

# ANNUAL REPORT

## 2023



Office of the Public Auditor, Republic of Palau

PO Box 850 Koror, PW 96940

TEL: (680) 488-2889 / 5687

Website: [www.palauopa.org](http://www.palauopa.org)

## Annual Report

The Constitution of the Republic of Palau and the Public Auditing Act requires the Public Auditor to report the results of his inspections and audits to the President and the Olbiil Era Kelulau at least once a year.

The Office of the Public Auditor (OPA) elects to present its annual report to align with the calendar year, covering the period from January 1, 2023 to December 31, 2023.

# Message from the Public Auditor

As Acting Public Auditor for the Republic of Palau, I am pleased to submit this Annual Report and to highlight the Office of the Public Auditor's (OPA) activities for calendar year 2023. Our work involved audits in high priority programs of the National Government, Component Units, Agencies, State Governments and Development Partner Grants, all centering on the theme of effective management of public funds and compliance with applicable laws and regulations. The annual audit requirements of the National Government, Component Units, Agencies and State Governments compels the OPA to secure funding for the audits, procure professional services, and provide oversight on the audits. These processes require resources of the OPA to carry out and to ensure that audits are conducted properly in accordance with the applicable standards and meet the required deadlines. The annual audits are conducted primarily to comply with the Republic of Palau's and U.S. Federal Financial Assistance programs' laws and regulations and, more importantly, to move forward ongoing efforts to institute fiscal responsibility, accountability and transparency and to promote excellence, integrity and sound financial practices in governmental operations.

We report herein the single audits of the Republic of Palau National Government, its Component Units and Agencies, the ongoing financial audits of State Governments, audits of Development Partner Grants, and performance audits conducted by the OPA. In addition, we discuss the ongoing challenges of the OPA's operations without an Audit Manager and shortage of professional staff. We report also on the status of the OPA's capacity building programs and Peer Review conducted to assess the OPA's system of quality control. Finally, we report on the OPA's existing office space requirements, current staff capacity and other OPA mandates that it has not been able to carry out due to insufficient resources.

In closing, I want to express my gratitude to the OPA staff for their continued dedication and professionalism, to the management and staff of agencies we audit for their cooperation and, to those we serve, our citizens and stakeholders, for their trust and confidence in us. Further, I want to also express my gratitude to the U.S. Department of Interior's Office of Insular Affairs and the Office of the Inspector General for the financial assistance and training respectively provided to the OPA during the Calendar Year 2023. Finally, I would be remiss not to recognize the Association of Pacific Islands Public Auditors, the U.S. Graduate School Pacific Islands Training Initiative, and the Pacific Association of Supreme Audit Institutions for their relentless commitment and support to the OPA's capacity building programs. Finally, and most importantly, I want to extend my gratitude and to recognize the Office of the President and the Olbiil Era Kelulau for their continued support and commitments to good governance.

Mesulang,



Satrunino Tewid  
Acting Public Auditor  
Republic of Palau

## Glossary of Acronyms

<b>ADB</b>	Asian Development Bank
<b>APIPA</b>	Association of Pacific Islands Public Auditors
<b>BSCC</b>	Belau Submarine Cable Corporation
<b>COVID-19</b>	Coronavirus Disease
<b>CPA</b>	Certified Public Accountant/Accounting
<b>CPE</b>	Continuing Professional Education
<b>CY</b>	Calendar Year-January 1 through December 31
<b>DT</b>	Deloitte & Touche
<b>FMIS</b>	Financial Management Information System
<b>FPUC</b>	Federal Pandemic Unemployment Compensation
<b>FY</b>	Fiscal Year-October 1 through September 30
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>GAS</b>	Government Auditing Standards (same as GAGAS)
<b>GASB</b>	Government Accounting Standards Board
<b>GGP</b>	Grant Assistance for Grassroots Human Security Project
<b>GSUSA</b>	Graduate School USA Pacific Islands Training Initiative-Virgin Islands Training Initiative
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>INTOSAI-IDI</b>	INTOSAI Development Initiative
<b>OEK</b>	Olbiil Era Kelulau/Palau National Congress
<b>OIG</b>	Office of Inspector General
<b>OPA</b>	Office of the Public Auditor
<b>PASAI</b>	Pacific Association of Supreme Audit Institutions
<b>PBOA</b>	Palau Board of Accountancy/Board
<b>PCC</b>	Palau Community College
<b>PESA-P</b>	Professional Education for SAI Auditors-Pilot
<b>PICRC</b>	Palau International Coral Reef Center
<b>PMF</b>	Performance Measurement Framework
<b>PNCC</b>	Palau National Communication Corporation
<b>PUA</b>	Pandemic Unemployment Assistance
<b>ROP</b>	Republic of Palau/Republic
<b>RPPL</b>	Republic of Palau Public Law
<b>SAI</b>	Supreme Audit Institutions (Office of the Public Auditor)
<b>SOP</b>	Standard Operating Procedures
<b>U.N.</b>	United Nations
<b>UNCAC</b>	United Nations Convention Against Corruption
<b>UNDP</b>	United Nations Development Program
<b>UNODC</b>	United Nations Office of Drugs and Crime
<b>U.S.</b>	United States
<b>USDOI</b>	United States Department of Interior
<b>USOIA</b>	United States Office of Insular Affairs
<b>WIOA</b>	Workforce Investment and Opportunity Act

