DEPARTMENT OF FINANCE

FINANCE INSTRUCTION

FI 02 / 2026

SUBJECT: TRANSITION TO ELECTRONIC FUNDS TRANSFER

Document control

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1. Legislative authority

This Finance Instruction is issued to better control and manage public moneys and public property. It is issued under, and gives effect to, the following provisions of the **Public Finances (Management) Act 1995** (the *PFMA*):

Provision	Subject of the provision	How this Instruction gives effect to it
s. 117 PFMA	**Power to issue Finance Instructions**	Head of power. This Instruction is a Financial Instruction for the purposes of s. 117 and is not inconsistent with the PFMA.
s. 4 PFMA	**Control and direction of financial affairs**	Establishes the authority of the Secretary for Finance to determine the method by which public moneys are disbursed, and to fix the dates by which Agencies must transition to that method.
ss. 11 and 52 PFMA	**Approval and operation of bank accounts**	Supports the withdrawal of cheque facilities on agency bank accounts and the enablement of those accounts for electronic funds transfer.

Provision	Subject of the provision	How this Instruction gives effect to it
s. 33 PFMA	**Payment of accounts**	Supports the additional approval required for a payment of K100,000.00 or more.
s. 6 PFMA	**Duties of accountable officers**	Fixes responsibility for completing the transition on the Departmental Head or Agency Head.
ss. 102 and 106A–106C PFMA	**Surcharge, offences and discipline**	Provides the consequences of non-compliance.

2. Purpose

This Finance Instruction gives legal effect to the transition of Government payments from cheque to electronic funds transfer (EFT). It fixes the dates by which Agencies must onboard onto EFT and by which cheque facilities are withdrawn, and it confirms the approval required for a high-value payment during the transition.

It is a **transitional instrument**. The standing policy on payment processing is in **FMM 03.21 - Payment Processing** under the Finance Management Manual.

3. Application and scope

3.1 This Finance Instruction applies to all public and statutory bodies - being any National Department, Provincial Administration, Local-Level Government, Provincial Health Authority, District Development Authority, statutory authority or other public or statutory body within the meaning of the PFMA - and to every officer of an Agency who requests, certifies, approves, releases, records or reconciles a payment of public moneys.

3.2 It applies to every payment of public moneys made by an Agency from an Agency Bank Account, irrespective of the class of payment. It does not alter the arrangements for the payment of salaries, wages and allowances through the government payroll system, or for expenditure on the Government of Papua New Guinea Corporate Debit Card, each of which is governed separately.

3.3 This Instruction is to be read together with FMM 03.21. It does not displace any requirement of FMM 03.21; where a requirement appears in both instruments, compliance with FMM 03.21 satisfies this Instruction.

4. Definitions and interpretation

In this Finance Instruction:

Agency	A public or statutory body as defined under Section 2 of the PFMA
Agency Bank Account	A bank account held in the name of an Agency holding public funds.
Approved Finance System	The Integrated Financial Management System (IFMS) and any other system of accounting and transaction records authorised by the Secretary for Finance.
Electronic Funds Transfer (EFT)	Any transfer of funds, other than one originated by cash, cheque or similar paper instrument, initiated through an electronic terminal, telephone or computer to order, instruct or authorise a Bank to debit or credit an account, as defined in the BPNG Directive on Electronic Fund Transfers 02/2019.
Onboarding	The process by which an Agency Bank Account is enabled for EFT and the Agency's authorised officers are registered, completed when the Department of Finance confirms the Agency's EFT go-live in writing.

Payment File	An electronically generated batch of individual payment instructions produced from the Approved Finance System for transmission to a Bank for settlement.

5. The direction (mandatory requirements)

5.1 Directions that apply from the commencement of this Instruction

Method of payment

1. An Agency must make every payment to which this Instruction applies by electronic funds transfer, from an Agency Bank Account, through a channel approved under FMM 03.21.
2. This applies to every Agency, whether or not the Agency processes its payments through IFMS.
3. An Agency must not make a payment by cheque, once onboarded, unless the Financial Controls Division, Department of Finance, has approved the issue of that cheque in writing.
4. An Agency must not make a payment in cash except from an approved petty cash or imprest advance, within the limit approved for that advance. Petty cash or imprest advances should be phased out and replaced with the Government of PNG Corporate Card.

