

FMM 05.11 Internal Audit Fieldwork and Testing

11.1 Introduction

Fieldwork is the phase where the internal audit team gathers audit evidence to evaluate the effectiveness of internal controls and confirm whether risks are appropriately managed. This is the practical application of the engagement plan. Quality fieldwork depends on clear objectives, a well-structured test program, and professional judgement.

Fieldwork is about verification — not opinion — and must remain neutral, focused, and evidence-based.

11.2 Mandated Policy

1. Internal auditors must:

- a. Conduct all audit testing according to a documented test program.
- b. Maintain working papers that meet professional documentation standards.
- c. Collect sufficient, relevant, and reliable evidence to support findings.
- d. Communicate major emerging issues to the Head of Internal Audit and management during the audit — not at the end.
- e. Audit units may not collect evidence beyond the authorised scope without formal re-approval.

11.2.1 Planning Fieldwork

2. Before starting, auditors must:

- a. Finalise the test program based on risk and scope.
- b. Confirm logistics (access to systems, premises, personnel).
- c. Meet with the client for a formal opening interview.

d. Set expectations on communication, draft reviews and reporting.**3. Evidence must be gathered on a risk and materiality basis — exhaustive testing of all transactions is neither expected nor efficient.****11.3 Non-mandatory Guidance****11.3.1 Gathering Audit Evidence**

Audit evidence is information collected and used to support audit findings. The conclusions and recommendations in the audit report stand or fall based on such evidence. There are many types of evidence:

Type	Description
Documentary	Memos, policies, financial records, contracts, logs
Oral	Interviews, meetings, verbal confirmations (must be corroborated)
Physical	Observation of assets or activities (e.g. site visits)
Analytical	Trend analysis, reconciliations, ratios, variance analysis

11.3.1.1 Test of Quality - Sufficiency, competence and relevance of evidence

Sufficiency: Is there enough?

Competence: Is it valid and reliable?

Relevance: Does it relate directly to the audit objective?

Evidence is sufficient when there is enough relevant and reliable evidence to persuade a reasonable person that internal audit finding, conclusions and recommendations are warranted and supported.

In determining whether documentary evidence is sufficient, the auditor must take account of the status of the document. For example, auditors within the Department of Finance may gather draft internal memos, which have little status, whereas advice from the Department of Finance to its Minister is considered stronger evidence of an agencies intentions and decisions.

The factors that dictate the strength of evidence required to support an observation in internal auditing include:

- Level of materiality or significance of the observation
- Degree of risk associated with coming to an incorrect conclusion
- Experience gained in previous audit examinations on the degree of operational area's records and representations
- Known operational area sensitivity to an issue
- Cost of obtaining the evidence relative to the benefits in terms of supporting the observation

Evidence is competent (valid or reliable) if it actually represents what it purports to represent. The reliability of evidence can be assessed by considering the following matters:

- Corroboration of evidence is a powerful technique for increasing reliability. The auditor looks for evidence from different sources and of different types to support each other.
- Evidence sources from outside the Department (or operational area) is normally viewed as more reliable for audit purposes than information generated within the Department (or operational area).
- Documentary evidence is usually considered to be more reliable than oral evidence.
- Evidence generated through direct audit observation is more reliable than indirectly obtained evidence.
- Oral evidence that is corroborated in writing is more reliable than oral evidence alone,

Relevance requires that the evidence bear a clear and logical relationship to the audit objectives and to the criteria. One approach to planning for data collection is to list, for each issue and criterion, the nature and location of evidence that is needed, as well as the audit procedure that is to be implemented.

11.3.2 Conducting Audit Tests

Audit procedures must align with the test program. Common procedures include:

- Document review and walkthroughs
- Compliance testing of control steps
- Re-performance of calculations
- Observation of procedures
- Interviews with staff and clients

All tests must be documented in working papers with clear cross-references to the audit program.

11.3.3 Working Papers

Working papers are the backbone of audit credibility, and:

- Provide audit trail and support conclusions
- Enable quality review and replication
- Document decisions, findings, and test results

Auditors must adequately document the audit, including the basis and extent of planning, audit methods and procedures, research design, the work performed and the audit results and findings.

Working papers serve as the connecting link between field work and the audit report and they should contain the evidence accumulated in support of the opinions, conclusions and recommendations included in the report.

The prime need is to demonstrate the quality of evidence and opinions, conclusions and analysis supporting recommendations, in the interests of presenting a credible report for consideration by management and the audit committee.

