

FMM 04.12 Period-End Closing Procedures (Monthly & Annual)

Timely and accurate financial reporting is only possible if agencies follow disciplined period-end processing. Period-end processing refers to the set of activities at the end of a financial period – typically each month, and additionally at year-end – to finalise the accounts for that period.

Establishing a clear period-end routine helps ensure that all transactions are recorded, reviewed, and corrected in time, and that reports can be produced by the due dates. This section defines the period-end process for both monthly closes and the annual close, and provides a detailed checklist/calendar for tasks from T–5 (five days before period end) to T+10 (ten days after period end).

12.1 Mandatory Policy

- 1. All departmental heads must ensure that the agency has a documented period end and fiscal year-end financial period-end processing schedule to ensure the accuracy of the accounts. These are legislated obligations under Section 5, 47K, 62 and 68 of the PFMA to keep proper accounts and records of its transactions and affairs.**
- 2. The Department of Finance must advise through Finance Instruction prior to the end of the fiscal year of any fiscal year-end financial period-end processing cut-off dates for completing the public accounts to assist in reporting and consolidation.**

12.2 Non-mandatory Guidance

12.2.1 What is Involved in Period-End Processing?

Monthly period-end processing involves closing out each calendar month's financial records. Even though the government operates on a cash basis, monthly cut-offs are essential for meaningful monthly and quarterly statements and for detecting errors.

Activities include verifying all revenues and expenditures of the month are entered, reconciling records with bank accounts, and establish strict protocols for the period against further entries once finalised.

Annual period-end processing (for the fiscal year ending) includes all the monthly close steps ~~for~~ plus additional year-specific actions: ensuring all twelve months are finalised, preparing annual financial statements, liaising with external auditors, and resetting for the new fiscal year.

Key objectives of period-end processing are:

1. **Completeness:** All transactions that belong to the period are captured in the accounts (and none from the next period are mistakenly included).
2. **Accuracy:** Errors or mispostings are identified and corrected via journal entries before finalising.
3. **Reconciliation:** The accounting records (cashbook, general ledger) are reconciled to external records such as bank statements.
4. **Cut-off enforcement:** After a certain point, no further changes are allowed for that period, so reports can be considered final.
5. **Review and sign-off:** Management reviews the period's financial results and signs off, enabling submission to oversight bodies.

Both IFMS users and non-IFMS users must perform period-end tasks, though how some steps are done may differ (e.g. IFMS has some automated ledgers, whereas other systems may not).

12.2.2 Period-End Close Checklist and Calendar (T-5 to T+10)

An agency should develop and maintain a detailed schedule and checklist of all activities that occur around a period end including specific requirements for quarterly and fiscal year ends (such as stocktakes and advance acquittals).

This is difficult to prescribe because agencies need to customise this schedule and checklist to match the agency's environment (for example, major contracts might be added to this list for reconciliation prior to month end close). Some steps may be done earlier or later depending on staff availability.

Agencies should also include columns such as responsible person (or position) for subtasks and specific approvals or documentation that might be needed.

The account quality and reconciliation schedule should also assign active (or problematic) accounts or vendors for review every month and lessor used accounts or vendors for either quarterly or annual reviews and checks.

Timeline	Step / Action	Notes / Objective
T-5	Review Unposted Transactions	Identify any pending invoices, receipts, or vouchers. Clear backlog so all valid transactions are recorded before month-end.
T-5	Notify Divisions of Cut-off	If required (usually year end), send reminder to all units about month-end close. Instruct them to submit outstanding documentation by T-1.
T-4 to T-2	Preliminary Account Review	Scan the ledger for anomalies (wrong codes, negative balances, etc.). Investigate and prepare journal corrections.
T-2	Cash and Revenue Check	Deposit any remaining collections. Ensure all revenue is recorded. Pre-empt unbanked cash issues.
T-2	Prepare Recurring Journal Entries	Draft standard month-end journals (e.g., allocations, corrections) so they're ready to post on T or T+1.
T = 0	Process Final Transactions (Month-End)	Record last-day receipts and payments, post adjustments in system.
T = 0	Provisional Close in IFMS (or local system)	Mark the period as "closed" for routine users. Central finance may keep it open for a short grace period to allow final adjustments.
T = 0	Backup and Document	Generate key reports (trial balance, ledger summary). Secure a backup of data.
T+1 to T+3	Preliminary Financial Statements	Produce a draft Cash Receipts & Payments or monthly income/expenditure statement. Investigate leftover anomalies or needed adjustments.
T+1 to T+5	Bank Reconciliation	Obtain bank statements. Reconcile each bank account. Identify errors (unposted charges, duplication, etc.). Correct in the system. (note that most bank reconciliations should be occurring on a daily or weekly basis but the end of month bank reconciliation is the most critical for financial reporting).

