.1 An Accountable Officer must only allow public money, SIG property or other money accountable by the Officer, to be placed in a SIG strong room, safe or cash box.

8.2 An Accountable Officer may store articles temporarily in the safe storage facility if it is in the public interest, if a touring Officer needs to store SIG cash, or in an emergency, provided that:

(a) the articles are securely sealed in a suitable container or packaging before placing in the safe storage facility

(b) the container or package is clearly marked on the outside with details of the contents, from whom received and the date deposited

(c) the person making the deposit removes the article as soon as possible

(d) the person depositing the article signs a statement that the SIG or Accountable Officer is not responsible for any loss, damage or mishap to the article.

8.3 Any cash found in safe storage facilities that cannot be accounted for will be credited to SIG revenue and be recorded as such by the Accountable Officer. If ownership of the cash can be established at a later date and the matter reported in writing, the PSF can approve a refund of the cash.

P4 9 Keys to safe storage facilities

9.1 At the time the strong room, safe or cash box are issued to a ministry, the responsible officer will issue to the Accountable Officer an original key. Where a strong room door has more than one lock, the responsible officer will issue one key to each lock to separate Accountable Officers.

9.2 Under no circumstances will all the keys to a strong room with more than one lock be issued to one Accountable Officer.

9.3 The responsible officer will obtain a receipt from the Accountable Officer(s) for all keys issued.

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- 9.4 Duplicate and any additional keys supplied by the manufacturer, of each safe storage facility will be placed in a sealed envelope for each unit and the description and details of each clearly marked on the outside of the envelope.
- 9.5 The envelope will be held in safe storage by the responsible officer. The details on the envelope will include:
- (a) Ministry to whom the safe storage facility is issued
 - (b) location of the facility
 - (c) description of the facility
 - (d) manufacturer's name and address plus agent's name and address if appropriate
 - (e) manufacturer's serial number for the facility if appropriate
 - (f) registered number allocated as per the 'safe storage facility' register.

P4 10 Manufacturer's instructions for use of the safe storage facility

- 10.1 The original copy of any instructions issued by the manufacturer regarding maintenance, replacement of keys, procedures for repair of damaged locks etc. will be sent by the safe receiving officer to the Accountable Officer with the original key.
- 10.2 A photocopy of the instructions must be kept by the responsible officer in the envelope containing the duplicate key.
- 10.3 Accountable Officers are responsible for making sure the safe storage facilities are kept in good working order.

P4 11 Combination locks

- 11.1 Where a safe storage facility is fitted with a combination lock, the original copy of any instruction relating to the setting of the lock will be sent to the Accountable Officer and a photocopy kept by the PSF in an envelope.
- 11.2 An Accountable Officer with control of safe storage facilities with a combination lock will make sure a copy of the combination sequence is sealed in a double envelope and sent to the PSF every time the combination sequence is changed.

P4 12 Keeping keys safe

- 12.1 An Accountable Officer in possession of a key to a safe storage facility will take precautions against loss or theft of the key at all times.
- 12.2 The key must not be handed to another person, except when officially handing over the key to another Accountable Officer.
- 12.3 In an emergency, such as sudden illness, the Accountable Officer's senior Officer must issue written instructions for the temporary custody of the key to, or the combination of any safe storage facility to another Accountable Officer.
- 12.4 An Accountable Officer will be held personally responsible for the loss of cash or other SIG property that occurs through the loss of a key to any safe storage facility.

P4 13 Loss of keys

- 13.1 The process to be followed if an Accountable Officer loses a key to a safe storage facility. The Accountable Officer shall:

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- (a) report the matter immediately to the Accounting Officer (AO)
 - (b) inform the Ministry Permanent Secretary immediately (if the PS is not the AO)
 - (c) write a detailed report of the circumstances leading to the loss
 - (d) send copies of the report to the PSF, Internal Audit, the Auditor General and the Accountable Officer's senior Officer.
- 13.2 When notified of the loss of the key, the responsible officer will send a senior member of staff with the duplicate key. The spare key is used to open the safe storage facility so that the contents can be checked and removed. The spare key is then handed back to the responsible officer's representative.
- 13.3 The contents are removed and verified by the Accountable Officer and the senior Officer and witnessed by the responsible officer's representative.
- 13.4 Where any key to a safe storage facility that is lost, then that safe storage facility will not be used again until new locks are fitted.
- 13.5 The responsible officer is responsible for arranging temporary alternative safe storage facilities until the lock has been changed.

