

FMM 03.21 Payment Processing

21.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Digital Government Act 2022;
- Central Banking Act 2000;
- National Payments System Act 2013; and
- AML and CTF Act 2015.

21.2 Relevant Standards and Supporting Documentation

- IFMS Training Manual on Accounts Payable
- DoF EFT IFMS User Guide
- EFT Policy
- BSP Kundu Pei Instructions

21.3 Specific Responsibilities

Department of Finance monitor the use of EFT and its policy, approve the issuance of manual cheques by Agencies and notify relevant banks in case of system or EFT Failure. Manage the creation/amendment of supplier master records for national public bodies and statutory authorities.

Departmental Heads approve expenditure within their financial delegation limits and ensure all payment requests are verified, documented, and comply with budgetary and legal requirements.

Heads of Finance are to ensure and process payments through the IFMS or approved finance system and ensure proper authorisation and coding which includes conducting regular reconciliations of payment records to identify discrepancies.

21.3.1 Role Responsibilities in processing

21.3.1.1 Section 32 Approvers

- Claims for processing payments must be appropriately certified by *Public Finances (Management) Act 1995*, Section 32(1) (Approves Requisitions for Expenditure of Money) and Section 32(4) (the Financial Delegate) delegates accompanied with relevant supporting documents.
- Section 32 Officer is required to approve the Requisition Form (FF3) and also electronically approve in the Approved Finance System.

Where a Bank credit authorisation form is used or any other EFT authorisation form that requires a signature, this must be signed by the Mandatory and Secondary Bank Signatory or their alternates.

Supplier Accounts Maintenance – Accounts Payable (AP) Accounts Manager

Is responsible for maintaining AP master supplier records in IFMS for National agencies and is a responsibility held in the Department of Finance – Financial Controls Division.

Processing EFT Payment – AP Payments Officer

- Is responsible for the payment processing.
- Will run the payment processing to produce an EFT file after confirming that the supplier is selected as **EFT** or **OTHER PAY FILE** on the master record.

Encryption Process on Kundu Pei software – Section 33 Officer

- Approve and execute payments using the Kundu Pei payments
- Print the required documents and send the zipped Kundu Pei file to the BSP as per the Kundu Pei Instruction Guidelines.

#	Role	Function	Invoice without Purchase Order	Invoice with Purchase Order
0	ARO	<ul style="list-style-type: none"> • Initiates transaction 	<ul style="list-style-type: none"> • Receives invoice 	<ul style="list-style-type: none"> • Receives invoice
1	Claims Examiner	<ul style="list-style-type: none"> • Examines documentation 	<ul style="list-style-type: none"> • Confirms supplier is in Payee Register • Confirms delivery of goods or services • Scans invoice and enters invoice in IFMS 	<ul style="list-style-type: none"> • Confirms supplier registration in IFMS • Examines invoice for validity, accuracy, etc. • Enters invoice in IFMS
2	Financial Delegate	<ul style="list-style-type: none"> • Confirms commitment 	<ul style="list-style-type: none"> • Confirms funding availability • Approve and submit <ul style="list-style-type: none"> ○ Within Delegation Limit, to CO ○ Otherwise, to S32 Officer 	
3	Section 32 Officer	<ul style="list-style-type: none"> • Inspects documentation and endorses for payment 	<ul style="list-style-type: none"> • Confirms delivery of goods or services • Approve invoice • Submit to CO 	
4	Certifying Officer	<ul style="list-style-type: none"> • Executes transaction 	<ul style="list-style-type: none"> • Check of compliance of business process • Certify invoice for payment 	<ul style="list-style-type: none"> • Check for compliance • Certify invoice for payment

21.4 Mandated Policy

1. Government payments must be processed in a manner that ensures efficiency, transparency, and security. Public funds must only be disbursed upon proper authorisation under from Sections 32 and 33, and in

accordance with approved budgets, procurement rules, and financial delegations.

2. The Head of Finance must specify specific payment runs days and times to limit excessive payment runs on an adhoc basis which can lead to errors in payment processing.
3. The Government of Papua New Guinea is transitioning to fully electronic payment systems and will phase out the use of cheques wherever possible. All payments are to be made through Electronic Funds Transfer (EFT) platforms, such as IFMS (Integrated Financial Management System) and KunduPei, unless specifically exempted.

21.4.1 Approved Payment Methods

4. All public entities must ensure that payments are made using the following methods, in order of preference:

- Electronic Funds Transfer (EFT) via IFMS
- KunduPei
- Direct Bank Transfers for bulk payroll or vendor payments (via BPNG clearing system)
- Corporate Cards, where applicable and authorised
- Cheques

21.4.2 Cheque Use Restriction

5. Use of cheques is to be minimised, and must only be issued if:

- EFT systems are not operational (currently within pilot for the Waigani Public Account)
- Business continuity issues are in place

6. For National Departments any cheque more than K100,000 drawn from the Waigani Public Account (WPA), must be approved by Secretary Finance, or his delegate. Any cheque over the limit that is presented to BPNG without the Secretary's clearance letter will be dishonoured by BPNG.

