

FMM 05.14 Monitoring and Follow up

14.1 Introduction

Internal audit is not finished when a report is issued. In many ways, it has only just begun.

The purpose of an audit is not to identify gaps alone, but to see those gaps closed. The monitoring and follow-up process is the bridge between audit findings and improved systems. Without structured follow-up, even the best recommendations are at risk of being ignored, misapplied, or only partially implemented.

14.2 Mandated Policy

- 6. The Department of Finance, under Section 4 of the PFMA, requires all agencies to establish and maintain a functioning system of audit follow-up. Each internal audit unit must:**
 - a. Maintain a live, regularly updated register of all audit recommendations.**
 - b. Track the status, due dates, risk levels and responsible officers.**
 - c. Conduct verification activities for all closed recommendations.**
 - d. Provide progress updates to the Audit Committee and Head of Agency.**
 - e. Escalate non-implementation of high-risk items to the Audit Committee.**
- 7. Management remains accountable for implementation, but internal audit is responsible for independent tracking and reporting.**
- 8. Internal audit does not enforce implementation, but it does verify and report – refer to the Standard Operating Procedures provided as an Appendix to this FMM Manual**
- 9. Agencies must aim to implement all recommendations within the timeframe agreed in the final report. Where extensions are required, the**

responsible officer must submit a justification to internal audit and request a revised deadline.

14.2.1 Tracking and Documentation

10. All audit units must maintain a Recommendation Register or digital tracking system that is tabled with the Audit Committee quarterly that records:

- Unique ID or reference for each recommendation
- Audit name and issue date
- Description of the recommendation
- Responsible officer or unit
- Target implementation date
- Status (e.g. Not started, In progress, Implemented, Overdue)
- Evidence of completion
- Internal Audit’s verification outcome
- Escalation history (if applicable)


DEPARTMENT OF FINANCE

INTERNAL AUDIT & COMPLIANCE DIVISION AUDIT RISK MATRIX

CONSOLIDATED AUDIT RECOMMENDATION FINANCIAL REPORT FROM 2019 - 2024

KEY: NANCE AUDIT RISK MATR

1-2	Negligible Risk
3-9	Low Risk
10-19	Moderate Risk
20-39	High Risk
40-80	Extreme Risk



YEAR	REPORT #	COMPLETION DATE	AUDIT TITLE	#	AUDIT ACTIVITY	#	RECOMMENDATIONS	RISK RATING	DIVISION/OFFICE RESPONSIBLE	PROGRESS		
										YES	NO	Status
2019	03 of 2018	Dec-19	Performance Review on Public Expenditure and Financial Accountability (PEFA)	1	IFMS Rollout	i	With IFMS officers providing intensive concentration on the subsequent issues arising from the application, hands on practice training should be conducted for designated officers to comprehensively acquire the skills so that smooth operations are maintained	Moderate Risk	Manager PMIP			
				2	Review of PFMA	i	Responsible divisions should ensure sufficient supplies in hard and soft copies are provided for the abreast and familiarity to changes in the amendments	Moderate Risk	PEFA Secretariat			
				3	Rollout of Cashless Receipting	i	Identify all revenue collecting departments and agencies and negotiate CAS installations to both collecting due revenues for the government and keep designated officers from being alleged of losses incurred.	High Risk	FAS - NTRD			
				4	Train & Capacity Building in Provinces & Districts	i	Provincial Support Advisors (PCaB) must be more familiarised with the training areas so that while in the provinces they provide the necessary support required of them so as to utilise their skills which is more convenient for officers on the ground.	Moderate Risk	PCaB, FMTB & CSD			
				5	Internal Audit Committee Establishment in various Agencies	i	Enforce Audit Committee establishment in government agencies to monitor prudent financial management.	High Risk	FAS - IACD			
			ii			Conduct awareness on underlying factors of Audit Committee to encourage establishment of AC.	High Risk	FAS - IACD				
			iii			Divisional and Provincial Heads must be directed to establish Audit Committee	High Risk	FAS - IACD				
			iv			Increase manpower and budget so that responsible division can pursue the initiative to have as many Audit Committees as possible.	Moderate Risk	FAS - IACD				

11. Audit recommendations are not considered “implemented” until internal audit has:

- Reviewed documentary or physical evidence of implementation (e.g. policy updates, system reports, training logs);
- Assessed whether the action addresses the root cause;

- Conducted follow-up tests or interviews as appropriate;
- Confirmed that risks have been reduced to an acceptable level.
- For lower-risk actions, management attestation may be accepted. For medium or high-risk findings, independent verification is mandatory.

12. Repeated failure to act is to be reported to the Department of Finance for oversight intervention or referral to the Auditor-General.

14.3 Non-mandatory Guidance

14.3.1 Risk-Based Prioritisation of Follow-Up

Not all findings require the same level of follow-up effort. Internal audit should focus its resources on:

- High-risk findings, particularly those involving financial loss, non-compliance or systemic control failure.
- Recommendations that have passed their due date without implementation.
- Repeat issues from prior audits that suggest cultural or systemic weaknesses.
- Recommendations with significant operational or reputational consequences if not addressed.
- Lower-risk items may be reviewed less frequently but must still be tracked.

14.3.2 Reporting to the Audit Committee

The internal audit unit must prepare a quarterly follow-up report to the Audit Committee, including:

- Total number of open, closed and overdue recommendations;
- Implementation rates by department or risk category;
- Major delays or refusals to implement;
- Escalation actions taken and any concerns raised by management;
- Trends or repeat issues requiring deeper review.

Reports should be visual, using dashboards or traffic-light coding to clearly show implementation progress and risk.

14.3.3 Recommendations Unimplemented

Where recommendations remain unimplemented:

- Internal audit should issue a formal reminder to the responsible officer and escalate to senior management if necessary.
- The Head of Internal Audit must bring unresolved high-risk issues to the attention of the Audit Committee.
- The Audit Committee may refer matters to the Finance departmental head for executive direction.

Internal audit must remain independent throughout. It does not advocate or enforce—it informs and escalates.

14.3.4 Learning from Follow-Up

Follow-up isn't just a compliance task — it is also an opportunity for learning.

Internal audit units should analyse:

- Which types of recommendations are implemented most effectively?
- What delays implementation — resourcing, clarity, resistance?
- Are repeat findings appearing in multiple audits or years?
- Can the format or timing of recommendations be improved?

This feedback should be built into future audit planning, risk assessments, and internal audit training programs.

Audit follow-up is the final test of whether internal audit is working. Strong findings, well-written reports and effective engagement are all important—but if nothing changes, risk remains.

Every internal audit unit must build monitoring into its core processes, apply a structured and consistent approach, and work closely with the Audit Committee to ensure recommendations are acted upon.

Further Information	iacd@finance.gov.pg
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