

Interim Financial Instructions

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Chapter 6 Salaries and Wages

1. Definitions & Abbreviations

PF&A is the Public Finance and Audit Act

PFMA is the Public Financial Management Act 2013 AO is both an Accountable Officer and an Accounting Officer

‘Salaries and Wages are interchangeable and refer to the provision of the General Orders that define salary as that attaching to any public office excluding Acting or any other Allowances or grants.

‘Allowances’ are financial entitlements, as specified in Chapter F of the General Orders or in a relevant Scheme of Service or other legally binding agreement. Allowances are paid to officers in addition to emoluments.

‘Emoluments’ are the salary entitlements of officers, before allowances, based on the salary levels for the Public Service published from time to time by the Permanent Secretary for the Public Service in accordance with General Orders.

‘Gross Salary’ refers to the total amount of pay in any pay period due to an officer. This may include taxable allowances, non-taxable allowances and salary.

‘Net salary’ refers to the amount payable to an officer in a pay period once all mandatory and optional deductions have been made. It is this amount which will be transferred to credit the bank account of the officer.

‘Non-Taxable allowances’ refers to specific allowances that are not subject to deduction of PAYE (Pay as You Earn) income tax.

‘Non-Pensionable salary or allowances’ refers to specific allowances that are not subject to deduction of National Provident Fund (NPF) employee or employer deductions.

‘Casual Employee’ refers to a short-term employee of the Government whose employment is regulated by a separate contract of employment other than those applicable to Established and Non-Established Public Servants.

‘Payroll Section’ refers to the Payroll Section of the Ministry of Finance and Treasury.

‘Owning Ministry’ refers to the Ministry within which each public servant is employed and to which his salary costs are charged.

‘Scheme of Service’ refers to a set of employment conditions relating to defined staff groups which may confer entitlement to specific allowances relevant to professional skills, working conditions or specific duties that post-holders are required to undertake.

‘Establishment’ refers to the approved positions for which budgetary approval has been obtained prior to the financial year by the Relevant Employing Body.

‘Relevant Employing Body’ refers to the Commission or Division constituted by statute and charged with regulating the quantity and classification/grade level of Public Service positions, and approving the recruitment, promotion, transfer and termination of Public

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Servants within their individual remits. The Relevant Employing Bodies (and responsible officers thereof) are:

- (a) Teachers - Teaching Services Division, Ministry of Education and Human Resource Development (Director – Teaching Services)
- (b) Police and Corrections – Ministry of Police and National Security (staff up to the rank of Inspector, or equivalent), Police Commission (Commissioner of Police) or Prison Service Commission (Prison Commissioner).
- (c) The remainder of the Public Service not covered by (a) or (b) above, the Public Service Commission (Chairman of the Public Service Commission).

2. Constitutional Provisions

The **Constitution** includes the requirements that:

107(1) There shall be paid to the holders of the offices to which this section applies such salary or other remuneration and such allowances as may be prescribed by Parliament.

107(2) The remuneration and allowances payable to the holders of those offices are hereby charged on and shall be paid out of the Consolidated Fund.

107(3) The remuneration prescribed in pursuance of this section in respect of the holder of any such office and his other terms of service (other than allowances that are not taken into account in computing, under any law in that behalf, any pension payable in respect of his service in that office) shall not be altered to his disadvantage after his appointment except as part of any alteration generally applicable to holders of offices specified in this section.

107(4) Where a person's remuneration or other terms of service depend upon his option, the remuneration or terms for which he opts shall, for the purposes of the preceding subsection, be deemed to be more advantageous to him than any others for which he might have opted.

107(5) This section applies to the offices of Governor-General, any judge of the High Court or the Court of Appeal, Speaker, Ombudsman, Director of Public Prosecutions, Public Solicitor, Auditor-General, Commissioner of Police, and member of any Commission established by this Constitution.

