

# ASSOCIATION OF PACIFIC ISLANDS PUBLIC AUDITORS

July 6, 2005

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, 2001 through May 31, 2005. 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, 2001 through May 31, 2005.


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.


Members  
Office of the Public Auditor  
of


Territory of American Samoa. Commonwealth of the Northern Marianas Islands.  
Republic of the Marshall Islands. Federated States of Micronesia. Republic of Palau.  
Phonpei State. Yap State. Territory of Guam. Chuuk State. Kosrae State.  
Samoa. Virgin Islands.

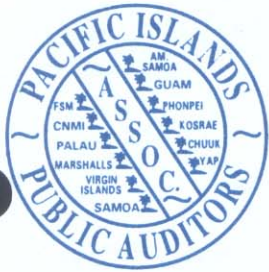
It is recommended that this report, and the accompanying management letter, should be made available to the public.

Respectfully Submitted,

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

  
Ms. Jean M. Tonyokwe  
Auditor General, Republic of  
the Marshall Islands  
Team Member

  
Mr. Charles W. Hester  
APIPA Peer Review  
Technical Consultant



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Mr. Satrunino Tewid, Public Auditor  
Office of the Public Auditor  
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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 (OPA), Republic of Palau for audits issued during the period October 1, 2001 through May 31, 2005. 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 had not been prepared and submitted as required during the period of our review as well as during the prior QCR. The review Team suggests 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.

**Agreed-Upon Procedures.** During the period of our review the OPA completed and issued two Agreed-Upon Procedures Reports. Neither of the audits fully complied with the requirements contained in Chapter 6 of the 2003 revisions to the government auditing standards. The working papers for both audits did not contain sufficient evidence to demonstrate that the auditors had considered the results of previous audits and reviews in order to follow up on significant findings and recommendations that directly relate to the subject matter of the engagements

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undertaken. In addition, both reports did not state that the engagements were made in accordance with government auditing standards or contain a statement limiting their use to the parties who requested the engagements.

We believe that these situations occurred because of the lack of a comprehensive Policies and Procedures Manual to guide the staff. The OPA is in the process of establishing its Policies and Procedures Manual; however we suggest that the completion of this Manual be given top priority. We also suggest that until the Manual is adopted, the Public Auditor continue to emphasize to the audit staff the need to ensure that future Agreed-Upon Procedure engagements fully comply with all of the requirements contained in Chapter 6 of the 2003 revisions to the government auditing standards.

**Performance Audit Working Papers.** During the period of our review the OPA completed and issued 10 Performance Audit Reports. Our review of the working papers for 4 of these audits disclosed that 2 did not fully comply with all of the requirements contained in government auditing standards. The working papers for the 2 audits did not contain sufficient evidence to demonstrate that the auditors had considered the results of previous audits in order to follow up on significant findings and recommendations that directly relate to the subject matter of the engagement undertaken. In addition, the detailed audit plan for 1 of these 2 audits was not completed and signed off by the auditor.

We believe that these situations occurred because of the lack of a comprehensive Policies and Procedures Manual to guide the staff. The OPA is in the process of establishing its Policies and Procedures Manual; however we suggest that until the Manual is adopted, the Public Auditor continue to emphasize to the audit staff the need to obtain sufficient evidence to demonstrate that they have considered the results of previous audits in order to follow up on significant findings and recommendations that directly relate to the subject matter of their engagement. In addition, continue to emphasis to the audit staff the need to complete and signed off on all steps in their audit plans.

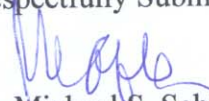
**Personal Impairment Statements.** Although government auditing standards do not specifically require them, many audit organizations have adopted standard policies and procedures to require each auditor assigned to the engagement to sign a certification of independence. The OPA's informal policy calls these certifications Personal Impairment Statements. Out of the 6 working paper files reviewed, we noted that 3 of the files did not include properly prepared Personal Impairment Statements. The Statements were missing from 2 of the working paper files and in 1 other file the Statement was not completed until the end of the audit.


We believe that these situations occurred because of the lack of a comprehensive Policies and Procedures Manual to guide the staff. The OPA is in the process of establishing its Policies and Procedures Manual; however we suggest that until the Manual is adopted, the Public Auditor continue to emphasize to the audit staff the need to properly prepare Personal Impairment Statements at the beginning of each engagement.


The above suggestions were discussed with Mr. Tewid during the exit conference conducted on June 17, 2005. The Public Auditor concurred with our suggestions and has taken steps to effectively address all of the issues.

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,

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

  
Ms. Jean M. Tonyokwe  
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the Marshall Islands  
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