

OFFICE OF THE PUBLIC AUDITOR

Republic of Palau



2016 Annual Report

P. O. Box 850, Koror, PW 96940
Orakiruu Professional Building, Madalaii, Koror, Palau
Tel: 488 2889/5687 Fax: 488 2194
E-mail: admin@palauopa.org
Website: www.palauopa.org

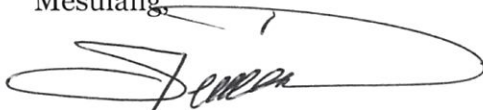
Message from the Public Auditor

As Public Auditor for the Republic of Palau, I am pleased to submit this Annual Report and to highlight the Office of the Public Auditor's activities for the calendar period of January 1, 2016 through December 31, 2016. Our work involved audits in high priority programs of the National Government, State Governments, and Single Audits of the National Government and Component Units, all centering on the theme of effective management of public funds. Our mandate and our goals are to institute fiscal responsibility, accountability and transparency and to promote excellence, integrity and sound financial practices in the operation of governmental, semi-governmental and nonprofit organizations that receive public funds.

We report herein the Single Audits of the Republic of Palau and its Component Units, the completed, ongoing and scheduled audits of all State Governments, including the ongoing effort to implement State Government financial audits, and other performance audits conducted in the reporting period. We also report on technical assistances received in support of OPA's capacity building programs, and the Peer Review conducted to ensure the quality of the Office of the Public Auditor's (OPA) work. Finally, the Office of the Public Auditor reports on its budget and its plans to hire more staff (auditors) to accomplish its mandate.

I want to express my appreciation to the OPA staff for their dedication and professionalism, to the management of the agencies we audit for their cooperation, to our stakeholders for their commitments to the mission of the OPA and, most importantly, to the Office of the President and the Olbiil Era Kelulau for their continued support and commitments to good governance.

Mesulang,



Satrunjino Tewid
Public Auditor
Republic of Palau

I. About the Office of the Public Auditor

The Office of the Public Auditor (OPA) is an independent agency of the Government of the Republic of Palau (ROP). It is established under Article XII, Section 2 of the Constitution of the Republic of Palau and the Public Auditing Act of 1985. The OPA is headed by the Public Auditor, who is appointed for a six-year term by the President of the Republic with the advice and consent of the Palau National Congress, the Olbiil Era Kelulau (OEK). Article XII, Section 2(b) of the Constitution mandates that the Public Auditor inspects and audit accounts of every branch, department, agency, and authority of the national government, and of all other public legal entities or nonprofit organizations that receive public funds from the National Government.

II. Our Values and Our Mission

The OPA operates as an independent oversight agency responsible to the people and government of the Republic of Palau. Our mission is to promote excellence, integrity and accountability within the programs, operations and management of governmental, semi-governmental and nonprofit organizations that receive public funds. Our goal is to institutionalize economy, efficiency, accountability and transparency in the operations, programs and activities of public institutions.

We abide by the highest ethical standards and have the resolve to tell our stakeholders what they need to know, not what they may wish to hear. Our core values help us fulfill our mission and include:

- placing the highest value on objectivity and independence to ensure integrity in all we do;
- conducting our work with professionalism and dedication;
- striving for continuous improvement; and
- encouraging and supporting the development of the skills and expertise of all who work in the OPA.

We strive to fulfill this mission by making tools available to management that they can use to improve operations. This is accomplished by conducting audits in an objective, impartial and unbiased manner and providing management with findings and recommendations for improvement. We plan and perform our audits in accordance with U.S. Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions.

The OPA is expressly charged by law to prevent fraud, waste and abuse in the collection and expenditure of public funds. Accordingly, we make recommendations in our audit reports on how to improve and strengthen internal controls and on ways that agencies can manage their funds more effective, more accountable, and in compliance with applicable laws, rules and regulations. We follow up in subsequent audits to make sure that our recommendations are being implemented.

When our audits disclose suspected cases of fraud, violations of law or other irregularities, we report these to the Attorney General or the Special Prosecutor for further investigation and possible prosecution. The successful prosecution of financial crimes against the Republic is essential to the deterrence of such misconduct in the future.