- 7. For cheques below the individual cheque amount, the daily payment limit for each agency will be K1 million. This will be monitored by daily reporting through review of Cheque Usage Reports (CUR) and IFMS daily commitment/payment reports.**
- 8. Cash Management Branch is authorised to check and liaise with the Bank of PNG regarding management of the WPA, and on the Government Revenue through revenue collecting agencies such as Customs, IRC, donors, etc.**
- 9. The Expenditure Control Branch will control, monitor, and report on Government Expenditure through its mandated expenditure control functions.**

Cheque Usage Reports are to be provided daily to the BPNG and Department of Finance (Financial Controls Division) to support the cheque clearance process – fcd_helpdesk@finance.gov.pg.

21.4.3 Tax Remittances

- 10. All withheld taxes and superannuation contributions must be remitted promptly to the Internal Revenue Commission (IRC) and relevant superannuation funds. This remittance must occur at the time of raising payment, ensuring compliance with statutory requirements and avoiding penalties.**

Failure to remit withheld tax and superannuation on time may result in financial penalties and could negatively impact the government's fiscal standing. Departments must ensure strict adherence to these remittance requirements to maintain compliance and avoid unnecessary costs.

21.4.4 Controls and Authorisations

- 11. All payments must be authorised under Section 33 of the PFMA by an officer with valid payment delegation.**
- 12. No payment shall be made without prior commitment authorisation under Section 32.**
- 13. All payment processing must include:**
 - Verification of supplier details

- Three-way matching of invoice, purchase order, and goods receipt
- Use of approved budget lines and economic item codes

14. Supporting documentation must be uploaded and retained within IFMS or approved financial system.

21.4.5 Timing and Processing of Payments

15. Payments must be processed within 10 working days of claims approval by Section 32 delegate, unless contractual terms dictate otherwise.

16. Priority payments, such as salaries, statutory remittances (e.g. tax, superannuation), and debt repayments, must be scheduled and reconciled monthly.

17. Vendor split payments, manual adjustments, or changes in banking details require additional internal approval and must be tracked.

21.4.6 Transition to EFT and Digital Platforms

18. All public entities are required to:

- Register vendors and staff with valid bank account details for EFT use
- Eliminate paper-based payment forms where IFMS workflow approvals are in place
- Collaborate with the Department of Finance to ensure readiness for full digital payments

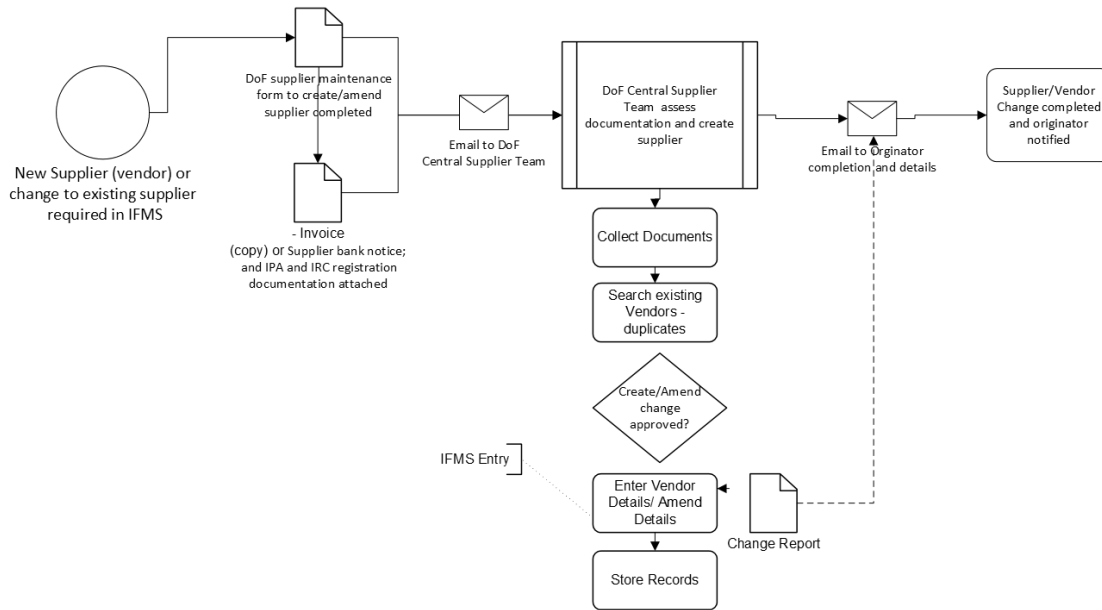
19. No new bank accounts may be opened for cheque-only purposes.