The **PF&A** includes the requirements that:

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”

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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 Interim Financial Instructions are issued by the Minister for Finance in accordance with the PFMA (hereinafter referred to as a Ministerial Financial Instructions) for the better carrying out of the provisions and purposes of the PFMA. Refer to the ‘Introduction, principles, security and record keeping instruction’ for a full explanation and aims of Ministerial and Permanent Secretary Instructions.

Hereinafter the collection of Ministerial and Permanent Secretary Instructions described in the PFMA will be simply referred to as the ‘Financial Instructions’ (FIs). Ministerial Financial Instructions numbering are preceded with an ‘M’ and the number of the Chapter; e.g. M6; and Permanent Secretary Instructions numbering are preceded with a ‘P’ and the number of the Chapter; e.g. P6.

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

M6 1 Observation of Financial Instructions.

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

M6 2 Minister of Finance instruction to the PSF.

- 2.1. The PSF must issue instructions, and may amend and augment those instructions as changing circumstances require, for the management of all payments of public monies to personnel.

M6 3 Duties of the Minister of Finance

- 3.1 **PAYE deductions** – amend methods of calculating PAYE deductions **P6 9.2**

M6 4 Duties of the PSF

- 4.1 **Disbursements of salaries**– instructions **P6 2**
- 4.2 **Advances** - The PSF will authorise the issue of any advance of public money as set down in section 13 of the Act. The limit of the advance is set as part of the Appropriation Act for the financial year.

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- 4.3 **Salary in cash** - payment in cash in exceptional circumstances **P6 3.5**
- 4.4 **External Payroll** – Instruction **P6 5.1**
- 4.5 **Other recovery of overpayments and under deductions** – authorise **P6 8.1 (c) (iv)**
- 4.6 **Permanent employment list** - authorise employee list **P6 5.1**
- 4.7 **Fixed Term Allowance list** - instruction **P6 13.1**
- 4.8 **Subsidiary records** - approve keeping for salaries and wages **P6 1212.1**
- 4.9 **Agreed monthly advance deduction** - approves **P6 16.3**
- 4.10 **Recovery from other Terminal benefits payable** - authorise further action to recover advance balance **P6 17.2**
- 4.11 **Advance against Salary** – approves in extreme compassionate circumstances **P6 3.6**
- 4.12 **Writing off of an advance** - authorise **P6 18.1**

5. Permanent Secretary Financial Instructions - Background

These instructions relate to the management and responsibilities remunerating and advances made to public officers.

6. Permanent Secretary Financial Instructions

Payroll

P6 1 Entitlement to receive Public money

- 1.1 Entitlement to salaries by officers and other employees of the Government shall be as prescribed by the General Orders. The precedence and primacy of such instructions generally shall be determined at all times by reference to General Orders
- 1.2 Owing ministries and relevant employing bodies shall facilitate the work of the Payroll Section in verifying entitlements by:
 - (a) providing copies of all relevant orders, regulations, Schemes of Service, and other pertinent instructions governing entitlement to salaries.
 - (b) ensuring that changes to entitlements are communicated to the Payroll Section for processing within the time limits as specified by General Orders and with appropriate signatures of suitably authorised officers.

P6 2 Verification

- 2.1 Each officer must occupy an approved post in the Establishment of his owning ministry before any salary entitlement is conferred. Both Established and Non-Established posts may exist within each owning ministry. In all cases the Establishment and the posts contained within it must be approved by the relevant employing body.
- 2.2 Acting upon the instructions from owing ministries and the relevant employing body, the payroll Section of the Ministry of Finance and Treasury is responsible for:
 - (a) verifying entitlements
 - (b) calculating monetary values of

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- (i) salary entitlements
- (ii) allowances
- (iii) deductions as part of each pay run
- (c) deducting PAYE
- (d) managing disbursements to third parties and distribute salary payments to officers account via funds transfer
- (e) accurate paying of salary to all officers and other employees of the government
- (f) preparing of suitable accounting records in support of all aspects of the disbursements of funds under its control as shall be determined from time to time by instruction from the PSF

