



**OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU**

AUDIT REPORT

ON

**ASIAN DEVELOPMENT BANK
ASIA PACIFIC DISASTER RESPONSE FUND GRANT**

REPUBLIC OF PALAU

DECEMBER 20, 2013 TO JANUARY 30, 2015

Performed by the Office of the Public Auditor

MOF-ADB-APDRFG14-15P01*opa00



REPUBLIC OF PALAU

Office of the Public Auditor

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October 9, 2015
Serial#: opa16-004au

Honorable Elbuchel Sadang
Minister
Ministry of Finance
Koror, Republic of Palau

Subject: Final Report on the Audit of ADB's Asia Pacific Disaster Response Fund Grant

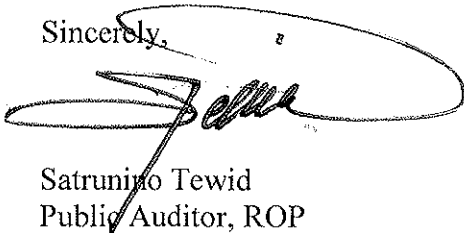
Dear Minister Sadang:

Transmitted herewith is the final audit report on the ADB's Asia Pacific Disaster Response Fund Grant.

The Office of the Public Auditor (OPA) received your response to the Draft Audit Report. The response is published in its entirety in the final report.

If you have any questions regarding the report or subject matters discussed therein, the OPA will be available to discuss them at your request.

Sincerely,



Satrunio Tewid
Public Auditor, ROP



Office of the Public Auditor

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SAI Auditor's Report

October 9, 2015

Honorable Elbuchel Sadang
Minister of Finance
Ministry of Finance
P. O. Box 6011
Koror, Republic of Palau 96940

RE: Final Audit Report on the Audit of ADB's APDRF Grant

Dear Minister Sadang:

We have performed an audit of the Asian Development Bank's (ADB) Asia Pacific Disaster Response Fund (APDRF) Grant for the period covering December 20, 2013 to January 30, 2015. The ADB's APDRF financing was memorialized in a Grant Agreement between the Republic of Palau (Recipient) and the Asian Development Bank (Grantor), dated December 20, 2013.

Background

In the aftermath of the devastation brought upon the Republic of Palau by Super Typhoon Haiyan in November 2013, the Republic of Palau submitted a letter of request, dated November 08, 2013, to the ADB to request financial assistance through the ADB's Asia Pacific Disaster Response Fund. The ADB in a letter dated December 19, 2013 approved an allocation of \$200,000 on a grant basis for a Project consisting of activities relating to the provision of life preserving services for communities affected by Super Typhoon Haiyan. The financing was formalized in a Grant Agreement dated December 20, 2013.

Objective, Scope and Methodology

The objective of the audit was to determine whether the Recipient administered the Grant in accordance with the Terms and Conditions of the Grant Agreement and related Grant Regulations.

The audit covered the period from December 20, 2013 to January 30, 2015.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objective we reviewed the Grant Agreement, the Grant Regulations, and ADB's Loan Disbursement Handbook. We also examined the Statement of Expenditures (SOE) submitted by the Recipient to the ADB as required by the Grant Agreement. In reviewing the SOE, we verified the expenditures to invoices and related supporting documents. We also observed that the pre-fabricated homes were constructed and the telecommunications system was restored in Kayangel. Additionally, we conducted audit procedures to verify the legitimacy of the expenditures and the period of their occurrence.

Based on our audit, the Office of the Public Auditor was able to determine the following events and activities relating to the administration of the Grant funds:

Imprest Account

The Recipient did establish immediately after the Effective Date of the Grant Agreement an Imprest Account with the central Bank of the Recipient or a commercial bank acceptable to the ADB.

Withdrawal Application

The Recipient did submit to ADB, immediately upon signing of the Grant Agreement, a Withdrawal Application approved by the ADB.

Declaration of National State of Emergency

To provide for immediate and expedited response to the National Emergency, the President of the Republic of Palau on November 08, 2013, declared a National State of Emergency, with concurrence from the Palau Congress, invoking the use of emergency procurement in accordance with the Republic of Palau Procurement Law and Regulations.

Statement of Expenditures

The Recipient did submit a Statement of Expenditures (SOE) promptly after the Grant Closing Date to liquidate the advance provided into the imprest account.

Project Expenditures

Based on our audit of the Project Expenditures, the Recipient expended the Grant funds as follows:

Transportation of Pre-fabricated shelters	USD	88,926.10
Demurrage Charges for Pre-fabricated shelters	USD	679.81
Communications Services Restoration	USD	<u>110,350.00</u>
Total	USD	<u>199,955.91</u>

The expenditures itemized above were verified to actual payments, invoices and related supporting documents.

Period Expenditures were incurred

The expenditures itemized above were verified to invoices and related supporting documents and confirmed to have been incurred during the period that the Grant Agreement was in full force and effect, before the Grant Closing Date.

Project Expenditures Relate to Description of Project

The expenditures itemized above were verified to invoices and confirmed to be consistent to the Description of the Project consisting of activities relating to the provision of life preserving services for the communities affected by Super Typhoon Haiyan. The expenditures itemized in the Statement of Expenditures (SOE) were incurred for the following activities:

Transport of Temporary Shelters

The expenditure was for the transport of pre-fabricated homes by sea from Koror to Kayangel, the island most devastated by the Typhoon, for construction of temporary homes for the island residents.

Demurrage Charges

The expenditure was for demurrage charges in connection with the loading of the pre-fabricated structures at the Palau seaport.

Communication Services Restoration

The expenditure was to reimburse the government-owned telecommunications company for work performed to restore telecommunications in the remote island of Kayangel to enable communication during relief and recovery effort. Although the payment was made on January 8, 2015, the company had invoiced the government, invoice # 28856, on May 30, 2014.

Conclusion

Based on our audit of the ADB's APDRF Grant, the Office of the Public Auditor concludes that the Republic of Palau administered the grant in accordance with the Terms and Conditions of the Grant Agreement and related Grant Regulations and the Grant was expended in accordance with Description of the Project attached as Schedule 1 to the Grant Agreement.

The Office of the Public Auditor would like to thank the staff and management of the Ministry of Finance for their professional courtesy and cooperation extended to us during the audit.

Sincerely,



Satrunjio Tewid
Public Auditor
Office of the Public Auditor/Supreme Audit Institution
Republic of Palau

Ministry of Finance's Response: *I am in receipt of your draft Audit Report (received 07 October 2015) on the ROP government's expenditures related to the Asian Development Bank Grant (APDRF) that was extended to Palau following Typhoon Haiyan's wreckage on Palau.*

We are in agreement with your overall findings and are of the view that the ROP did utilize the grant proceeds in compliance with the Terms and Conditions of the Grant Agreement and other related governing instruments that were provided by the Asian Development Bank.

I wish to express our gratitude for your diligent efforts and assure you of the commitment of the Ministry of Finance toward the importance of sound financial management of both its resources and its development partners' assistance to the government of Palau.



**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO:**

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**MONDAY THRU FRIDAY
7:30 a.m. - 4:30 p.m.**

(Closed on Legal Holidays)