21.4.7 Supplier Lists and Centralised Supplier Master Records

20. To ensure the safeguard of public funds, segregation of duties is required for the creation and the amendment of supplier/vendor master records.

21. Any officer that is part of the accounts payable or payment steps must not be part of the creation or amendment of supplier records, particularly bank account details.

22. The control of the creation or maintenance of supplier/vendor IFMS master records for National agencies for the WPA will reside in the Cash Management Team of the Department of Finance.



21.4.8 Supplier Overpayments

23. Where an overpayment is made to a supplier, it must be treated as a receivable payable to the agency and managed as a debt owed.

21.5 Non-Mandatory Guidance

21.6 AP Invoice Entry without a Purchase Order

Examples of where a supplier presents an invoice without a purchase order are for cash advances, allowances, duty travel, overtime claims, or other reimbursement. This also includes where the Government has a standing arrangement with a supplier (e.g., electricity, rent, internet).

- a. The Accounts Registration Officer (ARO) receives the claims from the suppliers, consolidates documentation, obtains approval from the Section 32 Officer, and prepares the Minute to forward the package to AP for processing. The ARO raises the commitment in IFMS, scans and uploads supporting documentation.
- b. Upon notification of the invoice, the agency Claims Examiner reviews the documentation to ensure the validity of the supplier’s information in the AP Payee Register and the completeness and accuracy of supporting documentation for the invoice. Specifically, the Claims Examiner will check:
 - Chart codes are appropriate and approved
 - Name and address of payee
 - Amount to be paid agrees with invoice and supporting documentation

- Payee is correct party
 - Evidence of satisfactory delivery of goods or services are established
 - No double or duplicate payment in the system
 - All discounts and credits have been noted
 - Payments charged to the correct vote
- c. Once satisfied, the Claims Examiner enters the data and uploads an electronic copy of the invoice into IFMS to create a transaction record. When the Claims Examiner closes the document, the system will route the transaction to the Financial Delegate defined in the workflow.
- d. The Financial Delegate (FD) accesses the transaction and supporting document through the IFMS to double check the Claims Examiner's entries. Through the funds tracking system, IFMS will automatically check on fund availability and generate a report for the FD's review. If there is insufficient funds against the account code, the system will flag the transaction and not allow it to proceed. The FD will follow-up with the Departmental to re-allocate funds to the account for further processing.
- e. Section 32 Officers (S32O) are authorised under Section 32 of the PFMA to authorise payment, subject to their warrant authority and any other specified conditions. In IFMS, they have the role of GL Enquiry Officer, which gives them permission to access data to analyse and review accounts, view account balances and transaction details.
- f. The Certifying Officer (CO) performs the last control check to assure legal sufficiency before the transaction is posted to the General Ledger and routed to the Payment Process. The IFMS role is CO and AP Approval. The CO has permission to correct accounting codes at this stage in the process. Once the CO has approved the transaction, the IFMS posts the entry to the General Ledger and routes it to Payment Processing.

21.7 AP Invoice Entry with a Purchase Order

Where a Purchase Order has been raised in IFMS, the data previously entered on the transaction is carried forward to populate the screens.

- a. The AP Claims Examiner enters the invoices to be matched with the existing purchase order (PO) in the IFMS. For this process, the IFMS role for the claims examiner is 225-AP Claims Examiner. Detailed instructions to navigate through the screens to search for an existing

PO, enter data, or correct data are in the “Accounts Payable IFMS Training Manual.”

- b. If there are no changes or corrections to the invoice from the PO, the system then routes the transaction to the Certifying Officer.
- c. If there are discrepancies between the PO and the invoice, the AP Claims Examiner makes updates the changes, enters a reason for the amount difference in the Narrative box, and closes. IFMS then routes the transaction to the FD for further review and verification.
- d. The FD confirms the AP Claims Examiners entries against the documentation. Once satisfied, the FD closes the screen. The IFMS sends the approved invoice to the nominated Certifying CO for approval.
- e. From the system, the Certifying Officer reviews the PO invoice. Of particular importance is the assurance that the account number and other information is correct before posting the invoice to the General Ledger. Once the CO approves the document to post, the system finalises invoice processing, updates the General and Accounts Payable Ledgers, and sends the transaction to Payment Processing.