P6 3 Payment of salaries

- 3.1 The regular periodic payment of salaries shall be made only by the Treasury Division under such centralised system as is prescribed by these Financial Instructions or any other regulation or instruction issued by the PSF.
- 3.2 The payment of salaries shall be made by the Treasury Division at such times and in such manner as is prescribed by the Financial Instructions or any other regulation or instruction issued in writing by the PSF. Due consideration shall be taken of the conditions of service and payment of established, non-established and casual workers as prescribed by General Orders.
- 3.3 Payment of salaries will normally be made by a direct credit to the officer's bank account by the Treasury Division. Upon his first appointment, the owning ministry must provide the following mandatory details without which no officer shall be paid:
 - (a) The number of the officer's bank account and the relevant bank and branch details into which his salary shall be paid.
 - (b) A valid NPF account number into which employee and employer contributions are to be paid.
 - (c) A verified date of birth
- 3.4 Payment of multiple salaries into a single bank account, such as the joint employment earnings of a husband and wife, will be possible. In such circumstances, application to pay funds into a pre-existing bank account must be accompanied by suitable authorisation from all account signatories.
- 3.5 Salaries will not be made by cash or cheques except in extreme compassionate circumstances and with prior written approval of the PSF.
- 3.6 Advances against salary will not be made except in extreme compassionate circumstances by prior agreement authorized in writing by the PSF.
- 3.7 Payments shall be made into bank accounts held within the Solomon Islands, denominated in Solomon Island Dollars.

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P6 4 Public Sector Payrolls

- 4.1 Public Sector Payroll shall be used solely for the payment of personal emoluments to *bona-fide* public servants, whether established or non-established.
- 4.2 Entrance shall be via the standard authorised hiring process to admit an individual into a legitimate establishment post. In all cases, such hiring processes will be performed under the aegis of the relevant employing body.

P6 5 External Payrolls

- 5.1 The PSF may from time to time instruct the Payroll Section to create distinct, external payrolls outside of the Public Service Establishment to address specific requirements.
- 5.2 These payrolls may include, but are not limited to, payment of casual employees (to obviate the need for repeated Payment Voucher submission and to streamline deduction of PAYE/NPF contributions), and payrolls specific to State-Owned Enterprises.
- 5.3 Under no circumstances will membership of such payrolls confer any entitlement to the Public Service employment or associated benefits.
- 5.4 The Payroll Section shall ensure that:
 - (a) no transfers from external payrolls to the main Public Service establishments are possible;
 - (b) movement of individuals may only be made by termination (in external payroll) and a standard, authorised hiring process to admit an individual to a legitimate establishment post. In all cases, such hiring processes will be performed under the aegis of the relevant employing body.
- 5.5 External payrolls may not be subjected to the Establishment/Post restrictions in **P6 5.4** above.
- 5.6 External payrolls will require suitably authorised officer(s) to manage the disbursement of funds. For each such payroll, the Payroll Section will maintain a list of the following:
 - (a) Payroll Authorising Officer – the officer of the legal entity responsible for the payment of salaries and the authorisation for release of salary payments
 - (b) Authorised Accountant – the officer of the legal entity responsible for the accounting for payroll transactions and second signatory of authorisation for release of funds
 - (c) Payroll Operators – officer(s) authorised to confirm legitimacy of payroll transactions
- 5.7 External payrolls may require pay rates, allowance eligibilities, processing rules and payment dates that differ from Public Sector payrolls.

P6 6 Financial Impact

- 6.1 The responsible officer for the relevant employing body shall consult the PSF on all proposed amendments to salary classification levels or approved

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Establishment numbers which are likely to result in increased expenditure of public funds.

- 6.2 Promotions and transfers initiated by a relevant employing body that are likely to result in increased expenditure of public funds must be subject to verification by the Payroll Section to check entitlement and eligibility for salary and allowances prior to becoming effective.