# TABLE OF CONTENTS

<b>WHO WE ARE</b>	<b>1</b>
<b>I. AUDITS &amp; INSPECTIONS</b>	
A. Performance Audits	2
B. Financial Audits	2
C. Financial Audits Oversight	3
<b>II. OTHER DUTIES &amp; RESPONSIBILITES</b>	
A. Code of Ethics Act	7
B. Budget Reform Act of 2001	7
C. Board of Accountancy	7
<b>III. NON-AUDIT SERVICES</b>	
A. Comments on Proposed Bill	8
B. Advisory & Technical Assistance to Government & Agencies	8
C. Local Governance Strengthening Project	8
D. Assistance to State Governments	8
E. Internship & Hosting Services to Schools	8
<b>IV. STANDARDS/ COMPLIANCE</b>	
A. Quality of OPA's Work & Compliance with Standards	9
B. Peer Review	9
C. Training & Professional Development	9
<b>V. CAPACITY BUILDING</b>	
A. INTOSAI-IDI	10
B. PASAI	10
C. APIPA	12
D. The Office of Inspector General	13
E. Other Training & Development Program	13
<b>VI. ACTIVITIES/EVENTS</b>	
A. 24th Annual Congress of PASAI	14
B. International Anti-Corruption Day	15
<b>APPENDIX 1</b>	<b>16</b>



# Who we are . . .

The Office of the Public Auditor (OPA) is an independent agency of the Government of the Republic of Palau (ROP or Republic), established by Article XII, Section 2, of the Constitution and the Public Auditing Act of 1985.

The OPA is appointed the authority and power by law to inspect and audit accounts in every branch, department, agency, or statutory authority of the national government, state governments and in all other public legal entities or nonprofit organizations receiving public funds from the National Government. In addition, the Palau National Congress (Olbiil Era Kelulau, OEK) broadened the OPA's mandate to audit campaign financial disclosure statements of candidates for public offices, conduct attestation audits of performance reports of every government agency and other related mandates. The Public Auditing Act specifically instructs the OPA to act to prevent and detect fraud, waste, and abuse in the collection and expenditure of public funds, exercising the highest degree of professionalism and with strict avoidance of any degree of partisanship and bias.

We carry out our activities guided by our Mission, Vision, and Core values below:

## Mission

*As guardians of public trust, we champion accountability and transparency in the use of public resources by providing quality and timely audits and raising public awareness*

## Vision

*Better lives through impactful audits and proactive education*

## Core Values

*Integrity - we conduct our business in an independent, impartial, and ethical manner. We apply an open, honest, and fair approach to our clients and users*

*Professional - we carry out our work with competence and continuously strive to deliver high-quality and timely audits in accordance with established standards*

*Respectful - we value the contributions of our people, our clients, and the community.*

**We abide** by the highest ethical standards by adhering to the professional ethics and standards of the auditing profession. We have the resolve to inform our stakeholders how public funds are put to public use by those holding responsibility to administer public funds. We do so by conducting audits that provide information to decision makers about program operations with which to make informed decisions.

**We strive** to fulfill our mission by making tools available to management that they can use to improve operations. This is accomplished by conducting audits in an objective, impartial and unbiased manner and providing management with findings and recommendations for improvement.

**Our goal** is to institutionalize economy, efficiency, accountability and transparency in the operations, programs and activities of public institutions.

# I. Audits & Inspections

We are responsible for conducting, coordinating, and overseeing the audits of National and State Governments and their departments, agencies, and programs.

## A. Performance Audits <sup>1</sup>

During the reporting period January 1, 2023-December 31, 2023, the OPA conducted and issued three (3) Performance Audits as follows:

### 1. Workforce Investment and Opportunity Act (WIOA)

In 2020, the WIOA received U.S. Cares Act funding in connection with the COVID-19 Pandemic. Specifically, the ROP received Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) to mitigate the impact of COVID-19. The PUA and FPUC were administered by the WIOA. The OPA, convinced by mounting public concerns over the administration of the Pandemic Unemployment Assistance program by the WIOA Office, initiated an audit of the program. The audit was completed, and the report was issued on January 12, 2023, containing the following findings:

- Weaknesses in Internal Control
- Non-compliance with PUA and FPUC Eligibility Requirements
- Lack of Documentation to Support Benefits Calculation
- Miscalculation of PUA and FPUC Payouts
- Financial Management Information System
- PUA Records and Documentation

### 2. Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP)

The Government of Japan provides developmental financial assistance for various grassroots projects through the Embassy of Japan in the ROP. The terms and conditions of the grant require, among other requirements, the OPA to audit the grant after completion of the project. The OPA has been providing the service for the past many years out of the concern that the assistance may be terminated if audits are not completed, as communicated to the OPA by the Japan Embassy. During the reporting period, the OPA completed and issued two GGP audit reports on November 14, 2023, with **no audit findings** as follows:

- a. Ministry of Education – The Project for Facilitating Hand Wash Stations to Schools in Koror and Airai States
- b. Ministry of Education – The Project for Facilitating Hand Wash Stations to Schools in Babeldaob and Outlying States.

