

Appendix A Internal Audit Charter Template

1. Introduction

This Internal Audit Unit (IAU) Charter establishes the purpose, authority, and responsibilities of the internal audit function within [Agency Name]. It is issued in accordance with the Public Finances (Management) Act 1995 (PFMA), the Finance Management Manual (Volume 5), and the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

2. Purpose

The IAU provides independent, objective assurance and advisory services designed to add value and improve the operations of [Agency Name]. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

3. Authority

The IAU is authorised to:

- Have full, free, and unrestricted access to all records, property, personnel, and systems of the agency, as necessary to carry out its responsibilities.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of agency personnel and access the services of specialists, as needed.

The IAU is not authorised to:

- Perform any operational duties for the agency.
- Initiate or approve transactions external to the IAU.
- Direct the activities of any employee outside of the IAU, except to the extent such employees have been appropriately assigned to audit teams.

4. Independence and Objectivity

The IAU will remain free from interference in determining the scope of internal auditing, performing work, and communicating results. The Head of Internal Audit will report functionally to the Audit Committee and administratively to the departmental head.

All internal auditors will maintain objectivity, avoid conflicts of interest, and not undertake any operational roles within the areas they audit. Where an advisory role has been provided, the IAU will not audit that area for a minimum of 12 months.

5. Scope of Work

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the agency's governance, risk management, and internal control processes in relation to the following objectives:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programs
- Safeguarding of assets
- Compliance with laws, regulations, and policies

6. Responsibilities

The IAU is responsible for:

- Developing a risk-based annual audit plan
- Conducting internal audit engagements in line with approved plans
- Reporting significant risk exposures and control issues
- Monitoring the implementation of audit recommendations
- Maintaining a quality assurance and improvement program
- Coordinating with external auditors and regulators, as required

7. Standards of Audit Practice

Internal audit activities will conform to:

- The IIA's International Standards for the Professional Practice of Internal Auditing
- INTOSAI standards (where applicable)

- The Code of Ethics of the IIA
- The Government of PNG's Finance Management Manual (Volume 5)

8. Quality Assurance and Improvement

The Head of Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. This includes:

- Ongoing supervision and periodic internal assessments
- External assessments at least once every five years (or as directed by the Department of Finance)

9. Review and Approval

This Charter will be reviewed every three years or upon significant changes to the IAU's mandate or structure. Updates will be approved by the Audit Committee and endorsed by the Secretary.

Approved by:

Head of Internal Audit Name: _____

Signature: _____

Date: _____

Chair, Audit Committee Name: _____

Signature: _____

Date: _____

Secretary / Head of Agency Name: _____

Signature: _____

Date: _____