Supplier or Payee master records

5. EFT must be effected as a method of payment on Payee (supplier, individual, vendor) master records.
6. No officer who takes part in processing a claim or a payment may also be able to create, amend, verify or activate a payee record.
7. A request to add or amend a payee's bank account details must never be actioned on the strength of the request alone. Before the change is entered, the verifying officer must contact the payee on a telephone number or other manner already held on the payee master record or otherwise independently confirmed including by the bank - and must record the date, time and outcome of that contact on file.
8. For National public bodies and statutory authorities on IFMS, control of the creation and amendment of payee master records will reside in the Financial Controls Division, Department of Finance; the Agency however remains accountable for the accuracy and completeness of the information and documentation it submits.
9. An EFT payment made to a business (by business name, trust, company or association), the agency must ensure the business is properly registered and compliant with government law, including tax obligations with the Internal Revenue Commission (with a TIN) and business registration obligations with the Investment Promotion Authority, holding an active registration.

Authorisation of EFT payments of K100,000.00 or more for National Departments

10. A payment of K100,000.00 or more requires, in addition to the authorisation given by the Agency's Section 33 Officer, a further approval under Section 33 of the PFMA by the Secretary for Finance or the Secretary's delegate, given before the Payment File is generated and submitted. The process is automated in the IFMS. The Cash Management Branch, Department of Finance, administers the process by which that approval is sought.
11. An Agency must not divide a payment, or arrange a payment run, for the purpose of avoiding the threshold of K100,000. The Secretary for Finance may vary, withdraw or exempt a class of payment from that threshold, by Finance Instruction.

Internal Controls, Confidentiality and Security

12. Every EFT payment batch must be balanced and reconciled against the approved finance system and relevant bank statement no later than the next business day following transmission.
13. An Agency must maintain a documented business continuity procedure, endorsed by its Audit and Risk Committee, for the processing of urgent payments during an EFT outage.
14. An Agency must:
    a. amend their internal controls to accommodate EFT.
    b. revise their bank reconciliation procedures to support EFT payment reconciliations.

c. update their Fraud Control policy to mitigate the risk of EFT, particularly, control of the supplier master record.

d. ensure procedures and processes to undertake regular vendor reconciliations and checks on compliance with IRC and IPA registrations are updated.

Exemptions

15. EFT payment made by an alternative approved method (including manual cheque, with the prior approval of the Department of Finance), in the following circumstances is approved:

- Where the political, financial, banking or telecommunications infrastructure in the relevant location does not support electronic payment;
- During a declared military operation, national emergency or disaster;
- Where the Agency does not expect to make multiple payments to the same Supplier within a one-year period, and the Supplier does not have access to banking infrastructure; or
- Where the Agency's need for goods, works or services is of such unusual or compelling urgency that EFT payment is not practicable in the time available.

16. Any exemption under this Part must be sought from, and approved in writing by, the Department of Finance prior to payment being made, and the reasons for the exemption must be documented and retained on the Agency's file.

5.2 Directions that take effect on a date

By 30 September 2026

17. A Departmental Head must provide the Department of Finance, Financial Controls Division, EFT Onboarding Team with:

a) the name, designation, role and payment threshold of every officer authorised to certify, approve, release or process a payment;

b) a document storage system authorisation form identifying the officers who will lodge payment supporting documentation, approved by the Agency's information technology function and by the Agency Head; and

c) a dedicated Agency group email address, registered with the Bank, to which electronic funds transfer alert notifications are to be sent, which includes at a minimum the Agency's Section 33 Officers and Payments Officers.

18. Every National Department must complete onboarding onto electronic funds transfer. Onboarding is complete when the Department of Finance has confirmed the Agency's go-live in writing/go-live EFT is executed.

19. Every officer with access to payee records or to payment approval functions must have completed the electronic funds transfer training delivered by the Department of Finance before the Agency goes live.

By 31 December 2026 for National Departments, and on the notified date for every other Agency

20. The Department of Finance will withdraw cheque facilities on Agency Bank Accounts. Cheque facilities on the bank accounts of National Departments will be withdrawn no later than 31 December 2026.

