



## MEMORANDUM

**DATE:** July 9, 2019

**TO:** USAID/Pakistan Mission Director, Jerry Bisson

**FROM:** USAID OIG Asia Regional Office Acting Audit Director, David Clark /s/

**SUBJECT:** Financial Audit of Indus Basin SME Investments Ltd's Management of the Pakistan Private Investment Initiative Project, Cooperative Agreement AID-391-A-14-00001, June 30, 2015, to December 31, 2016 (5-391-19-044-R)

This memorandum transmits the final audit report on the Pakistan Private Investment Initiative Project. Indus Basin SME Investments Ltd (IB) contracted with the independent certified public accounting firm of Mazars to conduct the audit. The agreement required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on IB's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate IB's internal controls; and (3) determine whether IB complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated IB's internal control

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. The statement of work, however, required the auditors to follow the guidelines, and this contracted audit follows the guidelines.

<sup>2</sup> We reviewed the audit firm'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.

systems; and tested compliance with agreement terms and applicable laws and regulations. The audit covered project revenues and costs of \$4,798,941 each, from June 30, 2015, to December 31, 2016.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the award for the period audited. The audit firm did not note any questioned costs, material weakness in internal control or any instance of material noncompliance. The audit firm also issued a management letter to the recipient identifying other internal control matters or nonmaterial instances of noncompliance.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated July 9, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

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