

FMM 03.38 Bank Reconciliations

38.1 Authorities and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA) Section 5 requires departmental heads must implement internal controls, including reconciliation of bank accounts and Section 11 states that all public money must be held and managed in approved bank accounts, with appropriate oversight.

38.2 Standards and Supporting Documentation

- IFMS Bank Reconciliation Training Manual (2020)
- Manual reconciliation templates (for non-integrated or temporary accounts)

38.3 Minimum Responsibilities

Department of Finance is to maintain a register of government bank accounts and provide technical oversight and escalate repeated reconciliation failures.

Departmental Heads / Provincial Administrators

- Ensure that every government bank account under the agency's control, whether integrated with IFMS or not, is reconciled monthly.
- Certify and submit reconciliation reports to the Department of Finance.
- Establish internal procedures to monitor reconciliation timeliness and integrity.
- Ensure that officers who are preparing bank reconciliations are qualified and properly trained.

Bank Reconciliation Officers

- Perform reconciliations using IFMS tools or approved manual methods for off-book accounts.

- Investigate unmatched transactions, post correcting entries, and resolve discrepancies in a timely manner.

Internal Audit

- Regularly verify reconciliation processes and report on non-compliance, especially for trust and donor accounts held off IFMS.

38.4 Mandated Policy

- 1. Bank reconciliations are to be undertaken either daily, weekly or monthly and at minimum monthly depending on the volume and materiality of transactions.**

Heads of Finance should consider the time intervals for undertaking a bank reconciliation based on the volume and complexity of the bank reconciliations

– Daily, Weekly or Monthly

- 2. All reconciliations must be reviewed by the Head of Finance or senior accountable officer equivalent and certified as correct.**
- 3. Reconciliations must:**
 - Compare IFMS cashbook balances (or approved finance system) to actual bank statements.
 - Be finalised no later than 14 days after month-end.
 - Be signed by the reconciliation officer and approved by the Head of Finance or Departmental Head.
 - Identify and resolve stale cheques, unpresented items, and unexplained variances.
 - Be retained in both electronic and hard copy formats for five (5) years.

38.4.1 Bank Accounts not kept on an Approved Finance System

- 4. Bank accounts not yet integrated with IFMS must still be subject to the same level of daily, weekly or monthly reconciliations and oversight. These include:**
 - Donor or project-specific accounts temporarily outside IFMS.
 - Older accounts pending closure or transition.
 - Accounts held in commercial banks where automated reconciliation is not yet possible.
- 5. Reconciliation must be conducted manually using approved templates where the system does not provide for the uploading and preparing reconciliations within the approved finance system.**
- 6. A reconciliation report must be prepared, signed, and submitted to the departmental head or Finance departmental head or bank signatory for the bank account.**
- 7. Where these accounts are material, efforts must be made to integrate them into IFMS within a reasonable timeframe.**

38.4.2 Special Instructions for Stale Cheques and Unclaimed Funds

- 8. A stale cheque is one that has not been presented within 12 months of issue. All cheques that have not been presented and clear after 12 months**
- 9. A cheque CANNOT be reversed or cancelled in a finance system (IFMS or approved finance system) without the cheque being firstly notified and cancelled by the bank. These must be reversed using the IFMS economic item 812105 – Stale Cheques.**
- 10. A cheque that has already been presented and cleared CANNOT be reversed or cancelled in the accounting records.**
- 11. If a reissue is requested it can only be paid from current-year appropriations or a new claim is required under a new appropriation.**

38.4.3 Consequences of Non-Compliance

12.Failure to conduct and submit monthly reconciliations may result in:

- Withholding of warrants or funding releases by the Department of Finance for the next period;
- Escalation to the Departmental Head and potential investigation by Internal Audit or Treasury;
- Adverse findings in audit reports by the Auditor-General’s Office;
- Inclusion in the non-compliance list for public reporting and disciplinary review;
- Financial misstatements that impact reporting to Parliament and development partners.

Agencies experiencing legitimate delays (e.g., internet connectivity, delays in receiving bank statements) must inform the Financial Controls Division of the Department of Finance in writing, with supporting documentation, within five (5) working days of month-end.

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| Further Information | fcd@finance.gov.pg |
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