



**ASSOCIATION OF PACIFIC ISLANDS
PUBLIC AUDITORS**

September 28, 2018

Mr. Junior Patrick
Auditor-General
Majuro, Marshall Islands 96960
Government of the Republic of the Marshall Islands

Dear Mr. Patrick

We have completed a peer review of the Republic of the Marshall Islands Office of the Auditor-General for the period February 12, 2015 to February 12, 2018. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Pacific Islands Public Auditors (APIPA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

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

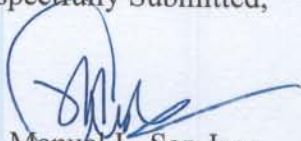
Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Republic of the Marshall Islands Office of the Auditor-General (OAG) internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period of review.

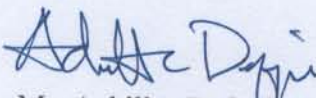
We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

We appreciate the cooperation and support of the OAG Management and Staff during this peer review. We also appreciate the support of Drummond Kahn, Consultant, for his valuable advice during the conduct of the peer review.

Respectfully Submitted,



Mr. Manuel L. San Jose
Peer Review Team Leader
Public Auditor
Chuuk State Office of the Public
Auditor



Mr. Achilles Defngih
Peer Review Member
Public Auditor
Office of the Yap State Public
Auditor



Ms. Berlinda Bay
Peer Review Observer
Auditor II
Office of the Yap State Public
Auditor



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PUBLIC AUDITORS**

September 28, 2018

Junior Patrick
Auditor General
Office of the Auditor General
Republic of the Marshall Islands
Majuro, RMI 96960

Dear Mr. Patrick,

We have completed the peer review of the Office of the Auditor-General (OAG), Republic of the Marshall Islands for the period February 12, 2015 – February 12, 2018 and issued our report thereon dated September 27, 2018. We are issuing this management letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- ✓ Independence
- ✓ Planning
- ✓ Supervision
- ✓ Documentation
- ✓ Reporting

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

1. Professional Judgment

GAS 3.60 requires that ...Auditors must use professional judgement in planning and performing audits and in reporting the results.

We were unable to see whether this principle was applied in every phase of the audit because the quality assurance review checklist was not cross indexed to the related working papers. RMI OAG insisted the staffs were exercising professional judgment during planning, specially in the application of significance for the assessment of the appropriateness and sufficiency of evidence, in the selection of audit sample, and others. However, they did not cross index the related working papers when the principle (professional judgement) was applied.

We recommend that the auditors should ensure that the application of professional judgement be referenced from the quality assurance review checklist to the related working papers.

2. Quality Assurance Review Checklist (QARC)

Best practice in audit requires that performance of controls in a checklist should be indexed and cross indexed to related working papers to facilitate review and verify performance.

We found that the QARC for performance audits were properly cross referenced to corresponding working papers. However, the existing QARC for financial audits were not fully cross referenced to related working papers to ensure that control activity was actually performed.

Additionally, there was no comprehensive quality assurance review checklist that would provide assurance that the requirements for American Institute of Certified Public Accounts (AICPA)/Statements on Auditing Standards (SAS) are fully satisfied. Currently, OAG is implementing fragmented quality assurance review checklists for AICPA/SAS.

As a result, the staff might confirm (yes) a particular control without actually complying with a particular GAS requirement. In addition, the staff may not be satisfying all the requirements of AICPA/SAS and may be unaware of not complying.

We recommend that the auditors should ensure that the performance of controls in QARC, as one of the important quality documents in the Quality Control System, be indexed/cross indexed to the related working papers to assure compliance with the standards.

We also recommend that OAG management develop and implement a comprehensive quality assurance review checklist to assure compliance with the requirements of AICPA/SAS.

3. Evidence

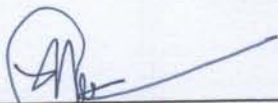
GAS 6.56 to 6.57 requires that the auditors should obtain sufficient and appropriate evidence. Further GAS 6.58 requires that in **assessing** evidence, auditors **should evaluate** whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions.

We found that an overall assessment (analysis) of audit evidence supporting audit objectives and conclusion was not documented. However, the OAG management asserted that the supervisor assesses the evidences during supervisory reviews. In addition, the Auditor-General assesses the evidences during the review of the final report, although an analysis of the evidence was not documented as required by the standards.

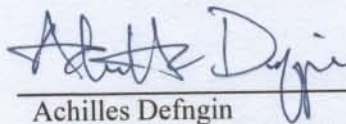
We recommend that the auditors and management ensure that the assessment of sufficiency and appropriateness of evidence be documented to assure that the audit objectives and conclusions are properly addressed and supported by evidence.

We have discussed this management letter with you on September 28, 2018 and requested for management response. We attached the management response as part of this letter.

Respectfully Submitted,



Manuel L. San Jose
Peer Review Team Leader
Public Auditor
Chuuk State Office of the Public Auditor



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