



# OFFICE OF THE PUBLIC AUDITOR REPUBLIC OF PALAU

# PERFORMANCE AUDIT REPORT



On

JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS HUMAN SECURITY PROJECT

For

"THE PROJECT FOR RENOVATION OF NGARDMAU ELEMENTARY SCHOOL BUILDINGS"



# NGARDMAU ELEMENTARY SCHOOL

MINISTRY OF EDUCATION

For the Period of March 16, 2023 through April 02, 2024

Performed by the Office of the Public Auditor

Report Number: 2025-003



#### REPUBLIC OF PALAU



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April 29, 2025 Serial#: opa25-082au

Mr. Raynold Mechol Director of Schools Operations Ministry of Education Koror, Republic of Palau

Subject:

Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Renovation of Ngardmau Elementary School Buildings"

Dear Director Mechol:

This report presents the results of our audit of Japan's Grant Assistance for "The Project for Renovation of Ngardmau Elementary School Buildings".

We received your response to the Draft Audit Report and have published it verbatim in the final report.

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

Sincerely,

Satrunino Tewid
Acting Public Auditor

# Japan's Grant Assistance for Grassroots Human Security Project for "The Project for Renovation of Ngardmau Elementary School Buildings"

# NGARDMAU ELEMENTARY SCHOOL MINISTRY OF EDUCATION

For the Period of March 16, 2023, through April 02, 2024

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April 29, 2025

Mr. Raynold Mechol Director of School Operations Ministry of Education Koror, Republic of Palau

Dear Director Mechol:

At your request, on behalf of Ngardmau Elementary School (NES), the Office of the Public Auditor initiated an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP) for "The Project for the Renovation of Ngardmau Elementary School Buildings." The Embassy of Japan in the Republic of Palau awarded the sum of \$140,499.00 to NES for the renovation of school buildings pursuant to a Grant Contract executed between the Embassy of Japan and NES on March 16, 2023, as shown below:





Signing of the Grant Contract on March 16, 2023 Source: Embassy of Japan Website

The objective of the audit is to determine whether Ngardmau Elementary School 1) Administered the grant in compliance with the terms and conditions of the Grant Contract, 2) adhered to the GGP Procurement Guidelines in the execution of the project's procurement, and 3) properly recorded the fixed assets (improved buildings) into the Republic of Palau's accounting records.

The Office of the Public Auditor reviewed the administration of grant funds pertaining to the receipt and disbursement of funds, procurement procedures, reporting mechanisms, and other related requirements pursuant to the Grant Contract, Side Letter, and GGP procurement guidelines.

# Background

Ngardmau Elementary School (NES) is the only public elementary school in Ngardmau State, established in 1946. The school buildings had previously undergone minor renovations and general maintenance work; however, the cosmetic repairs and maintenance could not keep up with the rate of wear and tear, and eventually, the structures required major renovations. Despite being one of the smallest educational institutions in Palau, a safer learning and working environment was sought after by the administrators, teachers, and students. Therefore, in pursuit of major facilities improvements, on June 24, 2022, NES applied for the Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP) and was awarded the sum of \$140,499.00. Shown below are the general items and services that were procured with the GGP funding:

Item	Quantity
Renovation Work	1
Official Development Association Plaque	1

# Objective, Scope, and Methodology

The objective of the audit is to determine whether Ngardmau Elementary School 1) Administered the grant in compliance with the terms and conditions of the Grant Contract, 2) adhered to the GGP Procurement Guidelines in the execution of the project's procurement, and 3) properly recorded the fixed assets (renovated buildings) into the Republic of Palau's accounting records.

The scope of the audit covered the period from March 16, 2023 through April 02, 2024, as well as other period(s) as necessary.

The Government of Japan's Grant Assistance for Grassroots Human Security Project imposes and requires recipients to follow the GGP procurement policies; therefore, we did not assess compliance with the Republic of Palau's (ROP) procurement regulations. In addition, as the grant funds are required to be deposited into a separate bank controlled by the Donor, we did not assess compliance with the state or national treasury laws and regulations.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those 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.

Furthermore, the Public Auditing Act of 1985 empowers the Office of the Public Auditor to specifically act to prevent fraud, waste, and abuse in the collection and expenditure of public funds. The Public Auditor may make recommendations on the prevention and/or detection of fraud, waste, and abuse of public funds.

To accomplish our objectives, we reviewed records and documents maintained at the Ministry of Education (Bureau of Schools Operations), Division of Capital Improvement Project (Bureau of Public Works), and the Ministry of Finance (Bureau of National Treasury). The OPA also reviewed the Grant Contract, Side Letter, GGP Procurement Guidelines, and the Construction Agreement for the project. We also interviewed the school principal and conducted site visits to inspect the project.

#### **Grant Contract**

In accepting the GGP grant from the Embassy of Japan, Ngardmau Elementary School agreed to the following terms and conditions in the Grant Contract:

- A. To provide the Donor with an official receipt for the grant received;
- B. To provide the Donor with documents relevant to the Project, such as procurement contracts for products and/or services upon request by the Donor;
- C. To use the grant properly and exclusively for the purchase of such products and/or services necessary for the execution of the Project as enumerated in the Annex of the contract and not to use those products and/or services purchased with the grant for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor;
- D. That products/or services purchased under the grant shall not be used for military purposes;
- E. To provide the donor with the following reports on the progress of the Project:
  - 1) One (1) interim report to be provided within six months after the contract date
  - 2) One (1) project completion report (including an audit report on the grant issued by an independent accountant/accounting body) to be provided upon the completion of the Project (The above reports should outline achieved results in the light of the original goals and objectives as stated in the application proposal for the Project. The reports should include a clear accounting report of the allocation and disbursement of the grant.)
  - 3) Any other reports on the Project are to be provided upon request of the Donor, in accordance with the Donor's instructions;