## B. Financial Audits

The ROP also received various grant assistance from development partners for various development projects in the area of COVID-19-related projects, climate change, climate information, and others. When independent auditors or funding is not available, the Ministry of Finance requests the OPA to conduct the audit, which is required under grant terms and conditions. During the reporting period January 1, 2023-December 31, 2023, the OPA conducted and issued two (2) Financial Audits on two projects, with **no audit findings**, as set forth below:

1. Ministry of Finance – Enhancing Climate Information and Knowledge Services for Resilience in 5 Island Countries of the Pacific Ocean
2. Ministry of Finance – COVID-19 Emergency Response Project, ADB Grant 0727-PAL

---

<sup>1</sup> Please refer to Appendix 1 for types of audits and types of audit opinion rendered on Financial Audits.

### C. Financial Audits Oversight

We coordinated and conducted oversight on the single audit of the ROP National Government, 9 Component Units, 3 Agencies, and 16 State Governments. The primary activities surrounding coordinating and oversight are ensuring that entities provide records and documents to the auditors on a timely basis to facilitate the timely completion of audits. In addition, we mediate issues between the auditor and the auditee that can potentially delay the audit.

1. **The financial audits covered the national government as well as the following Component Units and Agencies, which were funded by a grant from the U.S. Department of Interior (USDOI):**

<b>National Government, Component Units and Agencies</b>	<b>FY2020 issued</b>	<b>FY2021 Issued</b>	<b>FY2022 issued</b>
<b>Funded by USDOI Grant</b>	<b>\$564,400</b>	<b>\$626,400</b>	<b>\$0.00</b>
ROP National Government	4/24/2023	Ongoing	
Belau Submarine Cable Corporation (BSCC)	2/19/2021	2/25/2022	4/11/2023
Civil Service Pension Plan (CSPP) (including GASB 68 - Audit on Unfunded Liability)	7/25/2022 GASB 7/6/2021	Ongoing GASB 9/13/2022	
National Development Bank of Palau (NDBP)	7/27/2022	10/20/2022	Ongoing
Palau Community Action Agency (PCAA)	12/30/2021	Ongoing	
Palau Community College (PCC)	9/27/2021	6/28/2022	6/28/2023
Palau District Housing Authority (PHA)	6/20/2022	Ongoing	
Palau International Coral Reef Center (PICRC)	2/24/2022	7/16/2023	Ongoing
Palau National Communications Corporation (PNCC)	7/30/2021	2/3/2023	Ongoing
Palau Visitor's Authority (PVA)	9/20/2021	Ongoing	
Protected Areas Network Fund (PANF)	9/20/2021	11/10/2022	Ongoing
Palau Public Utilities Corporation (PPUC)	10/26/2021	12/19/2022	Ongoing
Social Security Administration (SS)	6/27/2022	Ongoing	

- a. The following are the results of financial audits issued in 2023:

- National Government Single Audit for FY 2021:

As of the report date of this Annual Report, the Single Audit of the ROP for FY 2021 is still ongoing and is anticipated for completion on or before June 30, 2024.

- National Government Single Audit for FY 2020:

Types of Opinion: Two (2) opinions are rendered on the Single Audit of the ROP for FY 2020: (1) an opinion on the fairness of financial statements presentation and (2) an opinion on Compliance for Each Major Federal Program. The opinions rendered for FY 2020 are explained below:

Report on the Financial Statements: ROP National Government received an unmodified ("clean") opinion on the report on its financial statements for the Fiscal Year ended September 30, 2020

Report on Compliance for Each Major Federal Program: On the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, the ROP received an Unmodified Opinion on Each Major Federal Programs.

Findings: The Independent Auditors' Reports on Internal Control and on Compliance identified one (1) material weakness (Finding 2020-003) in Internal Control over financial reporting and three (3) significant deficiencies (Findings 2020-001, 2020-002, and 2020-004) in internal control over compliance. The report contained six (6) Findings, including the 4 previously mentioned.



Questioned Cost<sup>2</sup> : The Fiscal Year 2020 Single Audit reported total cumulative unresolved Questioned Cost of \$512,429 at September 30, 2020.

- PICRC for FY 2021:

Type of Opinion: Received an unmodified (“clean”) opinion on the report on the financial statements. Independent auditors identified a material weakness on internal control over financial reporting and found no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards (GAS).

Number of Findings: 1

- PNCC for FY 2021:

Type of Opinion: Received an unmodified (“clean”) opinion on the report on the financial statement. Independent auditors identified a material weakness on internal control over financial reporting and found no instances of noncompliance or other matters that are required to be reported under GAS.

Number of Findings: 1

- BSCC for FY 2022:

Type of Opinion: Received an unmodified (“clean”) opinion on its financial statements. Independent Auditors did not identify any deficiencies in internal control that they consider to be material weakness. Independent auditors also found no instances of noncompliance or other matters that are required to be reported under GAS.

Number of Findings: 0

- PCC for FY 2022:

Type of Opinion: Received an unmodified (“clean”) opinion on its financial statements and an unmodified opinion on the Report on Compliance for Each Major Federal Program. Independent Auditors did not identify any deficiencies in internal control that they consider to be material weakness. Independent Auditors also found no instances of noncompliance or other matters that are required to be reported under GAS.

