

APIPA



July 12, 2024

Mr. Palikkun Kilafwasru
Public Auditor
Kosrae Office of the Public Auditor
P.O. Box 847
Kosrae, FSM 96944

Dear Public Auditor Kilafwasru:

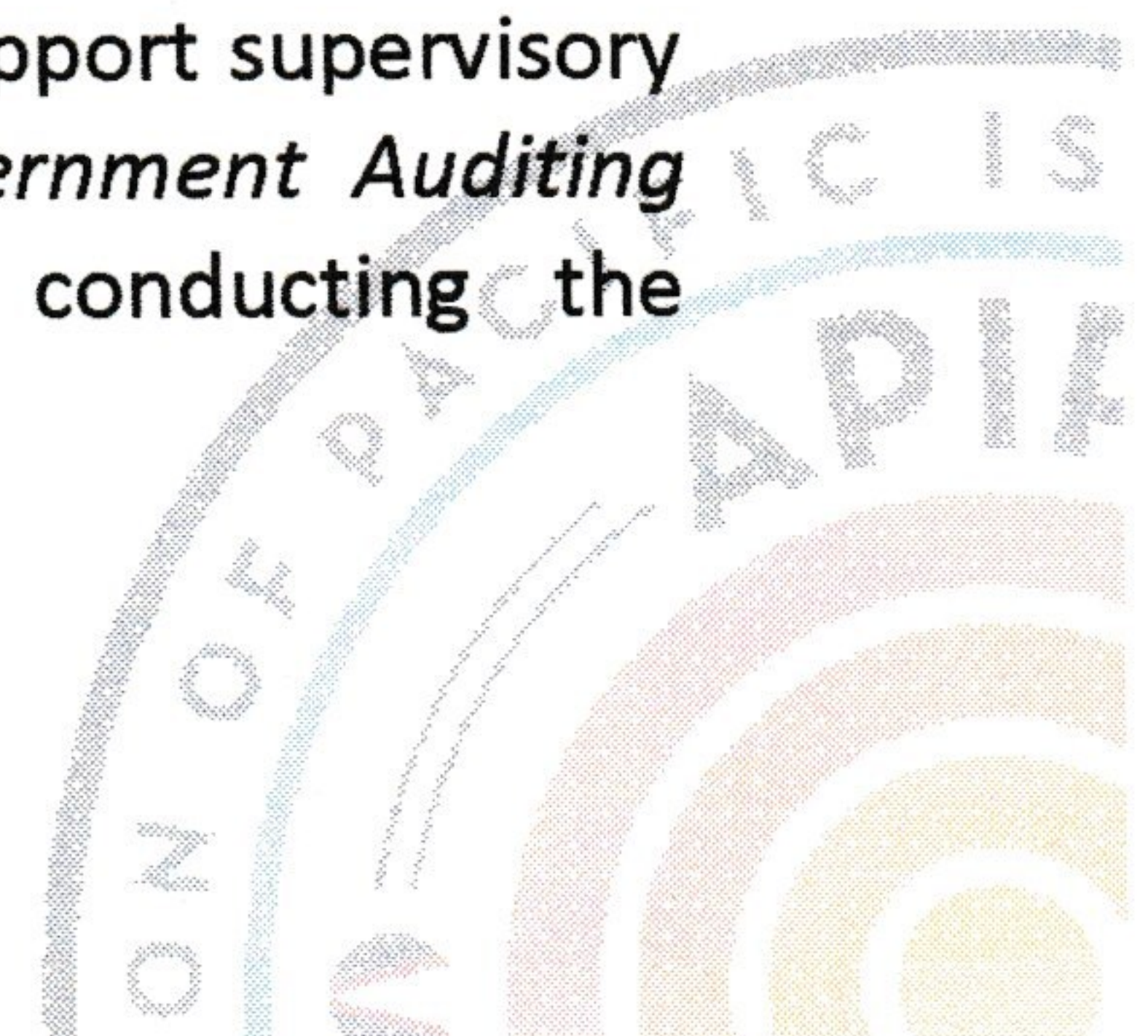
We have completed a peer review of the Office of the Public Auditor, Kosrae State Government for the period January 1, 2021, through December 31, 2023. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained the *Peer Review Guide* by the Association of Pacific Island Public Auditors (APIPA). Organizations can receive a rating of pass, pass with deficiency, or fail. Kosrae OPA has received a rating of pass with deficiencies.

We reviewed the internal quality control system of your audit office and conducted tests to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing the internal monitoring procedures.
- Reviewing a sample of performance audit engagement and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of and compliance with relevant quality control policies and procedures.