III. Audits, Inspections and Supports

The OPA is responsible for coordinating, overseeing and conducting audits of State Governments, and the ROP and its departments, agencies and programs. Most commonly, these audits are performance audits, distinct from financial statement audits, the objective of which is to express an opinion on the fairness of the financial statements. Whereas financial audits are focused on determining the accuracy of financial statements, performance audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.

III.A. Single Audits

The United States Federal Financial Assistance programs, the Compact of Free Association between the ROP and the United States, and the U.S. Single Audit Act require the ROP and its Component Units to undergo annual Single Audits.

Funding and Oversight Responsibilities:

- The OPA applies for, secures and administers a Single Audit grant from the Office of Insular Affairs, U.S. Department of the Interior (USDOI), to fund annual Single Audits of the ROP National Government and eleven (11) Component Units
- Coordinates and mediates audit issues to ensure the audits are completed and finalized by June 30, each year.
- Works with independent auditors' to understand internal control issues identified in audit reports in order to properly perform timely follow-up actions with respective offices in their execution and implementation of corrective actions and recommendations.
- At the end of December 2016, the OPA has commenced coordination efforts with the Minister of Finance to assist in the timely execution of corrective actions and recommendations as listed in the Republic's Single Audit report. As of the date of this report, these efforts are still on-going.

III.A.1. Single Audit for Fiscal Year 2015

The OPA secured and administered \$562,500 in grant funds from OIA, USDOI, to fund Single Audits for fiscal year 2015 of the National Government and Component Units.

III.A.1.a. Audits Conducted and Issued by Independent Accounting Firms

Scheduled below are Single Audits for the fiscal year ended September 30, 2015 conducted by independent accounting firms with oversight by the OPA: The cost of audit for the ROP and each component unit is reimbursed through the grant.

<u>Entity</u>	<u>Firm</u>	<u>Audit Cost</u>
Republic of Palau National Government	Deloitte	\$292,000
Palau Public Utilities Corporation	Deloitte	\$42,000
Palau National Communications Corporation (Calendar Year 2015)	Magliari	25,000
Palau Visitors Authority	Deloitte	\$15,000
Palau District Housing Authority	Magliari	\$9,000
National Development Bank of Palau	Magliari	\$18,000
Civil Service Pension Trust Fund	Deloitte	\$25,000

Civil Service Pension Trust Fund – Unfunded Liability Distribution ¹	Deloitte	\$15,000
Social Security Administration	Deloitte	\$21,000
Palau International Coral Reef Center	Deloitte	\$11,000
Protected Area Network Fund	Deloitte	\$7,500
Palau Community Action Agency	Deloitte	\$18,000
Palau Community College	Magliari	\$21,500

Summary of Independent Auditors' Findings and Questioned Costs:²

Republic of Palau National Government: Three (3) Financial Statement findings; Seventeen (17) Federal Award findings; Questioned Costs of \$354,018; Significant deficiencies and Material Weaknesses noted over Internal Control over Financial Reporting and Major Federal Programs.

Palau National Communications Corporation: Two (2) findings on Internal Control over Financial Reporting reported as significant deficiencies and/or material weaknesses.

Civil Service Pension Trust Fund: One (1) finding related to actuarial deficiency and lack of formal plan to correct unfunded liability.

Palau Community Action Agency: Two (2) findings on Internal Control over Financial Reporting reported as material weaknesses; One (1) finding on Internal Control over major federal programs reported as material weakness.

The following Component Units of the Republic did not have any findings on Internal Control over Financial Reporting or Non-Compliance with matters under *Government Auditing Standards* for the fiscal years ended September 30, 2015:

- Palau Public Utilities Corporation
- Palau Visitors Authority
- Palau District Housing Authority
- National Development Bank of Palau
- Civil Service Pension Trust Fund – Pension Schedules
- Social Security Administration
- Palau International Coral Reef Center
- Protected Area Network Fund
- Palau Community College

¹ A new accounting pronouncement, GASB 68 *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014, revised and established new financial reporting requirements for governments that provide their employees with pension benefits. This requirement inevitably warranted additional time by the Civil Service Pension Plan actuary and auditor to perform additional and extended audit procedures to verify and calculate the allocation of the Plan accumulated unfunded liability to participating employers. Consequently, implementation of GASB 68 resulted in a restatement of the Republic's previously reported net position and impacted the timely issuance of the ROP's FY 2015 Single audit report and Component units, resulting in audit reports issued on July 15, 2016 and June 30, 2016 for the Republic and Component Units, respectively.

