

## **FMM 04.13 Preparing for External Audit and maintaining documentation**

### **13.1 Mandatory Policy**

- 1. The following requirements are mandatory for all public and statutory bodies subject to audit under the Public Finances (Management) Act 1995 (PFMA), Audit Act 1989, and Section 214 of the Constitution:**
  - Preparation and Retention of Substantive Documentation
    1. Entities must prepare and retain complete and accurate substantive documentation and working papers to support their annual financial statements (electronically or otherwise).
    2. Documentation must include:
      1. Bank reconciliations for all accounts
      2. General ledger and trial balance reports
      3. Fixed asset registers reconciled to the ledger including evidence of stocktake
      4. Debtors and creditors listings (aged analysis)
      5. Inventory valuations and listings – including evidence of a stocktake
      6. Payroll reconciliations, including tax deductions
      7. Lodgements of taxation, working papers of their lodgement including records of withholding taxes (including S65A withholdings)
      8. Loan, lease, and contingent liability schedules
      9. Supporting schedules for all notes to the financial statements
- 2. Substantive documentation must be retained in electronic format, where practical, to ensure accessibility and audit efficiency.**

3. **Documentation must be made available upon request to the Auditor-General or their authorised agents.**
4. **All financial statements and supporting records must be submitted within statutory deadlines in accordance with Section 63 of the PFMA.**
5. **Each public entity must appoint an Audit Liaison Officer responsible for coordinating with external auditors and providing access to all required documentation.**

### **13.2 Non-Mandatory Guidance**

It is good practice to maintain an electronic Audit File with all supporting documentation structured to mirror the layout of the financial statements and notes. Prior year audits of the entity provide all the information that is usually collected by the auditor including verification of bank balances through to copies of any trust instruments and gazetted delegations. Prior year audits can guide what is the necessary information.

It is not acceptable to provide the auditor with PDFs or hard copy versions of work papers which are available and stored in other accessible formats such as spreadsheets, or structured system exports with intact formulas and metadata. An auditor has to be able to quickly complete their tasks rather than seeking to manually verify balances and working papers.

All entities should be proactively engaging with the Auditor-General’s Office for audit planning or to clarify documentation expectations.

<b>Further Information</b>	frcd@finance.gov.pg
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