P6 7 Deductions from Payrolls

- 7.1 All entitlement to remuneration for performance of duties shall be subject to the deduction of PAYE income tax as provided for in the Income Tax Act at the prevailing rates notified by the Inland Revenue Division, Ministry of Finance and Treasury.
- 7.2 Basic salary and overtime shall be subject to National Provident Fund (NPF) deductions as determined by the Solomon Islands NPF Act in respect of both employee and employer contributions, at prevailing rates that shall be notified by the NPF. In general, other allowances or payments will not normally attract NPF employee or employer deductions.
- 7.3 The Payroll Section shall make such deductions from Gross Salary due as shall be required in respect of National Provident Fund contributions and shall pay these to the National Provident Fund on the due date.
- 7.4 The Payroll Section shall make deductions from Gross Salary after deduction of National Provident Fund contributions, of such sums as are required in respect of Income Tax payable by officers and shall cause such deductions to be brought into account as Government Revenue.
- 7.5 The Payroll Section shall make deductions from Gross Salary due of such sums as are payable by the employee in respect of the rental of any Government house or quarter allotted to him.

P6 8 Sequencing of Deductions

- 8.1 In calculating the Net Salary payable, deductions shall be processed in the following sequence:
 - (a) NPF contributions
 - (b) Income Tax (PAYE)
 - (c) Approved Recoveries
 - (i) Court Orders
 - (ii) Imprest Recovery
 - (iii) Fines
 - (iv) Other recovery of advances, overpayments or under-deductions as authorised from time to time by the PSF
 - (d) Provincial Deductions
 - (i) Rents
 - (ii) Rates
 - (iii) Other recovery of Provincial overpayments

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- (e) Additional NPF contributions as determined by individual officer's instructions
 - (f) Health Insurance Contributions
 - (g) Police Health Scheme
 - (h) Family Assurance
 - (i) NPF Loans
 - (j) Credit Union Repayments as advised by relevant Credit Union
 - (k) Union Membership Fees
- 8.2 Deductions in items (c) above will be calculated sequentially, up to a maximum of 33.3 percent of the gross fortnightly Salary or any other such limit as may be approved by the responsible officer of the relevant employing body in consultation with the PSF.
- 8.3 Deduction sequence items (e) to (k) are considered to be elective decisions made by individual officers and shall be deducted in sequence irrespective of the limit set out in **P6 7.2**, providing always that total deductions shall not derive a negative value for Net Pay.
- 8.4 Special circumstances arise in the processing of Leave Advances, Salary Advances, Casual Payment Advances and Recall from Leave events. Such circumstances are regulated and approved by the PSF and in such cases the maximum deduction percentage limit set out in **P6 7.2** shall not apply.

P6 9 PAYE Deductions

- 9.1 Deductions shall be made in accordance with the Income Tax Act, as consolidated, and the Inland Revenue Division tax rates/bands as amended from time to time.
- 9.2 The method of calculation may be amended from time to time by the Minister of Finance using Ministerial Order(s)
- 9.3 The objective of the PAYE calculation and deduction processes as operated by the Payroll Section are to calculate cumulative PAYE due at any point within the Government financial year such that the tax deducted is correct given the Gross Salary of each individual Public Servant.
- 9.4 An annual statement, showing gross Salary, Net Salary, PAYE Tax deducted and Employer/Employee NPF contributions shall be distributed to all Public Servants.

P6 10 Division of Duties

- 10.1 Three separate Officers should be involved in preparing and paying salaries and wages:
- (a) one to prepare salaries and wages;
 - (b) one to verify details and calculations; and
 - (c) one to make the payments to employees.

P6 11 Subsidiary records

- 11.1 The PSF may approve the keeping of subsidiary records of salaries and wages, as needed.