² Refer to the OPA Website <http://palauopa.org/opa-audits.html> for a complete listing of Single Audits and OPA reports.

III.A.2. Single Audit for Fiscal Year 2016

The OPA secured and administering \$550,120 in grant funds from OIA, USDOJ, to fund Single Audits for fiscal year 2016 of the National Government and Component Units listed above.

As of this report date, Single Audits for fiscal year 2016 of the National Government and Component Units are actively ongoing and scheduled to be finalized and issued by June 30, 2017.

III.B. Audits Conducted by the Office of the Public Auditor ²

III.B.1. OPA Audits conducted in calendar year 2016

Scheduled below are Audits conducted by the Office of the Public Auditor in calendar year:

Entity	Type of Audit	Period	Report Issue Date
Ngiwal State Government	Performance	6/1/06 – 9/30/13	1/06/16
Kayangel State Government	Performance	10/1/06 – 9/30/12	3/14/16
Hatohobei State Government	Performance	10/1/07 – 9/30/13	3/23/16
Japan’s Grant Assistance for Grass-Roots Human Security Project for “The Project for Facilitating Water Catchment System to Schools in Palau”	Performance, By Request	10/30/14 – 10/29/15	4/5/16
Ministry of Justice–Exercise Tempest Wind	Performance, By Request	4/1/15 – 10/31/15	4/21/16
Angaur State Government	Performance	10/1/10 – 9/30/13	10/4/16
Sonsorol State Government	Performance	10/1/09 – 9/30/13	11/2/16
World Bank Technical Assistance Project on Telecommunications and Information Communications Technology	Agreed-Upon Procedures, By Request	9/30/13-9/30/16	12/22/16
Japan’s Grant Assistance for Grass-Roots Human Security Project (GGP) for “The Provision of Educational Equipment”	Performance, By Request	3/28/11 – 3/27/12	1/9/17
Japan’s GGP for “The School Bus Procurement for Ngaraard Elementary School”	Performance, By Request	9/3/15-9/2/16	1/31/17
EQPB’s Strategic Approach to International Chemicals Management (SAICM): UNEP Grant	Agreed-Upon Procedures, By Request	10/8/08-11/20/11	2/24/17
Audit of Import and Excise Taxes on Tobacco Products	Performance, By Request	10/1/11 – 1/30/16	3/8/17

III.B.2. Ongoing OPA Audits at the end of 2016

Entity	Type of Audit	Period	Status
Japan’s GGP for “Construction of Ebiil Training Center”	Performance, By Request	2/16/16-2/15/17	Draft Report Issued

Japan's GGP for "Procurement of Angaur Fire Truck"	Performance, By Request	2/18/16-2/17/17	Under Review
Belau National Museum	Performance, By Request	10/1/12 - 9/30/14	Under Review
Ngardmau State Government	Performance	10/1/10 - 9/30/13	Under Review
Ngaraard State Government	Performance	10/1/08 - 9/30/13	Under Review
Ngarchelong State Government	Performance	10/1/06 - 9/30/13	Under Review
Aimeliik State Government	Performance	10/1/07 - 9/30/13	Fieldwork/ Testing
Ngchesar State Government	Performance	10/1/10 - 9/30/13	Fieldwork/ Testing
Ngeremlengui State Government	Performance	10/1/07 - 9/30/13	Fieldwork/ Testing
Kayangel State Government	Performance	10/1/12 - 9/30/13	To be assigned
Peleliu State Government	Performance	10/1/12 - 9/30/13	To be assigned

Financial Audit: The primary purpose of a financial statement audit is to provide an opinion about whether an entity's financial statements are presented fairly in conformity with applicable financial reporting framework.