Number of Findings: 0

---

<sup>2</sup> Questioned Costs are expenditures questioned by the auditor due to lack of supporting documents such as invoices, contracts, bid documents, etc. To resolve questioned costs, management must provide appropriate supporting documents to justify expenditures.

2. **State Government Audits: The Table below shows the status of State Government audits for FY 2016 and 2017 and 2018 and 2019:**

<b>State Governments</b>	<b>FY 2016-2017</b>	<b>FY 2018-2019</b>
	Issued	Issued
Funded by annual Appropriations by the National Congress		
Aimeliik	5/18/2020	Ongoing
Airai*	12/19/2019	4/21/2023
Angaur	3/3/2020	Ongoing
Hatohebei	1/9/2020	6/8/2021
Kayangel	6/25/2020	Ongoing
Koror* CY2016	10/23/2019	Ongoing
Melekeok	3/11/2020	Ongoing
Ngaraard	1/24/2020	4/15/2023
Ngarchelong	2/10/2021	Ongoing
Ngardmau	Ongoing	Ongoing
Ngatpang	4/15/2020	Ongoing
Ngeremlengui	Ongoing	Ongoing
Ngchesar	3/11/2020	Ongoing
Ngiwal	6/15/2020	Ongoing
Peleliu	11/13/2023	Ongoing
Sonsorol	4/23/2020	4/12/2023
*Audit period follows Calendar Year (CY)		

a. State Governments had the following results for financial audits issued in 2023:

- **Peleliu State Government for FY 2016-2017:** Received a disclaimer opinion on its report on the financial statements due to inadequacies in the State’s accounting records. Independent Auditors identified one material weakness on internal control over financial reporting for FY 2016. In addition, Independent Auditors identified one material weakness on internal control over financial reporting for FY 2017.
- **Airai State Government for CY 2018 - 2019:** Received an unmodified (“clean”) opinion on its report on the financial statements. Independent Auditors identified three material weaknesses on internal control over financial reporting.
- **Ngaraard State Government for FY 2018-2019:** Received a disclaimer opinion on its report on the financial statements due to Independent Auditors not able to obtain written representations from Ngaraard State Government management as required by GAS. Independent Auditors identified three material weaknesses on internal controls over financial reporting and disclosed one instance of noncompliance or other matters that are required to be reported under GAS.
- **Sonsorol State Government for FY 2018-2019:** Received an unmodified (“clean”) opinion on its report on the financial statements. Independent Auditors identified seven material weaknesses on internal control over financial reporting and disclosed five instances of noncompliance or other matters that are required to be reported under GAS.

### 3. Setbacks on outsourced financial audits

The financial audits of the National Government, Component Units and Agencies, and State Governments experienced setbacks (delays) for the following reasons:

- **COVID-19:** All audits were delayed by the impact of COVID-19 due to the lockdown of Palau's port of entry prohibiting incoming and outgoing flights. As a result, the lockdown prevented auditors from conducting audits on-site, compelling auditors and entities to use other methods to conduct the audits. Accordingly, online auditing was introduced as the new concept and methodology for conducting audits. Online auditing became an administrative burden as it required staff to upload and download volumes of documents, not to mention the back-and-forth emails between the auditors and auditees to address contentious issues and the speed of the internet. The lockdown delayed the audit of the ROP, Component Units and Agencies, and State Governments. The online audit was especially challenging for State Governments due to the speed of internet, support equipment, and undigitized documents and records.
- **New Financial Management Information System:** In addition, the above delay was subsequently aggravated by the switching of the Financial Management Information System (FMIS) by the National Treasury. The National Treasury purchased a new FMIS in 2020, which required training, migration of data from the old system to the new one, and an extensive reconciliation and verification process to ensure the integrity of data transfer. The process took some time, which further delayed the 2020 audit, spilling into the 2021 audit.
- **Closure of Accounting Firm:** The delay of audits of the National Government, Component Units and Agencies, and State Governments was further exacerbated by the closure of Deloitte & Touche (DT) operations in the Micronesia region. DT was earlier awarded audits of the National Government, a select number of Component Units and Agencies, and State Governments. Consequently, the closure of DT required re-bidding and re-awarding the affected audits, restarting the process at the beginning, thereby further delaying the audits.
- **Shortage of Independent Auditors:** The situation (prolonged delay) was further complicated by the lack of independent CPA firms or proprietors to engage in doing the audits. For the 2021 audits, only one (1) firm submitted a bid for the ROP audit, and two (2) firms submitted bids for the Component Units Audits. Two (2) firms submitted bids to complete the FY 2018 and 2019 State Government audits, but only one (1) was awarded the project because the bid for the other firm was unusually high, such that it would have exceeded the budget. The primary reason for the delay of State Government audits is that the firms conducting the State audits are the same firms performing the National Government, Component Units and Independent Agencies. Hence, when the national-level audits are taking place, State audits are put aside to allow the auditors to complete the National Government, Component Units and Independent Agencies.

### 4. Probable Solution to Eliminate Backlog State audits

Considering the backlog of State audits, FY 2018 and 2019 audits currently ongoing, the OPA is recruiting other Certified Public Accounting (CPA) firms to bid on State audits, allowing the OPA to contract firms that will focus only on State audits and eventually bring the audits to current state.

