

## FMM 03.24 Cancellation, Dishonoured and Stale Cheques

### 24.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Unclaimed Monies Act 1963

### 24.2 Standards and Supporting Documentation

- IFMS Training Manual for Accounts payable – Journal Processing

### 24.3 Minimum Responsibilities

Departmental Heads must ensure stale cheques are identified, reversed, and reported as part of monthly reconciliations.

Heads of Finance are responsible for ensuring cheque tracking mechanisms are in place, and for authorising the reissuance of payments where appropriate.

Finance Officers and Accounts Payable Staff are to monitor outstanding cheques and initiate cancellation once stale.

### 24.4 Mandated Policy

#### 24.4.1 Stale Cheques

Stale cheques pose a financial control risk, as they may be dishonoured or fraudulently reused. While there is no legal expiry in law, general bank custom is that a cheque is most likely to be dishonoured after 12 months.

- 1. For Government of PNG issued cheques, a cheque is considered stale if not presented at a bank within 12 months of its issue date.**
- 2. It is incumbent on agencies to monitor and ensure that the bank is formally notified to cancel a cheque after 12 months.**
- 3. A stale cheque must firstly be cancelled by the bank (so that it cannot be presented) before being processed in the Approved Accounting System as a cancelled cheque.**
- 4. Upon becoming stale, and following bank notification, cheques must be reversed through IFMS.**

5. **A Stale cheque must not be reissued automatically—a new claim must be submitted and processed under the current financial year’s appropriation.**
6. **Cheque management and review of unrepresented cheques must be embedded in monthly reconciliation and reporting activities.**

#### **24.4.2 Dishonoured Cheques**

7. **Should a Government cheque be dishonoured, the dishonoured cheque is usually returned to the depositor who will liaise with the agency.**
8. **Prior to taking any action, the agency must first cancel the cheque with the bank.**
9. **Within the current fiscal year, a new cheque will need to be reraised once the dishonoured cheque returned and/or cancelled in IFMS. A new claim does not need to be raised within the fiscal year for financial delegate approval. Payment authorisation is still required.**
10. **From a prior fiscal year, and following bank confirmation that the dishonoured cheque is cancelled, a new cheque is raised following the resubmission through the accounts payable process with new financial delegate approval and payment authorisation.**

#### **24.5 Non-Mandatory Guidance**

- Guidelines for cancellation of cheques are outlined in the IFMS Accounts Payable Manual.
- Regularly monitor unrepresented cheques through the bank reconciliation process.
- Identify any cheque that remains unrepresented after 12 months from the cheque date.
- The theoretical journal entry in IFMS:
  - Debit: Cash Book (IFMS string used to issue the cheque)
  - Credit: Cash Book (same string) with Economic Item 812105 – Stale Cheques
  - Ensure correct use of vote code and full IFMS string.

A delegated officer (usually Head of Finance) must review and formally endorse the journal entry prior to processing.

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<b>Version</b>	1.0
<b>Date Issued</b>	30 June 2025