Performance Audit: performance audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.

Agreed-Upon Procedures: Performing specific procedures on a subject matter and issuing a report of findings based on the agreed-upon procedures requested by the requestor

² Refer to the OPA Website <http://palauopa.org/opa-audits.html> for a complete listing of Single Audits and OPA reports.

III.C. Financial Audits of State Governments

ROP Public Law No. 9-9, passed by the OEK in August 2013, requires the OPA to conduct annual financial audits of Palau's State Governments, beginning with fiscal years ending 2014. Further, the public law requires the Public Auditor to establish clear and concise rules to guide the states in establishing measures of accountability. Accordingly, during the year 2016, the OPA completed the final draft of the proposed rules and regulations that would set uniform standard of accountability for state governments in the Republic.

Presently, these rules and regulations for State financial audits are undergoing review by the Minister of Finance and the Governors for their input and comments before finalization. The OPA plans to meet with the Governors this April to obtain their feedback and finalize the regulations thereafter. Upon finalization, these regulations will set the guidelines for the disbursement of State block grants by National Treasury, expenditure of block grants, reporting and financial audits.

The OPA recognized that the State governments needed appropriate training on the QuickBooks Accounting system in order for the State Governments to be able to produce financial statements to be audited. The OPA further recognized that they needed time to familiarize themselves with the applicable rules and regulations so that they understand the affects of noncompliance. This is a critical prerequisite that must be in place before the OPA can deploy the resources and manpower to commence financial audits. Thus, OPA provided support and training to the State governments during

the year 2015-2016, as described below, while maintaining its independence by ensuring that all management decisions were initiated and approved by management.

III.C.1. Support to State Governments

As previously mentioned, RPPL 9-9, passed by the OEK in August 2013, requires the OPA to conduct annual financial audits of the Republic's State Governments. To determine the feasibility of this mandate, the OPA visited each State Government to conduct an assessment of the accounting systems of the State Governments and determined that the systems needed to be upgraded and the State Finance Officers trained before commencing the financial audits. For this reason, the OPA met with the State Governors who collectively agreed to a training program on QuickBooks for State Finance Officers in April 2015. Twelve (12) of the State Governments were already using QuickBooks accounting system to record their financial activities; however, these States use only the income statement module but not the balance sheet and other pertinent modules and therefore are unable to produce trial balances to audit. The April 2015 training program extended into 2016 with extensive and in-depth one-on-one (OPA and each state) training that gave an opportunity for State Finance Officers to learn and apply the use of the QuickBooks accounting system to record transactions and produce financial statements.

Because of the limited staffing availability, OPA plans to schedule projects that would allow the commencement of the financial audits while simultaneously continuing the work to complete the State performance audits. This would require a separate group of staff to conduct performance audits and financial audits, respectively. The OPA anticipates commencing the first State financial audit in May 2017.

Presently, the OPA is conducting follow-up visits with each State government, which started in January 2017, to determine audit readiness and to coordinate the timing for the commencement of financial audits. The scope of the first financial audit will cover fiscal years 2014 and 1015, with fiscal years 2016 and 2017 to follow.

III.D. Audits of Other Country and Development Partners' Financial Assistance

Recently, the OPA has been seeing a surge in requests by government entities and non-profit organizations to audit other country and development partner grants provided to these entities. Examples of other country/development partner grants include Japan's Grass-Roots development, Asian Development Bank, World Bank and United Nations. Most of these requests have come from entities that received Japan's Grass-Roots development grant, which require the grant and project to be audited. In fiscal year 2016, the OPA also undertook audits of Asian Development Bank Grants, World Bank Grants, and United Nations development grants. The OPA decided to undertake these audits as audits were a requirement of the grant and failure to complete the audits would risk future eligibility. The OPA anticipates an increase in request for audits of Other Country Grants/Development Partner Grants in fiscal year 2017. Since 2011, the OPA has conducted eight (8) Japan Grass-Roots Development Grants, two (2) World Bank Grants, one (1) Asian Development Grant and one (1) United Nations Grant.