- F. To complete the Project within one year after the contract date;
- G. To consult with and receive instructions from the donor in case the recipient wishes:
  - 1) To change how the grant is spent from the original plan in the application.
  - 2) To change the contents of the Project
  - 3) To suspend and/or terminate execution of the Project
  - 4) To extend the completion date of the Project;
- H. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;
- I. To bear all responsibilities for deaths, injuries, diseases, and any other damages to the members of the Recipient in the course of the execution of the Project, and that the Donor will not be responsible for anything that happens during the execution of the Project;
- J. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
- K. To recognize that the Donor reserves the right to claim a refund of a portion or the whole of the grant if:
  - 1) l. A part or the whole of the grant remains unused when the execution of the Project is suspended or terminated;
  - 2) 2. The Recipient breaches this contract; and
- L. That this contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

#### Side Letter

In addition to the Grant Contract, Ngardmau Elementary School also agreed to additional terms in a "Side Letter" of commitment with the Embassy of Japan, stipulating the following:

- 1. Ngardmau Elementary School will open an account with the Bank of Hawaii exclusively for the purpose of the aforementioned project.
- 2. Ngardmau Elementary School will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
- 3. Ngardmau Elementary School will shoulder any excess amount necessary to complete the project if the cost of the project exceeds the Government of Japan's grant.
- 4. Ngardmau Elementary School will be responsible for submitting an audit report on the grant issued by the Office of the Public Auditor to be provided upon completion of the project.
- 5. Ngardmau Elementary School will inform and consult the Embassy of Japan if any problems, including loss and damage, occur with he granted equipment and the building within 2 years after the completion of the project as part of follow-up.

- 6. Ngardmau Elementary School will assign the staff who will be in charge of the school building for cleaning and maintenance.
- 7. Ngardmau Elementary School will be responsible for the regular inspection/maintenance and the fee of the School Building, and keep the maintenance log.

# **Project Expenditures**

On behalf of Ngardmau Elementary School (Recipient), the Director of Public Works (Contracting Officer for the ROP) entered into a Construction Contract with A's Construction (Contractor) for the Ngardmau Elementary School Renovation project. As stipulated in the contract, the Contractor shall request progress payments based on the percentage of work completed during the period covered by the request. See Table 1 below for disbursements by the National Treasury based upon the Contracting Officer's approval of the Contractor's applications for progress payments.

To expedite the payment process to the Contractor, the Bureau of National Treasury of the Ministry of Finance used local funds to pay the project's cost. Therefore, the Ministry of Education requested the withdrawal of grant funds from the separate bank account, with the approval from the Embassy of Japan, to reimburse the Bureau of National Treasury after renovations were completed. Originally, the Construction Contract stipulated the project cost at \$138,775.01, leaving a balance of \$1,723.99 from the \$140,449.00 grant assistance. However, NES requested additional work costing \$13,871.55, as the project was nearing completion; thus, increasing the project cost to \$152,646.56 (as shown in Table 1). With approval of the Embassy of Japan, the balance of \$1,723.99 was used to supplement \$12,147.56 of local funds to pay for the \$13,871.55 excess cost to complete the renovation project, as agreed in the "Side Letter" agreement.

**Table 1: Progress Payments** 

Payment No.	File No.	File Date	Check Amount	Grant Balance
				\$ 140,499.00.00
1 <sup>st</sup> Payment (Initial)	125927	11/03/2023	\$82,582.30	
2 <sup>nd</sup> Payment	128329	12/14/2023	\$35,331.93	
3 <sup>rd</sup> Payment	130908	01/26/2024	\$13,922.03	
4 <sup>th</sup> Payment (final)	138108	04/04/2024	\$20,810.30	
Total Expenditure			\$152,646.56	
Excess Cost Covered by Recipient				(\$12,147.56)

# **Handover Ceremony**

The renovated school buildings were handed over in a formal ceremony on March 07, 2024, as shown below:





Handover Ceremony on March 07, 2024 Source: Embassy of Japan Website

# **Finding of Compliance**

Based on our audit, the Office of the Public Auditor found that Ngardmau Elementary School (NES) administered the GGP grant for "The Project for Renovation of Ngardmau Elementary School Buildings" in compliance with the terms and conditions of the Grant Contract and the GGP Procurement guidelines. In addition, NES administrators worked with the Bureau of National Treasury to record the cost of improvements of the facilities in the Republic of Palau's accounting records. Therefore, there are no findings in this report.

#### Ministry of Education response:

After a thorough review, the Ministry of Education, along with Ngardmau Elementary School, concur with the audit finding.

#### Conclusion

The Embassy of Japan in the Republic of Palau, through the Grant Assistance for Grassroots Human Security Projects (GGP), awarded the sum of \$140,499.00 for the renovation of the NES buildings. The renovation provided much-needed improvements to enhance the attractiveness of the school facilities and the feelings of ownership by the administrators, teachers, and, most importantly, the students. Furthermore, it created a clean environment to support the well-being and safety of everyone in the school. With proper and regular maintenance, the facilities will continue to provide an efficient learning environment for the students, teachers, and administrators today and in the years ahead.

# Office of the Public Auditor

The Office of the Public Auditor would like to thank the staff and management of Ngardmau Elementary School, the Ministry of Education, and the Embassy of Japan in the Republic of Palau for their professional courtesy and cooperation during this audit.

Sincerely, (

Satrunia Tewid

Acting Public Auditor

# **Project Photos**

The project for renovation included the classrooms, the administration office, and the restroom of Ngardmau Elementary School. During the renovation, the Ministry of Education requested additional work on the cafeteria as well. See the photos below for the renovation works:









