

## FMM 05.6 Proficiency, Independence and Objectivity of the Internal Audit

### 6.1 Introduction

The quality and credibility of an internal audit function depend not only on procedures, but on people and principles. For internal audit to function as a respected oversight mechanism, auditors must demonstrate high levels of professionalism, ethical and be technically proficient, and maintain clear independence and objectivity from management and other influence.

### 6.2 Mandated Policy

- 1. The Heads of Internal Audit, Internal Audit Committee members and other employees within the Internal Audit Unit are required to act in the public interest, not in favour of a particular person, minister, or department head.**

This is also means that in their conduct:

- Using language and behaviour that reflects honesty and respect.
  - Refusing gifts, favours, or hospitality that could compromise integrity.
  - Documenting and reporting audit results without bias.
  - Standing by your findings, even when pressured to soften or remove them.
- 2. All internal audit staff are expected to adhere to the IIA Global Code of Ethics Principles (provided as Appendix to this FMM). Breaches of ethical conduct can result in disciplinary action and may be referred to the Department of Finance or external professional/oversight bodies.**

The IIA provide a published guide on the implementation of the International Professional Practices Framework Global Code of Ethics

### **6.2.1 Proficiency and Capacity Building**

- 3. Internal auditors must have financial, operational, and public sector knowledge relevant to their audits and Heads of Internal Audit are expected to hold professional qualifications (e.g., CPA, CIA, or postgraduate audit training) (please refer to FMM 02.02).**
- 4. Where full qualifications are not to be attained/yet held, a professional training and development plan must be in place, supported by the departmental head.**
- 5. Internal auditors are required to undertake and develop proficiency over time and departmental heads are required to track and report on the training hours of their internal audit staff as part of annual performance monitoring.**

### **6.2.2 Independence and Objectivity**

- 6. Independence protects internal audit from undue influence by management or external parties. In PNG:**
  - The Head of Internal Audit must report functionally to the Audit Committee and administratively to the departmental head (PFMA Section 4, IPPF 1110).
  - The internal audit unit must be structurally separate from the functions/areas it audits—no auditor can audit their own work or supervise their own former team.
  - Internal audit must be free to:
    - Set its own work plan (based on risk);
    - Access all relevant documents and systems;
    - Report findings without fear or favour.
  - Internal auditors must declare any conflicts of interest before accepting an assignment.
  - Auditors must avoid auditing functions they previously managed, unless three years have passed.

- Personal relationships (e.g. family or close friends) with auditees must be disclosed.
- Every audit file should contain a signed conflict of interest declaration by the team.

### 6.3 Quick Checklist

1. The Head of Internal Audit reports functionally to the Audit Committee.
2. All internal auditors have completed a conflict of interest declaration.
3. Internal audit staff have participated in relevant training in the past 12 months.
4. Audit findings are issued without interference or changes from management.
5. The agency maintains a log of auditor qualifications and CPD hours.
6. Auditor must attain accounting or business studies qualification.

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