Timeline	Step / Action	Notes / Objective
T+3 to T+5	Cash Corrections and Follow-Ups	Resolve any mispostings discovered in reconciliation. Investigate outstanding items.
T+5 to T+6	Management Review	Conduct an internal review meeting. Present monthly statements, highlight variances, finalise adjustments. <i>Note that some department heads or boards may require 'flash reporting' which is usually linked to cash or special dashboard reporting – these are usually prepared and delivered much earlier and should be part of the period end processing schedule.</i>
T+7	Monthly Statements Submission (<i>if required</i>)	Non-IFMS entities submit monthly accounts to Department of Finance within 7 days. IFMS users still send bank recs by T+14.
T+7	(If Quarter-End) Quarterly Reports	For quarter-end months, compile the Quarterly Financial Management Report as well.
T+14	Bank Reconciliation Submission Deadline	All agencies send monthly bank recs to Finance by day 14 if not already.
T+8 to T+10	Finalise and Lock the Period	Close the accounting period in IFMS/local system. No further backdated entries. Any late corrections go into the next period.

12.3 Non-mandatory Guidance for Annual Fiscal Year Close

The fiscal year end involves all the steps of a normal month-end close, plus additional activities to finalise the full fiscal year accounts and prepare for audit and new-year budgeting. Here are additional considerations:

1. Agencies should start planning for the year-end close well in advance (e.g. in October). This includes reminding all staff and divisions of final cut-off dates for the year. Department of Finance will send out a Finance Instruction on cut-off dates for National Departments that form part of the Public Accounts to set an earlier deadline for procurement and invoice processing.

2. Identify any special transactions that occur at year-end (such as lapsing of unexpended budget, clearance of inter-agency balances, waivers and write-offs, etc.) and schedule tasks to handle them.
3. Confirm that all prior monthly closes have been completed and any issues resolved. It's very difficult to produce an accurate financial statements if earlier months had unreconciled differences. So, by year-end, there should be no pending bank reconciliation issues or suspense items from earlier in the year. If any exist, address them before closing December.
4. Although PNG Public Accounts are prepared on a Cash Basis, some year-end adjustments or notes should be prepared such as:
 1. Recognising open contracts (with multi-year APCs) and other commitments
 2. Ensure all outstanding travel or imprest advances are either acquitted or recorded in the statement of outstanding advances note. Write off or carry forward any long-outstanding ones per guidelines.
 3. Many agencies do a physical stocktake of assets and inventory at year-end. Results won't enter the cash accounts but should be used to update the asset registers and will feed into the notes on assets.
 4. Verify and document the year-end balances of any trust funds and check the expiry period of Trust Instruments which usually expire at a fiscal year end, as these will appear in the financial statements (and need separate audit confirmation perhaps).
 5. Under the PFMA, most unexpended appropriations lapse at year-end (unless legally allowed to carry over). Coordinate with the Department of Treasury on lapsing appropriations.

12.3.1 Legacy Systems (PGAS) and IFMS Integration

For agencies transitioning from the old Papua New Guinea Government Accounting System (PGAS) to IFMS. In such cases, those on PGAS must still adhere to similar deadlines: they should submit their monthly data to the Department of Finance in time for it to be uploaded or consolidated into IFMS. The cut-off for them might be slightly earlier to allow consolidation. The goal is that by the time Finance closes the IFMS period, it already includes data from any non-IFMS sources.

Note: a good practice for reporting entities is to undertake what is called ‘a soft-close’ for each month of the last few months prior to the end of a fiscal year (say September or October for a December year-end). The soft close means that some of the notes that are required for the GPFS are completed in those months also and updated on where there are new movements in the remaining months. This is a standard practice of organisations and also a practice adopted by government entities. It is a practice because it enables the accounts teams to get preparation and a ‘mind set’ for fiscal year end, identifies significant anomalies or problems in the accounts before they are identified following fiscal close.

Further Information	frcd@finance.gov.pg
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