III.E. Other Mandated Audits

In addition to the above, the OPA is mandated by the Code of Ethics Act to audit campaign statements filed by candidates for the Offices of President and Vice President and to conduct random audits of other statements filed under the Act. The OPA is also required by the Budget Reform Act of 2001

(RPPL 6-11) to conduct attestation audits of each agency's performance report and comment on the reasonableness, appropriateness, validity, and reliability of the performance measures and data collection efforts. These mandates are further described below:

III.E.1. Code of Ethics Act (RPPL 5-32) - Audits of Financial Disclosure Statements

To conduct audits of campaign statements of candidates for the Offices of the President and Vice President of the Republic and randomly audit other campaign statements filed under this chapter.

Development/Performance in 2016: The OPA has not conducted these audits since the enactment of the law, due to lack of manpower.

Audits of financial disclosure statements are a critical part of the Code of Ethics Act as it ensures that candidates who run for public office are filing the required financial disclosures and, more importantly, are properly reporting financial contributions and expenses of their election campaign and account(s) from which a campaign is funded and administered.

III.E.2. Budget Reform Act of 2001 (RPPL 6-11)

To Conduct Attestation Audits of Performance Reports

Development/Performance in 2016: The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

The OPA feels that Attestation Audits are critical component of this law as they verify the credibility, accuracy and reliability of an agency's performance report, the data collection and measurement methodologies. Without attestation audits, the leadership and relevant stakeholders cannot reasonably gauge the performance of an agency, or determine the credibility, accuracy and reliability of data collection and measurement methodologies.

IV. Other Mandates

IV.A. Board of Accountancy (RPPL 3-71)

The Public Auditor serves as Chairman of the Palau Board of Accountancy (PBOA), which is responsible for regulating and overseeing the practice of accountancy in the Republic. The PBOA regulates and oversees the practice by screening applications, licensing qualified practitioners, and issuing permits to those individuals and firms that meet the statute's qualification requirements to practice accountancy in the ROP. The Board receives no appropriations to fund its operations; thus, the OPA absorbs all of the Boards' administrative costs.

Developments/Performances in 2016 (calendar year):

The PBOA issued a total of 19 permits to 6 Accounting Firms and 13 Certified Public Accountants (CPAs), issued two licenses and collected and deposited \$1,250 into the National Treasury therewith.

In mid-year 2016, two of the Board's members' terms expired leaving the remaining two members and the chairman to conduct the business of the Board.

V. OPA capability to carry out its Mandates

V.A. Human Resources needed to carry-out OPA mandates

The OPA must have sufficient manpower resources to fulfill its mandate. The OPA would require the following additional staff in order to effectively carry out its responsibilities:

<u>Mandate</u>	<u># of staff</u>
RPPL No. 9-9: State Government Financial Audits	6
RPPL No. 6-11: Attestation Audits	3
RPPL No. 5-32: Audits of financial disclosure statements	2
Audit Findings and Recommendation Tracking System	1
Administrative support	1

Additionally, to be an effective and efficient public watchdog on the use and safeguarding of public resources, the OPA would be required, at times, to hire specific expertise to conduct a specialized audit. For example, if the OPA was requested or decided to audit on certain Capital Improvement Project (i.e., road construction), it would have to hire an expert (i.e., engineer) to serve as a consultant on the audit to ensure the quality of the audit.

Further, in audits that deal with sensitive and complex legal matters, the OPA would require ongoing legal advice to ensure that legal issues are properly researched and analyzed to reach an undisputable conclusion such that the final product (audit report) is factual and accurate.

At present, the OPA only has six (6) auditors and two (2) administrative support staff, gravely understaffed to undertake or carry out the above mandates. If it remains understaffed, the OPA will continue to struggle to meet its mandate and will not be able to accomplish some critical audits, i.e. State Government Financial Audits, not to mention attestation and financial disclosure audits.