# II. Other Duties & Responsibilities

The following legislations mandate additional duties and responsibilities of the OPA:

## A. Code of Ethics Act (RPPL 5-32) - Audits of Financial Disclosure Statements

To conduct audits of campaign statements of candidates for the Offices of the President and Vice President of the Republic and random audits of other campaign statements filed under this chapter.

Audits of financial disclosure statements are a critical part of the Code of Ethics Act as it ensures that candidates who run for public office are filing the required financial disclosures and, more importantly, are properly reporting financial contributions and expenses of their election campaigns and account(s) from which a campaign is funded and administered.

The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

## B. Budget Reform Act of 2001 (RPPL 6-11) – Attestation Audits of Performance Reports

It is the OPA’s position that Attestation Audits are a critical component of this law as they verify the credibility, accuracy, and reliability of an agency’s performance report, data collection and measurement methodologies. Without attestation audits, the leadership and relevant stakeholders cannot reasonably gauge the performance of an agency, or determine the credibility, accuracy and reliability of data collection and measurement methodologies.

The OPA has not conducted these audits since the enactment of the law due to lack of manpower.

## C. Board of Accountancy (RPPL 3-71)

The Public Auditor serves as Chairman of the Palau Board of Accountancy (PBOA or Board), which is responsible for regulating and overseeing the practice of accountancy in the Republic. The PBOA regulates and oversees the practice by screening applications, licensing qualified practitioners, and issuing permits to those individuals and firms that meet the statute’s qualification requirements to practice accountancy in the ROP.

The PBOA administers a critical function in ensuring the integrity of the practice of public accountancy in the Republic. The Board serves a critical role in ensuring that those licensed to practice meet qualifications requirements and, in doing so, assures the quality of audits and other financial services offered in the Republic. Without it, certified public accountants or accounting firms cannot practice or conduct audits and related assurance services without the requisite licenses and permits issued by the Board.

The Board receives no appropriations to fund its operations; thus, the OPA absorbs all of the Boards’ administrative costs.

*In calendar year 2023, the board issued a total of 10 permits to 3 Accounting Firms and 8 Certified Public Accountants and collected and deposited \$900 into the National Treasury therewith.*

CPA Firm	Payment	Permit
Burger, Comer, Magliari	\$100.00	F23-01
Ernst & Young LLP	\$100.00	F23-02
Deloitte & Touche	\$100.00	F23-03
CPA Individual	Payment	Permit
David J. Burger	\$50.00	23-01
John R. Onedera	\$50.00	23-02
James N. Whitt	\$50.00	23-03
Edmund E. Brobesong	\$50.00	23-04
Rizalito Gino F. Paglingayen	\$150.00	23-05
Daniel S. Fitzgerald	\$50.00	23-06
Lee Vensel	\$50.00	23-07
Wei-Li Tung	\$150.00	23-08

# III. Non-Audit Services

## A. Comments on Proposed Bill

Occasionally, the National Congress solicits the Public Auditor’s comments on a proposed Bill, which the Public Auditor accommodates, as appropriate, when the subject matter raises issues to which he has knowledge of.

## B. Advisory and Technical Assistance Services to Government and Agencies on Procurement, Accounting Procedures, and Financial Management

The OPA also provides advisory services to various government entities and state governments when technical issues arise that cause confusion on how to treat or resolve the issues. Often, the issues relate to procurement, accounting treatment, audits, ethics, and other issues.

In addition, the OPA also provides assistance to the Ministry of Finance in preparing the Request for Proposal and related specifications for the annual Single Audit of the Republic of Palau.

## C. Local Governance Strengthening Project

The ROP-funded project is administered by the Ministry of State, Bureau of Domestic Affairs, in partnership with the OPA. The capacity-building program focuses on State Governments’ Public Financial Management Systems and complementary Financial Management Information Systems (FMIS). The objective of the project is to develop Standard Operating Procedures (SOP) to support a uniform financial management information system that, in turn, supports and sustains a viable public financial management system. The FMIS is designed to ensure that finance staff follows standard operating procedures for capturing financial transactions, processing, recording, verifying, and preparation and fair presentation of financial statements. The system and related procedures would support the preparation of timely and accurate financial statements and the maintenance of essential audit trails and supporting documents to support an audit. We also assist by conducting Clinics for States’ Leadership on the importance of public financial management system, the FMIS, standard operating procedures, and the applicability and implications of the Rules and Regulations of Financial Accountability and Financial Audit for State Governments<sup>3</sup>. We work on a one-on-one basis with each State Government to implement the SOP through the QuickBooks automated accounting system and other components to influence a uniform financial management system.

## D. Assistance to State Governments

We also provide assistance to State Governments in preparation for their annual financial audits and advisory services in the area of procurement, budgeting, personnel and other matters.

## E. Internship and Hosting Services to Schools

The OPA is registered by the Palau National Scholarship Board as a qualified agency to provide accounting and auditing internships to college students who require a practicum as part of their studies. From time to time, the OPA participates in High Schools practical employment programs whereby we host students interested in auditing or accounting professions (job shadow). The OPA routinely conducts employment recruitment visits with Palauan accounting and business students at the University of Guam.



