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**PUBLIC FINANCIAL MANAGEMENT (INTERNAL AUDIT)
REGULATIONS 2016**

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**PUBLIC FINANCIAL MANAGEMENT (INTERNAL AUDIT)
REGULATIONS 2016**

IN exercise of the powers conferred by section 82 of Public Financial Management Act 2013, the Minister for Finance and Treasury makes the following Regulations –

Part 1 Preliminary matters

1 Citation

These Regulations may be cited as the Public Financial Management (Internal Audit) Regulations 2016.

2 Commencement

These Regulations commence on the date they are published in the *Gazette*.

3 Interpretation

In these Regulations:

“*approved audit plan*” means a plan approved by the Secretary under regulation 14;

“*audit report*” means a report prepared under regulation 16;

“*Director*” means the Director of Internal Audit appointed under section 19(2) of the Act;

“*internal control environment*”, of a Government agency, means the framework of the agency enabling it to enforce discipline, manage risks and achieve its objectives and includes the following;

- (a) integrity and ethical values;
- (b) management’s philosophy and operating style;
- (c) organisational structure;
- (d) assignment of authority and responsibility;
- (e) human resource policies and practices;
- (f) competence of personnel;

“**IAO**” means the Internal Audit Office established by regulation 4;

“**IIA**” means the Institute of Internal Auditors and its successor organisations;

“**misconduct**” means misconduct within the meaning of regulation 44 of the *Public Service Commission Regulations 1998*;

“**Ministry**” means the Ministry for Finance and Treasury;

“**risk management measures**”, of a Government agency, mean the measures adopted by the agency to manage the risks of the agency’s governance, operations and information systems to any of the following:

- (a) the achievement of the agency’s strategy objectives;
- (b) the reliability and integrity of the agency’s financial and operational information;
- (c) the effectiveness and efficiency of the agency’s operations;
- (d) the security of public resources;
- (e) the agency’s compliance with written laws, Government policies and procedures and contractual obligations.

Part 2 Internal Audit Office

4 Establishment

The Internal Audit Office is established as part of the Ministry.

5 Function

- (1) The core function of the IAO is to conduct audits of Government agencies to:
 - (a) evaluate and improve the effectiveness of the internal control environment and the risk management measures of Government agencies; and
 - (b) identify incidents of misconduct in relation to public financial management.

- (2) The Secretary may give the IAO additional functions that are not inconsistent with the performance of its core function.
- (3) The IAO must not:
 - (a) perform any operational functions for the Ministry or any other Government agency; or
 - (b) initiate or approve transactions that are not connected to the administration of the IAO; or
 - (c) engage in any activity that may compromise its ability to conduct audits independently; or
 - (d) direct staff of the Ministry who do not occupy positions in the IAO.

6 Director of Internal Audit

- (1) When the office of Director is vacant, the Secretary must recommend to the Public Service Commission one or more candidates for appointment to the office under section 19(2) of the Act.
- (2) The Secretary must not recommend a candidate for appointment as Director unless the candidate:
 - (a) holds an undergraduate degree in accountancy or a similar field of study; and
 - (b) meets the requirements for associate membership of the IIA.
- (3) The Director has the following functions in addition to those mentioned in the Act and elsewhere in these regulations:
 - (a) managing the IAO;
 - (b) ensuring the staff of the IAO maintain the professional audit standards and possess the necessary qualifications, skills, experience and professional accreditations required by these regulations.

7 Consultation with Accountant-General

The Director must consult with the Accountant-General in the performance of his or her functions and those of the IAO, including during the conduct of audits and when reporting on audit findings.

8 Agency-based offices

- (1) The IAO may establish offices based within Government agencies.
- (2) An IAO office based within a Government agency remains part of the IAO and is responsible to, and must report directly to, the Director.

9 Quarterly reports

- (1) For each quarter of the financial year, the Director must prepare and give to the Accountant-General and the Secretary a report on the performance by the IAO of its functions during the quarter, including the implementation of the approved audit plan for the years.
- (2) The report must be given to the Accountant-General and the Secretary within 10 working days after the end of the quarter.

10 Annual reports

- (1) For each financial year, the Director must prepare and give to the Accountant-General and the Secretary a report on the performance by the IAO of its functions during the year, including the implementation of the approved audit plan for the year.
- (2) The report must be given to the Accountant-General and the Secretary within 20 working days after the end of the year.

11 Internal Audit Charter

The administrative operations of the IAO must be conducted in accordance with an Internal Audit Charter approved by the Secretary.

Part 3 Audit Committee**12 Audit Committee Charter**

The Audit Committee must be constituted and function in accordance with the Audit Committee Charter approved by the Minister in consultation with the Secretary.