Based on the result of our review, it is our opinion that except for the deficiencies noted below, the Kosrae OPA's internal quality control system is adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for performance audits during the period January 1, 2021 through December 31, 2023.

Deficiencies found in your internal control quality system included insufficient documentation to support the findings and conclusions and inadequate documentation to support supervisory review. These control deficiencies resulted in nonconformance with *Government Auditing Standards* (GAS) on independence, competence and CPE, planning, conducting the engagement, supervision, evidence, and documentation.

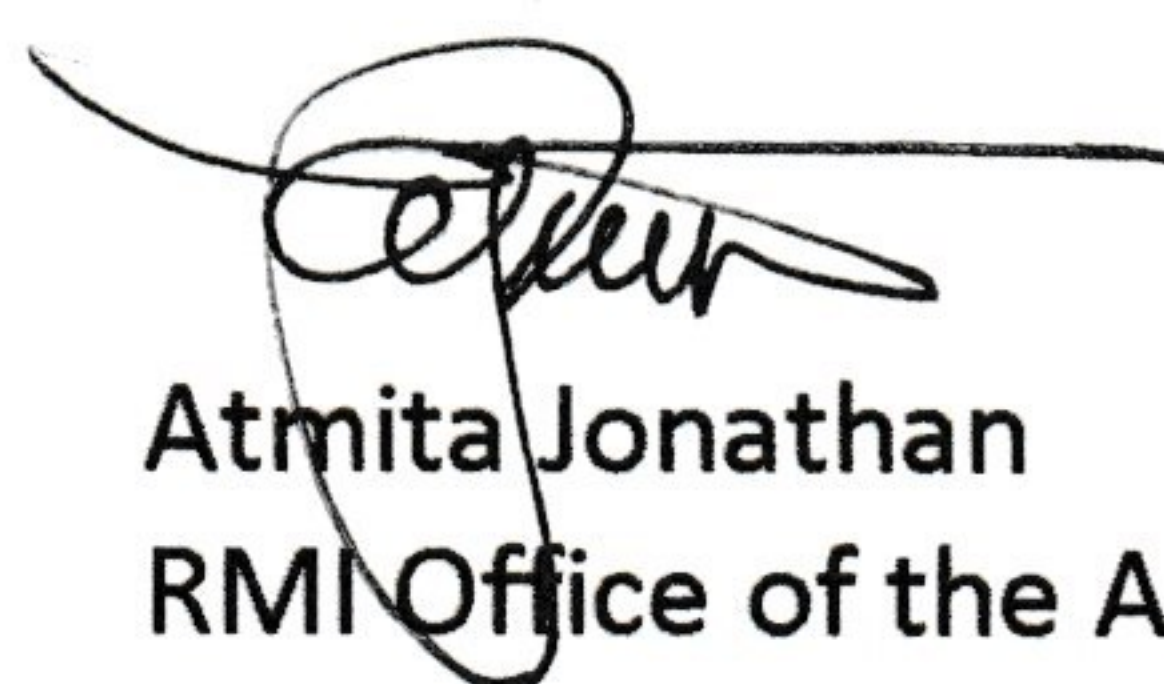


We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

- GAS 4.02 states that the audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS. We observed that in all the audits, there is no record of documentation showing that the audit staff possesses knowledge of methods and techniques, skills, and abilities.
- GAS 8.04; 8.06 states that auditors must plan the audit to reduce audit risk to an acceptably low level; and that auditors should design methodology to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions. We observed from the performance audits that suitable criteria and methodologies were not included in the audit plan. We also observed that audit risk assessment was not filed in two (2) performance audits.
- GAS 8.36 states that auditors should obtain an understanding of the nature of the program or program component under audit and the potential use that will be made of the audit results or report as they plan a performance audit. We observed that in two (2) performance audits programs that were not complete for us to understand the nature of the program under audit.
- GAS 8.87 states that auditors must properly supervise audit staff. In reviewing the KOPA's work papers, we observed lack of evidence that the Audit Supervisor properly supervised the audit staff. The supervisor did not initial on most of the evidence gathered to show that he or she reviewed the documents.

We commend KOPA on resolving some issues of prior peer review. We reiterate that they update their KOPA Audit Manual to comply with the latest revision of the Yellow Book. In addition, we recommend that the auditor-in-charge and audit supervisors be more diligent in reviewing work papers to ensure that proper planning, supervision, and audit findings and conclusions are adequately documented and cross-referenced.

Sincerely,



Atmita Jonathan
RMI Office of the Auditor General
Peer Review Team Leader



Rosalinda Mori
Chuuk State Office of the Public Auditor
Peer Review Team Member