<sup>3</sup> The regulations that we issued in accordance with RPPL 9-9.

# IV. Standards/Compliance

## A. Quality of OPA’s Work and Compliance with Standards

The Public Auditing Act requires the OPA to comply with U.S. Generally Accepted Government Auditing Standards (GAGAS) and accounting principles generally accepted in the United States of America in conducting its audits. The OPA follows these standards and its Audit Manual is designed to follow the same.

## B. Peer Review

The office undergoes an External Quality Control Review (Peer Review) every three (3) years as required under GAGAS. The purpose of the Peer Review is to assess the system of internal quality control to determine compliance with GAGAS.

The OPA received a rating of “Full Compliance” in its peer review report dated March 2023. As a consequence of the COVID-19 outbreak, the peer review schedule saw significant delays, resulting in back-to-back peer reviews in 2023 and again in 2024.

## C. Training and Professional Development

The OPA is committed to promoting the professional development of audit staff. We do so by providing capacity-building opportunities to enhance their skills, improve performances, and maintain Continuing Professional Education (CPE) in good standing as required by GAGAS. We also provide support in Professional Certification Programs and higher education.

# The Achievements of OPA Future Leaders .....

<p><b>MABEL, Reggie Jay</b> Junior Auditor 9 years</p>  <ul style="list-style-type: none"><li>GRADUATE of Graduate School USA Executive Leadership Development Program</li></ul>	<p><b>MECHOL, Dilrae Ucherriang</b> Junior Auditor 5 years</p>  <ul style="list-style-type: none"><li>Master's Degree in Project Management</li><li>Certified Fraud Examiner</li><li>INTOSAI-IDI PESA-P SAI Certified Performance Auditors</li><li>Selected as INTOSAI-IDI PESA-P Founding Member</li></ul>	<p><b>CHIN, Sumch Ramona</b> Junior Auditor 2 years</p>  <ul style="list-style-type: none"><li>INTOSAI-IDI PESA-P SAI Certified Performance Auditors</li></ul>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

# V. Capacity Building

Professional development is an ongoing and unrelenting effort to ensure that staff maintains their proficiency in the field of auditing and the standards and other requirements that apply to the profession. In addition, the auditors must stay up-to-date with technological developments (tools) in the field of auditing. Accordingly, training is an indispensable part of operations to make sure that professional staff meets the minimum requirements of CPE to maintain their eligibility to conduct audits in accordance with U.S. GAS. The OPA benefits through its affiliations and membership with regional and international professional bodies and development partners, as explained below:

## A. International Organization of Supreme Audit Institutions Development Initiative (INTOSAI-IDI)

Professional Education for SAI Auditors Program: Certified two (2) OPA Junior Auditors as “IDI SAI CERTIFIED PERFORMANCE AUDITORS” and funded one (1) Junior Auditor to the Global Summit Learning Circle in London as a founding member.



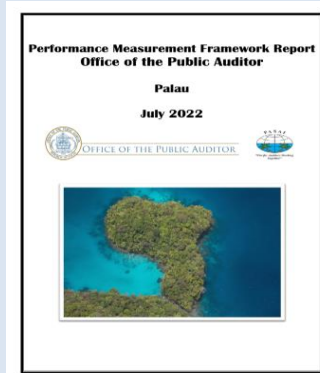
## B. Pacific Association of Supreme Audit (PASAI)

As one of the regional bodies of INTOSAI, PASAI offers capacity-building programs and projects to help improve and strengthen audit services provided by each regional SAI and to bring the quality of audits to uniform high standards in the Pacific.

### 1. SAI Performance Measurement Framework

SAI PMF is a performance measurement framework specifically developed to assess the performance of a SAI. The Endorsement version of the tool was formally approved as an official INTOSAI tool at the INTOSAI Congress in Abu Dhabi December 2016. The Congress brought a strengthened focus on the professionalization of public external audits where the SAI PMF is seen as one important component. The PASAI Governing Board also endorsed the adoption by its member SAIs of the SAI PMF tool, which led to the SAI PMF regional initiative in the Pacific region.

PASAI facilitates the conduct of Performance Measurement Framework (PMF) assessment and hires consultants to assist SAI offices in formulating policies and procedures to strengthen weaknesses identified in the assessment.



