

FMM 05.3 Understanding Internal Audit Standards

3.1 Introduction

Internal audit in the public sector is not based on an accounting position or tradition—it follows professional standards that define how auditors should work, what quality looks like, and how independence is maintained.

There are two main international frameworks that guide internal audit relevant for PNG:

- The Global Institute of Internal Auditors (IIA) and its International Professional Practices Framework (IPPF); and
- The International Organisation of Supreme Audit Institutions (INTOSAI) and its public sector auditing standards.

These frameworks ensure our internal audit work is credible, consistent, and internationally recognised—regardless of the size, location, or resources of the agency.



FIGURE 2 INTERNATIONAL PROFESSIONALS PRACTICES FRAMEWORK REPRODUCED FROM INSTITUTE OF INTERNAL AUDITORS

3.2 Non-mandatory Guidance

3.2.1 Why Standards Are Important

- Standards help every internal audit unit follow the same process for planning, conducting, and reporting audits.
- When internal audit reports follow recognised professional standards, they are more likely to be trusted by management, audit committees, and oversight bodies.
- Standards define how internal auditors maintain objectivity and avoid conflicts of interest.
- Frameworks encourage internal audit units to monitor their own performance and improve over time.
- Following IIA and INTOSAI standards aligns PNG with good practice used by other countries and institutions.

3.2.2 The Institute of Internal Auditors (IIA) and the IPPF

The IIA is a global professional body for internal auditors. Its International Professional Practices Framework (IPPF) sets out the mandatory elements that every internal audit function should follow.

3.2.3 Core Components of the IPPF

Element	What It Means
Definition of Internal Auditing	Clarifies that internal audit is an <i>independent and objective assurance and advisory activity</i> designed to improve an organisation's operations.
Core Principles	Describe the qualities needed for effective internal audit (e.g. integrity, competence, quality, communication).
Code of Ethics	Requires auditors to act with integrity, objectivity, confidentiality, and competence.
Standards	These define how audits must be planned, conducted, reported, and followed up. Standards are grouped into: Attribute, Performance, and Implementation standards.
Interpretations	Provide additional explanations for applying each standard in practice.

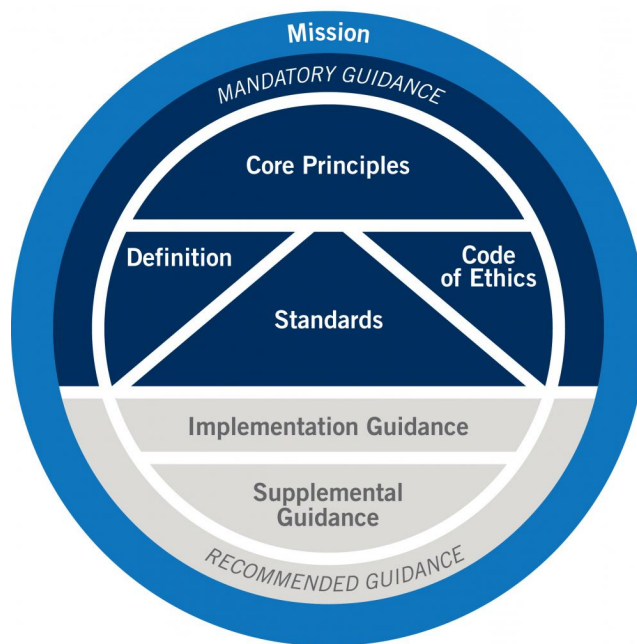


FIGURE 3 INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK REPRODUCED FROM THE INSTITUTE OF INTERNAL AUDITORS

3.2.4 IPPF Standards Most Relevant to Agencies

Standard No.	Name	Explanation
1000	Purpose, Authority, Responsibility	Requires an internal audit charter to be in place and approved by leadership.
1100	Independence and Objectivity	Internal audit must be free from interference in audit work or reporting.
2010	Planning	Internal audit must prepare a risk-based audit plan.
2310	Identifying Information	Auditors must obtain sufficient, reliable, and relevant evidence.
2400	Communicating Results	Audit reports must be clear, accurate, objective, and timely.
2600	Communicating Acceptance of Risk	If management accepts risk the auditor considers unacceptable, it must be escalated.

3.2.5 The Role of INTOSAI in Public Sector Internal Audit

The International Organisation of Supreme Audit Institutions (INTOSAI) provides guidance for public sector auditing across all countries. While its

primary focus is external audit, INTOSAI has also developed clear expectations for internal audit in public bodies.

3.2.6 Key INTOSAI Guidance Relevant to PNG

Document	Key Messages
INTOSAI GOV 9140	Emphasises the importance of internal audit independence, access to information, and clarity of mandate. Recommends internal audit have a written charter and report functionally to an audit committee or equivalent.
INTOSAI GOV 9100	Suggests how public sector internal auditors should work with external audit and management to ensure governance and risk management are effective.
ISSAI 100	Describes fundamental principles of public sector auditing, including integrity, objectivity, and professional competence.

3.3 Quick Checklist

1. Have you read and understood the IIA's core standards (IPPF)?
2. Does your agency's Internal Audit Charter reference IPPF and INTOSAI principles?
3. Are your audits planned, conducted, and reported using the IPPF structure (Standards 2010–2600)?
4. Do your internal audit reports highlight how your findings relate to control or risk weaknesses?
5. Has your audit committee been briefed on the importance of internal audit standards?
6. Are your internal Auditors members of the IIA PNG?

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