21. On withdrawal of a cheque facility, the Departmental Head or Agency Head must ensure that all unused cheque stock for the account is recorded for the audit trail, surrendered to the relevant Bank and cancelled, and that the Department of Finance is notified. The procedure is set out in the Finance Practice Statement (FPS) to be issued.

22. Until a cheque facility is withdrawn, an Agency must continue to comply with FMM 03.21, including the requirement for the Secretary's approval of a cheque of K100,000.00 or more drawn on the Waigani Public Account, the K1 million daily agency payment limit, and the daily provision of Cheque Usage Reports.

By the date notified, and in any event by 31 December 2027

23. Every Provincial Administration, Local-Level Government, Provincial Health Authority, District Development Authority, or any other sub-national public or statutory body must complete onboarding onto electronic funds transfer by the date notified to it by the Department of Finance by Circular Instruction, and in any event by 31 December 2027.

On completion of onboarding

24. An Agency must notify the Cash Management Branch, Department of Finance, of any payment platform or arrangement it operates outside the Approved Finance System and the approved payment channels, and if not approved by the Secretary Finance as an authorised payment channel, must close that arrangement by the date it completes onboarding.

5.3 Continuing directions

25. A Departmental Head must notify the Department of Finance of any change to the information provided to the information held by Cash Management Branch within five working days of the change taking effect. An officer must not certify, approve or release a payment unless the officer's name and delegation are recorded on the Agency's current list of authorised officers held by the Department of Finance, and the corresponding role is registered against that officer in the Approved Finance System.
26. An Agency must ensure that every officer with access to payee master records or to payment approval functions completes training on the requirements of this Instruction, including payment-diversion and payee-impersonation fraud, before being granted that access and at least annually afterwards.
27. A Departmental Head must report to the Department of Finance, within ten working days of discovery, any material breach of this Instruction, any suspected fraud affecting a payment, and any loss of public moneys arising from a payment.

6. Compliance and enforcement

28. An officer who certifies, approves, processes, releases or records a payment otherwise than in accordance with this Instruction may be surcharged under section 102 of the PFMA, is liable to disciplinary action under sections 106B and 106C, and is guilty of an offence under section 106A of the PFMA. Nothing in this instruction limits any liability the officer may have under section 78 or section 79 of the National Procurement Act 2018, under the Public Services (Management) Act 1995, or under any other law.
29. An Agency that has not completed onboarding by the relevant date in this Instruction will be unable to process payments once its cheque facility is withdrawn. The Department of Finance may refer continued non-compliance to the Chief Secretary.

7. Roles and responsibilities

Officer/body	Responsibility under this Instruction
Secretary for Finance	Issues this Instruction; gives the additional approval or can vary the approval for thresholds; approves the use of an electronic channel for internal transfers.
Departmental Head	Completes onboarding by the applicable date; responsible to ensure controls and processes are in place to provide and maintain the information required within the payment cycle; surrenders cheque stock; reports breaches to this Instruction.
Financial Controls Division, Department of Finance	Approves the issue of a manual cheque and exemptions; controls the creation and amendment of payee master records in IFMS for national public bodies and statutory authorities; provides policy oversight.
Cash Management Branch, Department of Finance	Administers the additional approval processes for National Departments for the threshold; maintains the register of EFT-

Officer/body	Responsibility under this Instruction
	enabled accounts and authorised officers; receives notifications and supports Agencies in processing EFT.
EFT On-boarding Team, Department of Finance	Confirms go-live dates, registers authorised officers in the Approved Finance System, and delivers EFT training.

8. Related instruments and references

Type	Reference & title
Financial Management Manual (FMM)	FMM 03.21 - Payment Processing (Volume 3). Carries the standing mandatory policy.
Circular Instruction	CI No. 07 of 2026 - Transition to Electronic Funds Transfer: onboarding requirements and timetable.
Related legislation and directives	Public Finances (Management) Act 1995; National Procurement Act 2018; National Payments System Act 2013; BPNG Directive on Electronic Fund Transfers 02/2019; Banks and Financial Institutions Act 2000; Digital Government Act 2022.
Superseded instruments	None.

9. Authorisation

MR. SAMUEL PENIAS
Secretary for Finance

Date: 19/08/2026

OFFICE OF THE SECRETARY
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DEPARTMENT OF FINANCE