Annex 1: Performance Indicator Summary

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
<b>Domain A SAI Independence and Legal Framework</b>						
SAI-1	Independence of the SAI	3	4	3	4	3
SAI-2	Mandate of the SAI	4	4	4		4
<b>Domain B Internal Governance and Ethics</b>						
SAI-3	Strategic Planning Cycle	0	0	0	1	0
SAI-4	Organisational Control Environment	0	0	0	0	0
SAI-5	Outsourced Audits	1	1	1		1
SAI-6	Leadership and Internal Communication	1	1			1
SAI-7	Overall Audit Planning	0	0			0
<b>Domain C Audit Quality and Reporting</b>						
SAI-8	Audit Coverage	1	1	0	N/A	1
SAI-9	Financial Audit Standards and Quality Management	4	0	0		1
SAI-10	Financial Audit Process	0	0	0		0
SAI-11	Financial Audit Results	2	0	0		1
SAI-12	Performance Audit Standards and Quality Management	4	3	3		3
SAI-13	Performance Audit Process	2	3	3		3
SAI-14	Performance Audit Results	0	1	0		0
SAI-15	Compliance Audit Standards and Quality Management	2	1	3		2
SAI-16	Compliance Audit Process	2	3	2		2
SAI-17	Compliance Audit Results	2	1	0		1
SAI-18	Jurisdictional Control Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-19	Jurisdictional Control Process	N/A	N/A	N/A	N/A	N/A
SAI-20	Results of Jurisdictional Controls	N/A	N/A	N/A		N/A
<b>Domain D Financial Management, Assets, and Support Services</b>						
SAI-21	Financial Management, Assets, and Support Services	2	1	3		2
<b>Domain E Human Resources and Training</b>						
SAI-22	Human Resource Management	2	0	0	0	0
SAI-23	Professional Development and Training	0	0	0	0	0
<b>Domain F Communication and Stakeholder Management</b>						
SAI-24	Communication with the Legislature, Executive and Judiciary	1	1	1	0	1
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	0	1			0

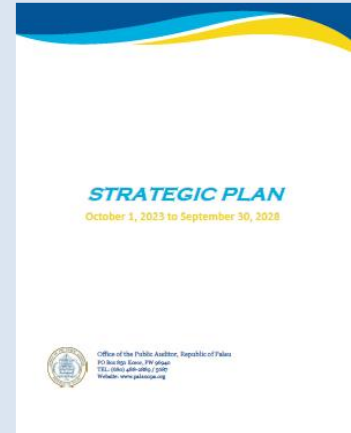
As a result of the Palau SAI PMF assessment, PASAI provided capacity development workshops as follows to mitigate the weaknesses and risks identified:

- a. SAI Enhancing Strategic Management Capabilities: To develop and adopt a Strategic Plan

This is our first comprehensive Strategic Plan, which will guide us to prioritize our resources and efforts to:

- **Improve Audit Quality**
- **Establish Human Resource Management**
- **Enhance Financial Independence**
- **Build Relationships with External Stakeholders**

*“We express our utmost gratitude to PASAI and our dedicated internal and external stakeholders for their contributions and assistance. Their engagement in the making of our Strategic Plan provided essential insights to guide us in its implementation.”*



OPA participated in the Strategic Plan Workshop in Guam conducted by PASAI Consultant Pritom Phookun. (March 2023)



Following the Strategic Plan Workshop, OPA consulted with various External Stakeholders to discover what they expect OPA to achieve and how they can support us in achieving those expectations at West Plaza Hotel at Lebuu Street. (July 2023)

- b. Communications Strategy: Following the adoption of the Strategic Plan in 2023, PASAI offered OPA the opportunity to develop its Communication Strategy. The purpose of a communications strategy is to develop a process to enhance the OPA's communication with its stakeholders, i.e., the Executive Branch, Olbiil Era Kelulau, State Governments, citizens, media, etc. The OPA, in collaboration with PASAI, launched the Communication Strategy Project in December 2023 and is projected to be completed in June 2024.
- c. Information Technology (IT) Policy: The program aimed to strengthen IT policies, processes and standards to support existing IT infrastructure and ensure the security of their information against potential cyber risks.
- d. Government Auditing Standards: Review and Update: With funding support from PASAI, Drummond Khan and the Graduate School USA Pacific Islands Training Initiative-Virgin Islands Training Initiative (GSUSA) team delivered a two-day 8 hours virtual course to PASAI member offices following these standards. Participants discussed the structure of the recent revision of the standards and major changes, focusing on the sections applicable to performance audits.



**C. Association of Pacific Islands Public Auditors (APIPA)** was formed in January 1988 through a Memorandum of Understanding (MOU) that was executed by the heads of the audit organizations of five Pacific Island nations. APIPA was formed to achieve the following objectives:

- To establish an organized body to act as one voice in support of the goal of promoting efficiency and accountability in the use of public resources of emerging nations of the Pacific;
- To provide a forum for the exchange of ideas, experience, problems, and the identification of solutions which are often unique to the Public Auditors in the Pacific;
- Sponsor auditing and accounting training workshops, in cooperation with established associations of the staff of member offices;
- Identify scholarship sources for Pacific Islanders in need of financial assistance to study auditing and accounting at the post secondary level;
- and Promote public awareness for the purposes of conducting audits of public resources.

In partnership with **GSUSA** and financial assistance from the USDOJ's Office of Insular Affairs (OIA):

1. **Annual APIPA Conference and Workshop:** The APIPA and GSUSA, working together with the host Public Auditor's office, organize and sponsor **Annual Conferences**, which deliver 40 hours of CPE courses in Audit, Finance, and Grants Management to the U.S.-affiliated Insular Area governments.



2. **Peer Reviews:** The APIPA also organizes and coordinates, through a grant from the OIA, Peer Reviews of the member offices, which is required under GAS. The OPA undergoes an external quality control review (Peer Review) once every three years. The purpose of the Peer Review is to assess the OPA's system of quality control to determine its compliance with GAGAS. *See Section IV. Standards/Compliance for OPA's result.*

3. **Assessing Controls for Government Employee Workshop:** On February 24-25, 2023, Drummond Khan conducted a two-day in-person workshop exploring the relationship of controls to risk and to processes and systems, the prerequisites for good controls, and techniques for assessing the design and implementation of controls. The 2018 Yellow Book Standards now require assessing risks and controls in performance audits.



