



June 23, 2023

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, 2018, through December 31, 2020. 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 audit financial and 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

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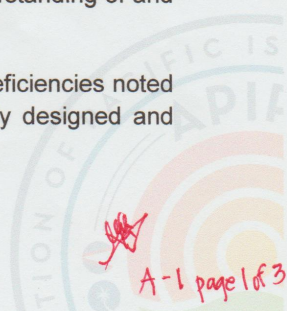
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operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for performance audits during the period January 1, 2018 through December 31, 2020.

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 3.02 on independence state that the audit organization and the individual auditor, whether government or public, must be independent in matters relating to the audit work. During our review of KOPA's work papers for the three (3) performance audits, we observed that the statement of independence was not used.
- GAS 3.72 requires that the audit staff assigned to conduct an audit in accordance with GAS should collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning in the audit. We observed that in all the audits, there is no record of documentation showing that the audit staff has or possess knowledge of methods and techniques, skills, and abilities.
- GAS 6.07 states that auditors must plan the audit to reduce audit risk to an appropriate level for the auditors to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' 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 6.13 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 three (3) performance audits and one (1) compliance had audit programs that were not complete for us to understand the nature of the program under audit.

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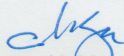
- GAS 4.15,6.53, and 6.54 require staff assigned to an audit to be properly supervised. In reviewing the KOPA's work papers, we observed lack of evidence that the Audit Supervisor properly supervised the audit staff. The Supervisor did not initial on most of the evidence gathered to show that he or she reviewed the documents.
- GAS 4.10 and 6.56 requires that auditors obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. We observed in one (1) performance audit, the audit procedures were not complete.

We commend KOPA on resolving some issues of prior peer review. We I recommend that KOPA updates its Audit Manual to adopt 2018 GAS revision to strengthen its internal controls over performance and compliance audits. 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,



Vellisa P Edgar
Pohnpei Office of the Public Auditor
Peer Review Team Leader



Neong U. Yoma
FSM Office of the Public Auditor
Peer Review Team Member