



MEMORANDUM

DATE: August 11, 2020

TO: USAID/Pakistan Mission Director, Julie A. Koenen

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: Financial Audit of the Merit and Need-Based Scholarship Program Phase II in Pakistan Managed by the Higher Education Commission, Grant 391-G-00-04-01023-12, July 1, 2018 to June 30, 2019 (5-391-20-063-R)

This memorandum transmits the final audit report on the Merit and Need-Based Scholarship Program Phase II in Pakistan managed by the Higher Education Commission. The audit was conducted by the Auditor General of Pakistan (Auditor General). The Auditor General stated that it performed its audit in accordance with international standards of supreme audit institutions issued by the International Organization of Supreme Audit Institutions.¹ The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the grantee's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the grantee's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the grantee's internal controls; and (3) determine whether the grantee complied with award terms and applicable laws and regulations (including cost-sharing contributions). To answer the audit objectives, the Auditor General examined the fund accountability statement and its supporting documents, evaluated the grantee's internal controls over its financial

¹ The Auditor General indicated in the report that it conducted its audit in accordance with the generally accepted government auditing standards (GAGAS). However, it clarified through USAID/Pakistan in an email dated June 9, 2020, that it erroneously used the standard audit report template with reference to GAGAS. It confirmed that the audit was performed in accordance with the international standards of supreme audit institutions issued by the International Organization of Supreme Audit Institutions.

² We reviewed the Auditor General's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

reporting, and tested compliance with award terms and applicable laws and regulations. The audit covered program revenues and costs of \$2,994,525 and \$2,995,561, respectively, from July 1, 2018 to June 30, 2019.

The Auditor General concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. In its management letter, the Auditor General identified other internal control matters and immaterial instances of noncompliance.

Regarding the review of cost-sharing contributions, the Auditor General reported that the Higher Education Commission contributed Rs105,638,230 (\$797,631) for the period audited.³ The Auditor General did not report any questioned cost-sharing contributions.

During our desk review, we noted issues that the Auditor General will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated August 11, 2020.

The report does not include any recommendations.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

Attachment: a/s

³ Rs is the Pakistani Rupees symbol. \$1 is equivalent to Rs132.44 (OIG-computed average exchange rate from the total disbursements).