Further, all of the OPA senior auditors are approaching retirement age and the OPA needs to hire new staff, provide them the essential training in order to establish a smooth transition for the eventual retirement of older staff. This is an opportune time to recruit and hire professional staff as the OPA can apply for technical assistance from OIA, USDOJ (see Training and Professional Development), to fund its training programs, which otherwise would have to be funded out of local funds.

If sufficiently staffed, the OPA in addition to continuing conducting performance audits of national government agencies, programs, activities and functions, financial audits of State Governments, attestation and financial disclosure statement audits, oversight of Single Audits, also will be able to extend audit services to cover the following:

- Audit services requested by the Olbiil Era Kelulau and the Executive Branch
- Continue auditing other grant assistance to Palau such as, but not limited to, United Nations, Asian Development Bank, World Bank, and Japan's Grass-Roots Projects.
- Target high-risk locally-funded programs and U.S.-funded programs that are not covered under the single audit threshold and therefore not included in the Government-wide Single Audit.

V.B. Budget vs OPA Mandates and Operations

At funding level of \$532,000 (FY 2016), the OPA will continue to struggle to achieve timely completion of State Governments financial audits, not to mention other mandated audits, due to

insufficient manpower. In addition, the unanticipated rental increase of office space for the OPA, from \$2,000 to \$6,888 per month, will undoubtedly consume the OPA's budget, funding which otherwise could be used to hire more auditors. The OPA has been over the years assigned more mandates by the OEK with no funding increase to implement these mandates, most recently State Governments annual financial audits. It is apparent that unless the Office of the Public Auditor is sufficiently funded, it will continue to struggle to execute and deliver the results of the mandates intended by the OEK.

In the Fiscal Year 2017 Budget Act, The Olbiil Era Kelulau increased the Office of the Public Auditor's budget from \$532,000 to \$732,000, a 37 percent increase. The OPA will use the increase in funding to hire additional staff, provide pay increments to staff to support their retention, relocate the OPA's office to a bigger space to accommodate additional staff, purchase additional office equipment, support training of professional staff, procure professional expertise to provide consultancy services on specialized audits, etc.

VI. Moving Forward Initiatives: Improving and Enhancing the Work of the OPA

VI.A. Training and Professional Development

The OPA is committed to promoting the professional development of its staff. It does so by providing capacity-building opportunities to enhance their skills, improve performances and maintaining CPEs in good standing.

VI.A.1. Training funded by Office of the Insular Affairs (OIA):

In FY 2016 with a technical assistance grant for capacity building totaling \$51,000 from the OIA, USDOJ, the OPA professional staff was able to participate in the following training programs:

- ❖ June 20 – 30, 2016, Denver, Colorado, USA: **“Lakewood Experience - Pilot Project”, On-the-Job Training** with Office of the Inspector General (OIG), USDOJ.



Junior Auditors, Ikeda Ngiraelbaed and Reggie Jay Mabel shared their experiences...“We now have the knowledge and skills to be used in conducting audits to further the quality of the audit reports, which will hopefully increase accountability of public funds...”

The Lakewood Experience is a structured program that encompasses all phases of an audit or evaluation. It includes coaching by an OIG team leader, classroom training or discussions, and a case study with exercises covering the various phases of an audit. The 2-week program provided a guided training for a cohort of auditors from various island jurisdictions not only allowed for a sharing of information and best practices with the OIG, but also among the various jurisdictions. The participants received 43.5 CPE hours.

The OIG plans to hold this training program annually and the OPA plans to send staff to the training,

provided that funding is available.

The U.S. Technical Assistance TAP-Palau-OPA-2015-5 funded travel expenses of auditors.

❖ July 25 – 29, 2016, Pohnpei, FSM: **Association of Pacific Islands Public Auditors (APIPA) Annual Conference and Workshop**

On an annual basis, the APIPA in collaboration with U.S. Graduate School sponsors a week-long Conference and Workshop for auditors, accountants and finance officers in the Insular Area governments.

OIA provides funding to the Graduate School in support of its Pacific Islands Training Initiative, specifically to deliver capacity building training programs to auditors and finance personnel of Insular Area Governments.