11.3.3.1 Characteristics of good working papers

There are several broad characteristics which all working papers should exhibit.

- Completeness and accuracy

Working papers should be complete and accurate. They should provide proper support to the findings, conclusions and recommendations, and demonstrate the nature and scope of the examination performed.

- Clarity and conciseness

Working papers should be clear and concise. Without supplementary oral explanations, anyone using the working papers should be able to understand their purpose, the nature and scope of the work done, and the conclusions reached. A summary, Indexed and cross referenced to the documents, or photocopies of key pages, are all that is necessary in the working papers

- Ease of preparation

Working papers should be easy to prepare. This may be achieved by using wherever possible Department's produced schedules, pre-printed audit stationary, and automatically generated working paper formats, or standard formats.

- Legibility and neatness

Working papers should be neat and legible. If they are not, their use in report preparation will be restricted and they may lose their value as audit evidence.

- Relevance

The information contained in working papers should be restricted to matters which are materially important, and useful with reference to the objectives the audit assignment.

- Organisation

Working papers should be organised and exhibit a consistent structure. This is facilitated by a logical and easy-to-follow index. The filing and indexing of working papers as they are prepared promote an efficient cross-referencing system which can help avoid the continual restatement of information.

It is important to reference the documents obtained during filed work to their sources and record those details in a document register. An efficient indexing system will assist when writing summaries and reports.

The filing system should be electronic and should allow the reader to proceed from summary to supporting details. All supporting documentation should be cross-referenced to related working papers, where necessary, and also to the test program. This provides for easy access to all information concerning the audit.

To aid understanding and avoid confusion in filing, working papers should be restricted where practicable to one subject per worksheet. Where this is not feasible, for example a wide ranging report, consider placing cross-references to the report in appropriate sections of the working papers.

- Ease of review

Reviewers are presented with a less onerous task if working papers exhibit the characteristics discussed in the points above.

When preparing working papers, their end users should be kept in mind. These include forming the basis for audit findings and recommendations, and facilitating prompt answers to questions pose by management and the audit committee.

- Role of the registry file

A registry files should be created for each audit. The purpose of this file is to provide a chronological summary of the audit and to show key milestones. It is recognised that contents of this file will vary depending on the type of audit. Keeping this in mind, the registry file could include:

- internal correspondence relating to the management of the audit
- correspondence with the operational area relating to the audit
- correspondence to and key groups connected with the audit topic
- key meeting details and outcomes
- major audit development
- a copy of the proposed report and subsequent correspondence
- a final copy of the audit report, and

- a copy of the master index to provide an outline of the content of the working papers.

This list is by no means exhaustive; it is to be used as a guide for the content of the folder.

11.3.3.2 Structure of working papers

A good working paper structure will facilitate the production of a set of working papers which 'stand-alone' and fully support the audit report, generate consistency and enhance efficiency of review.

The form and content of working papers can be expected to be affected by such matters as:

- the nature, complexity and geographical dispersion of the activity under review
- the nature and condition of the agency records
- the degree of need for direction, supervision and review of audit staff of each particular audit team.

There are at least three sections required in the working papers. Although the order is not prescriptive, the sections are considered to be a minimum requirement of the working papers. They are:

Planning

- audit engagement plan
- test program
- task management
- audit objectives
- audit-criteria

Execution

- background information
- legislation
- Finance Instructions

- General Orders
- previous audit coverage
- test program
- sample selection
- testing and analysis section
- audit conclusions
- minutes of meetings and discussions.

Reporting

- presentations to management
- issues papers
- responses to issues papers
- response to proposed reports
- audit report drafts
- final audit report
- follow-up

The structure of the working papers evolves as the audit progresses; the final details of the structure will be determined by the key issues emerging from the audit.

11.3.4 Communication During Fieldwork

Auditors must follow a “no surprises” approach. This includes:

- Weekly updates to the audit sponsor
- Mid-point review to confirm direction
- Immediate escalation of serious or sensitive findings to Head of Internal Audit
- Maintaining professional and cooperative conduct

Use short “issue briefs” for emerging high-risk observations, especially in long audits.

11.3.5 Ending Fieldwork

Once testing is complete:

- Hold a closing meeting with management to preview findings.
- Allow discussion on factual accuracy, context and implementation feasibility.
- Record management views and clarifications.

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Version	1.0
Date Issued	30 June 2025