P4 14 Liability of Accountable Officers for loss of keys

- 14.1 Any Accountable Officer responsible for losing a key to a safe storage facility is required to repay SIG for the cost of changing the locks, new keys and any costs incurred in providing temporary safe storage facilities.
- 14.2 Where, as a result of losing a key to a safe storage facility, it is found that the locks cannot be replaced and new keys provided, and a new facility must be purchased, the responsible officer will decide if any or all of the replacement costs will be recovered from the Accountable Officer who lost the key.
- 14.3 Replacement cost of lost keys will be recovered in accordance with **P1 23**.

P4 15 Suspected interference with keys or locks

- 15.1 If it is suspected that any key or lock of a safe storage facility has been interfered with, the Accountable Officer must take action immediately to change the locks.

P4 16 Changes to locks

- 16.1 Changes to the locks of any safe storage facility or the local provision of new keys, must be carried out only on written instruction from the responsible officer. The changes to locks or provision of new keys shall be carried out under strict security conditions as set down by the responsible officer.
- 16.2 No changes to locks, or provision of new keys, for a safe storage facility will be undertaken locally if it goes against the warranty or guarantee of the manufacturer regarding the facility.

P4 17 Register of contents of strong rooms and reserve cash safes

- 17.1 A register must be kept in each strong room or reserve cash safe of all cash and other items deposited withdrawals and balances on hand. Cash in a separate cash box used during office hours and locked in the facility after hours, will not be included in the register. All entries in the register must be signed by the Accountable Officer holding the keys to the safe storage facility.

P4 18 Checking contents of strong rooms and reserve cash safes

- 18.1 All AO's must make sure that independent checks are carried out monthly of all strong room and reserve cash safes under their control. The Accountable Officers responsible for the safe storage facilities must be present at these checks but must not carry out the checks themselves.
- 18.2 Any errors discovered during the check must be reported in writing immediately to the PSF by the AO and copies sent to Internal Audit and the Auditor-General.

P4 19 Temporary absence of key holders

- 19.1 Where the Accountable Officer who is responsible for a key to a safe storage facility is temporarily away from the workplace, official hand-over procedures are not needed and the key remains with the responsible Officer for the period of absence and no revenue will be accepted until the Officer returns.

P4 20 Handing over certificates

- 20.1 When an official hand-over takes place between two Accountable Officers who are responsible for keys to a safe storage facility, the handing over certificate must be signed by both Officers and contain full details of cash and keys.
- 20.2 Under no circumstances must a hand-over take place whereby all keys to a safe storage facility comes under the sole control of one Accountable Officer.
- 20.3 Where an official hand-over could not take place (e.g. due to sudden illness, death, disappearance etc.) the AO and another senior Officer must carry out a 'witnessed cash count' and check for surplus or mistakes.

P4 21 Safeguarding of cash whilst Officer is on tour

- 21.1 Any Accountable Officer in control of cash while on tour or in a temporary workplace, must make sure cash is held in safely by using local safe storage facilities. Under these circumstances, arrangements for temporary safe storage as a minimum are as described in **P4 22** if no other facilities area available.

P4 22 Safeguarding of cash in transit

- 22.1 Cash in transit must always be in the hands of a responsible Officer and carried in a suitable locked container. The key to the container must be carried separately by the Officer. Care must be taken when cash is transported by sea. Full use should be made of any safe storage facility on the ship.
- 22.2 When cash is being taken to the bank, the Accountable Officer must guard against loss or theft of the cash. Other tasks must not be undertaken before the cash has been deposited at the bank. Wherever possible, the Accountable Officer should be accompanied to the bank by another member of staff.

P4 23 Cash office security

23. 1 Where a separate cash office is kept, access must be limited to the cashier(s) only. The door must be kept locked at all times