Photo: Senior Auditors Jowas Wasisang and Rena Kloulechad at Photo Sessions

The 2016 Annual Conference, themed “Fishing Together for a Pacific Free of Corruption and Poverty”, offered 40 hours of CPEs in 4 training tracks on Audit, Audit Supervisory, Finance and Accounting & Management.

The topics consisted of updates to auditing standards, promoting accountability and transparency in the Public Sector, Managing Grants Successfully, Government Accounting, Risk Assessments, etc.

The U.S. Technical Assistance TAP-ROP-2016-2 funded travel expenses for the Public Auditor and staff.

❖ August 15 – 18, 2016, Palau: **Report Writing Training** delivered by Office of the Inspector General

At the request of the Public Auditor, the OIG, Denver, Colorado field office, delivered training on report writing to the OPA. This was a refresher course to introduce different methods of effective report writing. Also the OIG delivered an overview on TeamMate Audit Management System. The auditors earned 11.5 hours of CPEs.

VI.A.2. Trainings/Meetings funded by PASAI

The Office of the Public Auditor is also a member of the Pacific Association of Supreme Audit Institutions (PASAI) comprising of island countries' Audit Offices (Supreme Audit Institutions, SAIs) in the North and South Pacific Regions including Palau, Guam, CNMI, FSM (and its four states of Pohnpei, Kosrae, Chuuk and Yap), Marshalls, American Samoa, Fiji, Samoa, Cook Islands, Vanuatu, Tonga, Tuvalu, Papua New Guinea, Solomon Islands, and Kiribati.

The PASAI is one of the seven regional bodies of the International Organization of Supreme Audit Institutions (INTOSAI) with an overall goal to promote transparent, accountable, effective, and efficient use of public sector resources in the Pacific.

The PASAI also provides training to its members and the OPA participated in the following trainings/meetings:

❖ **May 9 – 13, 2016, Palau: PASAI’s “Enhancing Capability of Public Auditors through Strategic Planning”**

One of PASAI’s strategic priorities across the Pacific is to help SAIs develop and implement a realistic strategic plan and publicly report against these strategic plans.

The PASAI provided assistance through its Director of Practice Development, Sinaroseta Palamo-Iosefo, to guide the Public Auditor and staff on a comprehensive discussion to update the OPA’s strategic plan. As the strategic plan identified key action plans that the OPA needed to execute to achieve its Strategic Plan, the OPA has been working diligently to execute these action plans, which include hiring an Audit Manager, implement the Audit Management System, establish a separate human resource manual, to name a few. The OPA continues to work on executing these action plans in line with its Strategic Plan.



❖ **June 15 – 17, 2016, New Zealand: International Organization of Supreme Audit Institutions**

Development Initiative (IDI) and Pacific Association of Supreme Audit Institutions (PASAI) sponsored meeting entitled **“SAI Management and Stakeholders”**

The meeting focused on SAI (Audit Office) performances and capacities with SAI Management and

Stakeholders. The main objective was to discuss the programs and ascertain needs in PASAI in relation to the 8 IDI programs: Strategy, Performance Measurement & Reporting, ISSAI Implementation Initiative (3i Program) Phase II, Auditing Sustainable Development Goals, SAI Fighting Corruption, SAIs Engaging with Stakeholders, SAI Independence, Enhancing eLearning Capacity and SAI Young Leaders.

The meeting also promoted the active collaboration between IDI and PASAI to undertake activities for the benefits of SAIs. It was decided that SAI with keen interest in particular programs that are relevant to their respective needs, pledged their commitment to such programs.



Participants of the IDI-PASAI Meetings with SAI Management and Stakeholders in Auckland, NZ.

Public Auditor and Senior Auditor, Jowas Wasisang attended the meeting.

❖ November 21 – 25, 2016, Papua New Guinea: PASAI Regional Workshop - **Building Capacity to Effectively Audit the Management of Public Assets**



The workshop for Pacific Island Countries (PIC) provides comprehensive tools for high-level quality audits (financial, compliance or performance) of public assets and resources, in line to the newly released INTOSAI “Guiding Principles”.