21.7.1 Guidance on EFT

21.7.1.1 Application of EFT – BPNG or BSP

- AP Payments Officer will run the payment processing to produce an EFT file after confirming that the supplier is selected as **EFT** on the master record.
- For National Departments using drawing bank accounts, support documents must be loaded into the **Drop-Box** prior to the EFT pay run.
- EFT Register only is to be emailed to the Government Accounting Unit at BPNG.
- Remittance Advices are emailed directly to suppliers through the system. It is important that a correct email address is entered in the Supplier setup.
- Access to the BPNG Banking System must be obtained. Daily extract of bank statements must be done to confirm EFT payments.

- The bank details to a supplier is centralised at DoF, Cash Management Branch. The Supplier Form is to be filled for any change or new Supplier on bank details.

ACCOUNTS PAYABLE – BUSINESS PROCESS CHART

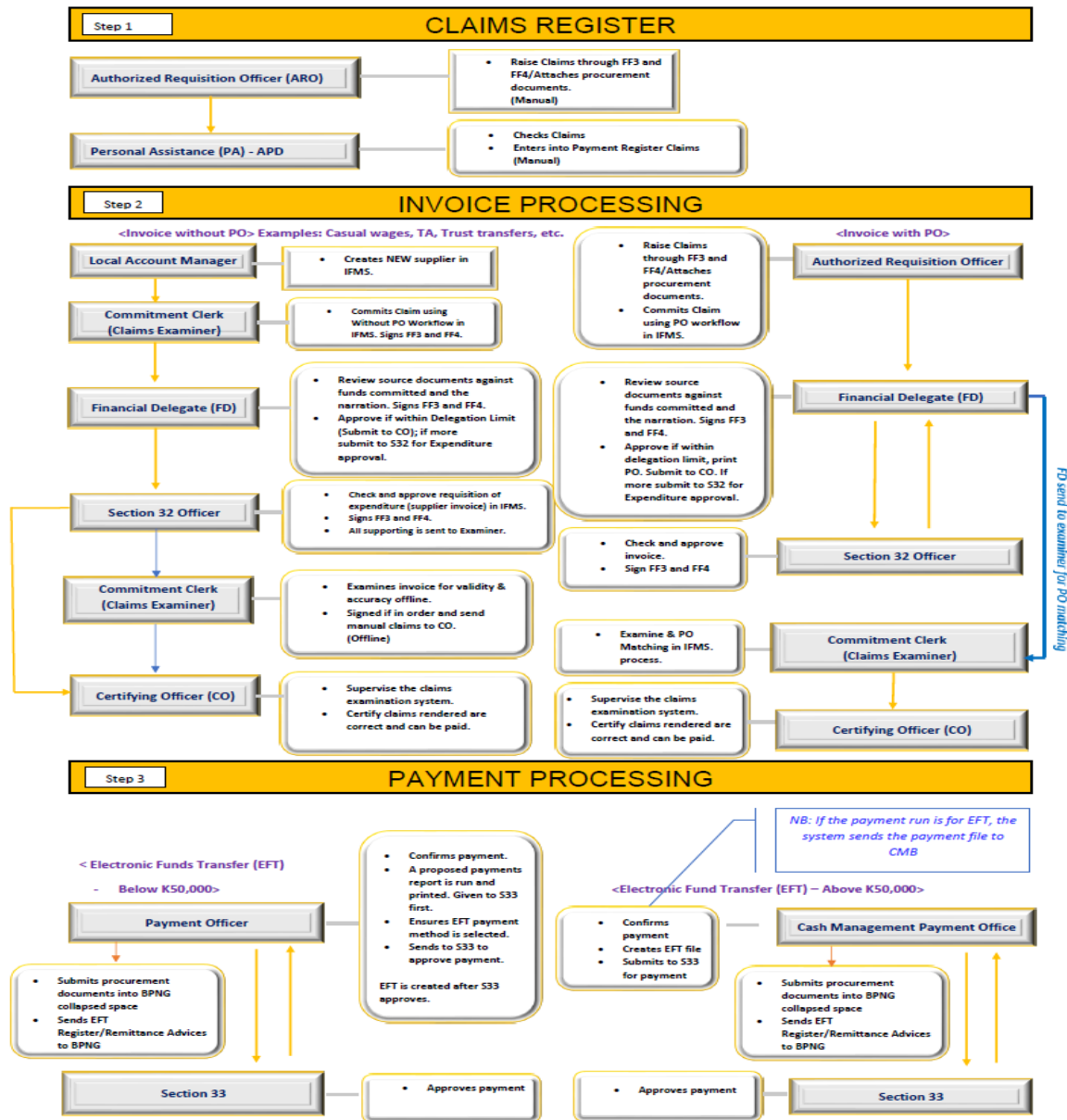


FIGURE 1: ACCOUNTS PAYABLE PROCESS (FROM IFMS)

Further Information	fcd@finance.gov.pg
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