Part 4 Audit procedures**13 Conduct of audits**

- (1) The IAO must perform its functions in accordance with the International Professional Practices Framework (as revised and renamed from time to time) published by the IIA, except to the extent of any inconsistency with any written law of Solomon Islands.
- (2) The IAO may, with the written approval of the Secretary, engage an appropriately qualified external person or firm to conduct an audit on its behalf.

14 Audit plans

- (1) For each financial year, the Director must prepare and give to the Secretary a proposed plan for conducting audits during the year.
- (2) The proposed plan must be given to the Secretary by the final Friday in October before the start of the financial year.
- (3) The Secretary may approve the plan, with or without changes.

15 Frequency of audits

The IAO may only conduct audits during a financial year:

- (a) in accordance with the approved audit plan for the year; or
- (b) for an audit that is not included in the approved audit plan, with the written approval of the Secretary.

16 Audit report

- (1) The IAO must prepare a written report for each audit of a Government agency it conducts.
- (2) The report must detail the findings of the audit, including any recommendations for improving the agency's internal control environment and risk management measures.
- (3) The IAO must give the report to:
 - (a) the Secretary; and
 - (b) the Permanent Secretary of the agency; and
 - (c) the Accountant-General; and
 - (d) the Auditor-General
- (4) However, if the report identifies suspected misconduct, the IAO may only give the report to the Secretary.

Part 5 Offences and misconduct**17 Confidentiality of audit report**

- (1) A person commits an offence if the person engages in conduct that results in the disclosure of the contents of an audit report to someone else.

Maximum penalty: 5,000 penalty units or imprisonment for 6 months, or both.
- (2) Subsection (1) does not apply to a person disclosing information:
 - (a) with the written authorisation of the Secretary; or
 - (b) for legal proceedings arising out of the operation of the Act.

18 Obstruction of audit

- (1) A person must not obstruct the conduct of an audit.

Maximum penalty: 5,000 penalty units or imprisonment for 6 months, or both.

- (2) Without limiting subsection (1), a person obstructs the conduct of an audit if the person:

- (a) obstructs a person exercising a power under section 20 of the Act; or
- (b) fails to provide information requested under section 20 of the Act within the reasonable time specified by the person making the request.

19 Misleading information and documents

- (1) A person commits an offence if:

- (a) the person gives information to the IAO under the Act or these regulations; and
- (b) the person knows the information is misleading.

Maximum penalty: 5,000 penalty units or imprisonment for 6 months, or both.

- (2) A person commits an offence if:

- (a) the person gives a document to the IAO under the Act or these regulations; and
- (b) the person knows the document contains misleading information.

Maximum penalty: 5,000 penalty units or imprisonment for 6 months, or both.

- (3) Subsection (2) does not apply if the person, when giving the document:
- (a) draws the misleading aspect of the document to the attention of the IAO; and
 - (b) to the extent to which the person can reasonably do so - gives the IAO the information necessary to remedy the misleading aspect of the document.
- (4) In this section:
- “misleading information”* means information that is misleading in a material particular or because of the omission of a material particular.

20 Mandatory reporting

- (1) A public officer must report to the IAO any suspected failure by another public officer to comply with any of the following:
- (a) the Act and any regulations made under it;
 - (b) any other written laws relating to the use of public resources;
 - (c) any policies or procedures relating to the use of public resources.
- (2) For the purpose of regulation 44 of the *Public Service Commission Regulations 1998*, a failure to comply with subregulation (1) is misconduct.

21 Conflicts of interest

- (1) This section applies if a person has a personal interest in a matter arising from the performance of the person’s functions as the Director or a staff member of the IAO.

- (2) A person has a personal interest in a matter if the person:
 - (a) has a direct or indirect financial interest in the matter; or
 - (b) has a personal, professional, commercial or other relationship with a person and the nature of the relationship is likely to, or may reasonably be regarded as likely to, inhibit or prevent the person from exercising independent judgment about the matter.
- (3) The person must disclose the following to the Secretary as soon as practicable after the relevant facts come to the person's knowledge:
 - (a) the nature and extent of the interest;
 - (b) how the interest relates to the matter mentioned in subregulation (1).
- (4) The person need not disclose an interest if the interest is an interest shared with the public generally or a section of the public.
- (5) The Secretary must take the action required to ensure that the person's interest in the matter does not affect the ability of the IAO to perform its functions independently.
- (6) For the purpose of regulation 44 of the *Public Service Commission Regulations 1998*, a failure to comply with subregulation (3) is misconduct.

DATED IN HONIARA this twentieth-second day of July, 2016.

HON. SNYDER RINI
Minister for Finance and Treasury

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