Public assets/resources and their management are critical for the ability of governments to deliver key services to its citizens. Good management reduces waste, improves economic performance, enhances social service, improves community lifestyles, safeguards the environment and will make a difference to the lives of citizens. The risks of PIC governments of poorly managed public assets/resources can be

significant and material.

The workshop provides audit office an opportunity to set priorities in allocating scarce resources to the audit of public assets and their management. Setting these priorities, whether the audit office's mandate is to undertake any type of audit, this workshop enables the audit office to plan future audits to maximize its ability to audit significant risks and to provide practical guidance on the management of public assets/resources.

Senior Auditor, Rena Kloulechad, who attended the workshop, believed that she has gained the knowledge to effectively conduct an audit on management of public assets.

The trip was funded by PASAI and Palau Government.

VI.A.3. Training funded by Palau Government

- ❖ September 12 – 14, 2016, Guam: **Guam Professional Development Conference** sponsored by Association of Government Accountants – Guam Chapter

The conference offered 24 CPE credits. Training included topics on Trends, Tools and Techniques in Today's Financial Environment. Senior Auditor, Romana Blailes, attended the training to obtain the required CPEs.

VI.B. Audit Management System

With technical assistance from the OIA, USDOJ, the OPA was able to purchase TeamMate Audit Management System at a cost of \$45,000. The Audit Management System (AMS) software will facilitate the conversion of audit working papers from paper to digital form. This will enable auditors to keep audit data and evidence in electronic format and allow supervisors easy access to the working papers for review. This will make the review process more efficient and effective and reduce the volume of paper documents auditors must generate and keep track of.

The AMS is also designed to measure and compare the amount of time budgeted for audits with the actual time expended. This is an important management tool that the OPA has had difficulty implementing over the years. The AMS will improve the efficiency and effectiveness of audits by allowing the Public Auditor to closely monitor each audit to keep track of budget versus actual time. This in turn will help determine the cause(s) of budget and time overruns and enable the OPA to better manage the cost of each audit. Another key component of the system is an audit-recommendation tracking system to ensure that the auditee's management has taken appropriate actions to implement recommendations and to institute corrective measures to remedy audit findings.

Developments/Performances in 2016:

Due to turnover of key staff in charge of development of the system, progress started to lag but has recently picked up pace again with the recent hiring of an Audit Manager. The OPA is presently working with Guam's Public Auditor's Office, who has been operating the system for slightly over one year, to further develop and implement the AMS.

VII. Peer Review

The Office of the Public Auditor undergoes an External Quality Control Review (Peer Review) once every three (3) years. The purpose of the Peer Review is to assess the OPA's system of quality control to determine compliance with Generally Accepted Government Auditing Standards. The last Peer Review of Palau OPA was conducted in fiscal year 2015, with the next cycle scheduled for 2018.

VIII. Current Staffing Level of OPA

In November 2016, the OPA recruited and hired a Palauan Certified Public Accountant (CPA) who previously worked for a CPA firm out of Portland, Oregon. In addition, in March 2017, the OPA also hired another Palauan who had graduated from University of Guam in fall 2016 with a Bachelor of Arts degree in Business with concentration in Finance/Economics. As of the date of this report, the staffing level of the Office of the Public Auditor is as follows:

Name	Position	Years of Service	Projected Year of Retirement
Satrunino Tewid	Public Auditor	31	End of term, April 2019
Genesis U Roberto, CPA	Audit Manager	3 months	End of contract, Dec 2021
Jowas Wasisang	Senior Auditor	29	January 2020
Rena L Kloulechad	Senior Auditor	25	May 2020
Romana L Blailes	Semi-Senior Auditor	19	March 2029
Ikeda L Ngiraelbaed	Junior Auditor II	3	Resigned August 2016 (graduate school)
Reggie Jay Mabel	Junior Auditor I	2	May 2045
Danielle JM Willis	Junior Auditor I	5 months	Resigned January 2017 (graduate school)
Ryobch W Luii	Junior Auditor I	2 weeks	March 2050
Meikok P Chin	Administrative Officer/System Administrator	26	September 2029
Matsumi Taro	Administrative Assistant	21	March 2025