

FMM 02.2 Minimum proficiency requirements for Heads of Finance and Internal Audit

2.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA) -
 - Section 5 Requires Departmental Heads to ensure proper financial management, including appointing qualified personnel to key financial roles.
 - Section 48F/G and Section 62 and 63 require public bodies and statutory bodies respectively to keep proper accounts and records, adequate control over systems, and the completion of financial statements and report, therefore requiring effective finance and internal audit functions.
 - Section 64E specifically references the Chief Financial Officer of a statutory body shall comply with the duties, obligations and responsibilities as directed by the Finance Departmental Head.

2.2 Relevant Standards and Supporting Documentation

- International Public Sector Accounting Standards (IPSAS)
- International Professional Practices Framework (IPPF) for Internal Auditors Standard 1210 Proficiency.
- Public Service General Orders to specify competency-based selection criteria for senior positions.

2.3 Mandated Policy

- 1. Department heads are required to ensure that the roles of head of finance and head of internal audit have the necessary minimum competencies in finance and internal audit to discharge their responsibilities.**
- 2. Departmental Heads are to ensure that candidates for the roles of Head of Finance and Head of Internal Audit (or the equivalent titles) meet the minimum competency and experience requirements aligned with the risk**

and control environment of the agency and appointed in line with applicable laws and policies.

2.4 Non-mandatory Guidance

2.4.1 Head of Internal Audit

The Head of Internal Audit (CAE or Chief Audit Executive is the terms used in audit standards) must be able to demonstrate knowledge of the PFMA, FMM, and IPPF/INTOSAI standards.

Agencies should aim to appoint a CAE who holds or is actively pursuing a relevant qualification (e.g. CPA PNG, CIA, or equivalent postgraduate audit certification).

If the CAE does not yet meet these standards, a development plan must be in place, and the Audit Committee and DoF should be informed.

The Head of Internal Audit leads independent assessments of internal controls, risk management, and governance processes, ensuring transparency and accountability. Their minimum responsibilities are:

- Provision of assessment and evaluation of the effectiveness and efficiency of agency financial and operation systems, reporting processes and activities
- Provision of assessment in risk management and identifying deficiencies in risk management
- Able to establish audit plans and carry out audits of internal controls and conduct testing on the reliability and integrity of financial and non-financial information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts.

They require a comprehensive understanding of the *Audit Act 1989* and IPPF standards and a proficiency in auditing methodologies, fraud detection, and internal controls. Ideally the head of audit, particularly for technical service agencies, has an understanding or experience in the service environment of the agency, understanding the business processes and outcomes.

A head of internal audit should also have a complete understanding of modern finance systems, understand electronic records management and using systems to conduct and control audits.

2.4.2 Head of Finance

The Head of Finance oversees the financial operations, ensuring compliance with financial regulations, effective budgeting, and safeguarding public funds. Their minimum responsibilities are:

- Financial resource management including the establishment, maintenance and review of financial internal controls
- Budget management
- Preparation of performance and financial statements
- Provision of advice of the PFMA and effectiveness of the systems and financial controls in meeting the agency requirements
- Provision of advice of the financial implications of, and financial risk to the delivery of agency services

They require a strong knowledge of PFMA and other relevant legislation and are experts in in financial reporting and audit compliance.

Agencies must appoint a head of finance who holds a relevant qualification (e.g. CPA PNG, CIA, or equivalent certification).

The head of finance must not only understand accounting basics, the IPSAS accounting standards and importantly the keeping of records and internal controls, they must also have a demonstrated understanding of using an electronic accounting system and completed period end processing.

Further Information	frcd@finance.gov.pg
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