

# *APIPA*

Association of Pacific Island Public Auditors

October 20, 2002

Mr. Satrunino Tewid, Public Auditor  
Office of the Public Auditor  
Republic of Palau  
P. O. Box 850  
Koror, Palau 96940

Dear Mr. Tewid:

We have completed an external quality control review of the Office of the Public Auditor, Republic of Palau for audits issued during the period October 1, 1997 through September 30, 2001. In conducting our review, we followed the standards and guidelines contained in the *APIPA Quality Control Review Guide* published in September 1995 by the Association of Pacific Island Public Auditors (APIPA).

As prescribed by the APIPA Guide, we reviewed the internal quality control system of your audit organization and tested a sample of audits conducted by your office for compliance with government auditing standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.


We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in your audit work. We have also concluded from the sample of audits tested that your quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.


In our opinion, the Office of the Public Auditor, Republic of Palau was in compliance with government auditing standards during the period October 1, 1997 through September 30, 2001.

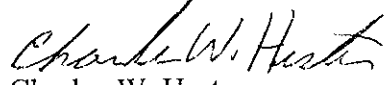
We have also prepared a separate letter to management, which offers suggestions for further strengthening your internal quality control system. The management letter should be considered an integral part of this report.

It is recommended that this report, and the accompanying management letter, should be made available to the public.

Respectfully Submitted,

  
Michael S. Sablan  
Public Auditor  
Commonwealth of the  
Northern Mariana Islands  
Team Leader

  
Faumuina F. Sefo  
Acting Territorial Auditor  
American Samoa Government  
Team Member

  
Charles W. Hester  
USDA/PITI  
Technical Advisor

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Dear Mr. Tewid:

We have completed an external quality control review of the Office of the Public Auditor, Republic of Palau for audits issued during the period October 1, 1997 through September 30, 2001. We have issued a report stating our opinion concerning your organization's overall level of compliance with government auditing standards. We are issuing this companion letter to management to offer suggestions for improvement. This letter should be read in conjunction with our opinion report.

The following suggestions are made for the purpose of strengthening your internal quality control systems:

**Annual Report of Activities and Findings.** The Republic of Palau's Public Auditing Act of 1985 states that **"The Public Auditor shall report on his activities and findings to the Olbiil Era Kelulau (OEK) and the President at least once every calendar year, and this report shall be made public promptly."** These annual reports have not been prepared and submitted as required during the period of our review. We suggest that the Public Auditor survey the other members of APIPA and obtain copies of any annual reports prepared concerning their activities and findings. Using these reports as guides, the Public Auditor should then prepare and submit an annual report of his Office's activities and findings to the OEK, President and public as required by the 1985 Public Auditing Act.

**Quality Control Reviews.** Sections 3.31 through 3.36 of the government auditing standards require that **"Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years..."** It has been four years since the Office received its last external quality control review. By inviting the Association of Pacific Island Public Auditors to perform this external quality control review, the Office has remedied this situation. The Office of the Public Auditor should consider implementing an internal control mechanism to ensure that the Office remains in compliance with this government auditing standard in the future.

The U.S. General Accounting Office publication (GAO/OP-4.1.6), entitled An Audit Quality Control System: Essential Elements, suggests that external quality control reviews be performed on a consistent basis. The publication also suggests that the review be completed during the year following the completion of each three-year period. The prior QCR covered the period October 1, 1995 through September 30, 1997. Our QCR covered the period October 1, 1997 through September 30, 2001 and our Final Report was issued in October 2002. This would mean that the next QCR should cover the period October 1, 2001 through September 30, 2004 and should be completed by September 30, 2005.

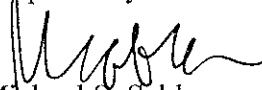
**Working Papers.** Although government auditing standards do not specifically require referencing of working papers, many audit organizations have adopted standard policies and procedures to require that the Auditor-In-Charge for each audit assignment be responsible for ensuring that a detailed index of the working paper is established and that the draft report is referenced to the working papers supporting significant conclusions and judgments. These requirements are also standard practice for auditors to enhance the ability for other auditors, during supervisory review or quality control review, to follow the evidential material contained in the files.

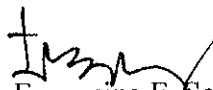
Out of 5 working paper files reviewed, we noted that all 5 of the files did not include a detailed index of the working papers or the referencing of the draft report to the working papers. During the review we noted minor instances in which reports contained statements which were not adequately supported in the working papers. While it appears there has been improvement in this area since the prior external quality control review, we suggest that the Public Auditor continue to emphasize to the audit staff the need to properly reference working papers and ensure that statements made in reports are supported by working papers and evidential material contained in the files.

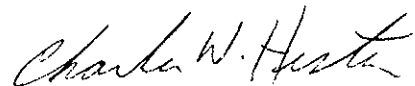
The above suggestions were discussed with Mr. Tewid during the exit conference conducted on September 27, 2001. Mr. Tewid concurred with each of our conclusions and has taken steps to fully implement all of our suggestions.

In closing we would like to thank your Office for the warm reception and cooperation extended to us by all of your staff during our review.

Respectfully Submitted,

  
Michael S. Sablan  
Public Auditor  
Commonwealth of the  
Northern Mariana Islands  
Team Leader

  
Faumuina F. Sefo  
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