- 4. **Executive Leadership Development Program:** Funded by the USDOJ's OIA, the program is organized by the GSUSA. The program aims to foster the growth and development of future leaders in Insular governments by conducting training in leadership skills. In 2023, Mr. Reggie Mabel successfully completed the program.



#### D. The Office of Inspector General (OIG)

The OPA is also grateful for the training and assistance it receives from the USDOJ OIG. The OIG also, from time to time, provides on-site training to the OPA. The OPA also reaches out to the OIG for assistance on matters involving technical expertise which the OPA may not have in-house.

#### E. Other Training and Development Programs with other affiliated partners:

- 1. **United Nations Office of Drugs and Crime (UNODC) Training on Anti-Corruption**
- 2. **United Nations Development Program (UNDP) Seminar on Harnessing Effective Audit Recommendation Tracking in the Pacific**



# VI. Activities/Events

## A. 24th Annual Congress of PASAI



PASAI held its 24<sup>th</sup> Annual Congress in Koror, Palau from 28 February to 3 March 2023. The Office of the Public Auditor of the Republic of Palau hosted the Congress. The theme for the Congress was “Looking to the future.”

Representatives of 22 PASA-member countries attended the Congress, including the audit offices of the Australian National Audit Office, Australian Capital Territory (Australia), New South Wales (Australia), Western Australia (Australia), the Cook Islands, the Federated States of Micronesia (FSM) National, FSM Pohnpei, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.



Other affiliated organizations and development partners participated including the Brazilian Federal Court of Accounts (Chair of INTOSAI), the Ministry of Foreign Affairs of Brazil, the Government Accountability Office USA, the INTOSAI Development Initiative (IDI), the International Journal of Government Auditing, the Australian Department of Foreign Affairs and Trade (DFAT), the United Nations Development Programme Pacific (UNDP) Office, Graduate School USA, the Minister of Finance of Palau, and Beasley Intercultural. Read more at [www.pasai.org](http://www.pasai.org)

## B. International Anti-Corruption Day



The OPA sponsored a Public Awareness on Anti-Corruption in collaboration with UNCAC 's "Uniting the World Against Corruption" during the International Anti-Corruption Day, December 9, 2023, themed "Dolekebai Omengederbas." The event was jointly sponsored by the U.N. International Organization for Migration, Palau office, and focused mainly on the younger generation's understanding of Corruption, which featured an essay contest, talk show, and speeches by Palau's leadership and other coalition partners.



# Appendix 1

Types of Audits	
<b>Performance Audit</b>	Performance Audits are driven by the objective(s) of the audit, whether they are compliance with laws and regulations, economy and efficiency of operations, or achieving desired results.
<b>Financial Audit</b>	Financial Audits assess whether entities reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria. A single audit combines the annual financial statement audit with additional audit coverage of Federal funds. The single audit is intended to meet the basic audit needs of both the non-U.S. Federal entity and Federal awarding agencies.
<b>Attestation Audit</b>	Attestation Audits measure or evaluate a subject matter or an assertion by a party other than the auditor in accordance with suitable criteria.

## Types of Financial Audit Opinion

The infographic details four types of financial audit opinions:

- Unmodified opinion (Clean opinion):** Represented by a thumbs-up icon. A box labeled 'FINANCIAL STATEMENTS' with a 'CORRECT' sticker states: 'Financial statements are free from any material errors and omissions'.
- Modified opinion:** Represented by a thumbs-up icon with a speech bubble. A box labeled 'FINANCIAL STATEMENTS' with a 'FAIRLY PRESENTED' sticker states: 'There are some major exceptions to the accounting rules but, overall, financial statements are fairly presented'.
- Adverse opinion:** Represented by a thumbs-down icon. A box labeled 'FINANCIAL STATEMENTS' with a 'WRONG' sticker states: 'There are material and pervasive issues in the financial reports' and 'Financial statements are misrepresented or misstated'.
- Disclaimer of opinion:** Represented by a speech bubble icon. A box labeled 'FINANCIAL STATEMENTS' with an 'INSUFFICIENT EVIDENCE' sticker states: 'Auditors are unable to express an opinion'.

# Report Fraud and Corruption:

OFFICE OF THE PUBLIC AUDITOR REPUBLIC OF PALAU

P. O. BOX 850 KOROR, REPUBLIC OF PALAU 96940

Ground Floor

Orakiruu Professional Building

Madalaii, Koror, Republic of Palau

TELEPHONE NOS: (680) 488-2889/5687

FACSIMILE NO: (680) 488-2194

WEBSITE ADDRESS: [www.palauopa.org](http://www.palauopa.org)

E-MAIL ADDRESS: [fraud@palauopa.org](mailto:fraud@palauopa.org)  
[admin@palauopa.org](mailto:admin@palauopa.org)

MONDAY THRU FRIDAY

7:30 a.m. - 4:30 p.m.

(Closed on Legal Holidays)