Allowances

P6 12 General Entitlement for allowances

- 12.1 The entitlement to allowances on the part of officers and other employees of the Government shall be as prescribed by General Orders or properly constituted and authorised Schemes of Service as approved by the relevant employing body.
- 12.2 It is the responsibility of the owning ministry to demonstrate that allowances and entitlements such as may from time to time be specified by schemes of service are supported by adequate budgetary provision, and are properly constituted, approved and validated. Failure to demonstrate entitlement may result in payment instructions to Payroll Section being referred back to owning ministries.
- 12.3 Owing ministries shall consult the responsible officer of the relevant employing body on all proposed amendments to Schemes of Service.
- 12.4 The responsible officer of the relevant employing body shall consult with, and seek the approval of the PSF for all proposed amendments which will or are likely to result in increased expenditure of public funds.

P6 13 Allowance Status and Duration

- 13.1 A list of all payroll allowances will be maintained by the Payroll Section, along with the status of each allowance, whether taxable or not, and whether each allowance should be subject to NPF deductions.
- 13.2 The requirement to make PAYE and/or NPF deductions in relation to each type of allowance is determined by the appropriate legislation (Income Tax Act and/or the NPF Act respectively).
- 13.3 Allowances that are essentially “fixed-term” in nature, such as Charge Allowance, Acting Allowances and others will be subject to a maximum payment term of six months or 12 pay periods, whichever is the shorter, from the date that eligibility was notified to the Payroll Section by the owning ministry.
- 13.4 A list of fixed-term allowances will be maintained by the Payroll Section. The status of such allowances may only be changed by instruction from the PSF.
- 13.5 Beyond six months or 12 pay periods, payment of ‘fixed-term’ allowances will cease automatically and new instructions will be required justifying continued payment. Owing ministries must secure the approval of the responsible officer of the relevant employing body who shall notify the Payroll Section.

P6 14 Time limit for Arrears Claim

- 14.1 No claim by a Public Servant or other employee of the Government for allowances, salaries or any other awards under General Orders, Schemes of Service, existing orders, regulations or instructions will be entertained by the Government unless the claim is lodged within 12 months of the event which gave rise to the claim.
- 14.2 The provisions of General Orders are paramount.

Advances

P6 15 Eligibility for advances

- 15.1 Advances against salary will not generally be made except in extreme compassionate circumstances by prior written approval from the PSF
- 15.2 Applications will be considered for advances against salary only on the following grounds:
 - (a) Leave advance
 - (b) Touring advance
 - (c) Compassionate advance – where unforeseen circumstances arise and exceptionally the PSF determines that an advance is in the public interest
- 15.3 An officer may only have one advance outstanding at any one time, with the exception of the compassionate advance which is excluded from this ruling.
- 15.4 Applications for advances must be submitted to the administrative Officers of owning ministries by claimants, and a written recommendation from the relevant admin Officer forwarded to the Payroll Section with sufficient time to be able to include the advance payment via normal payroll processing deadlines.

P6 16 Advance Repayment

- 16.1 Where the advance is made against salary, the total amount will be recovered within 12 months or 26 pay periods whichever is longer by direct deductions from the officer's salary.
- 16.2 The maximum amount deducted in each pay period will not exceed 33.3 percent of an officer's gross fortnightly salary payable in that pay period.
- 16.3 There will not be a reduction in any agreed monthly deduction from salary to repay a personal advance without prior written approval of the PSF

P6 17 Officers leaving Public Service

- 17.1 Where officers leaving Public Service and a balance of advance repayment exists, the outstanding amount will be recovered in full from any end of terminal benefits payable such as-
 - (a) contract
 - (b) retirement
 - (c) long service
- 17.2 Notwithstanding **P6 17.1**, if there are insufficient funds in the terminal benefits available to repay the Advance in full, the PSF in consultation with the Attorney General will determine whether the outstanding amount is to be written off, or other recovery action is to be pursued.
- 17.3 The provisions of this Section are not subjected to the limitations on the maximum deductions set out in **P6 7.2**.

P6 18 Inability to Recover Advances

- 18.1 The PSF has the authority to write off any Advance, or part of an advance where recovery has been attempted and found to be unsuccessful.

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- 18.2 The owning ministry of the employee or former employee will be charged with outstanding monies.