



MEMORANDUM

DATE: November 12, 2019

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

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

SUBJECT: Financial Audit of National University of Sciences and Technology Under Two Programs in Pakistan, July 1, 2017, to June 30, 2018 (5-391-20-006-R)

This memorandum transmits the final audit report on the two USAID programs managed by the National University of Sciences and Technology (NUST). NUST contracted with the independent certified public accounting firm of BDO Ebrahim and Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organization.¹ However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NUST'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 NUST's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the NUST's internal controls; (3) determine whether NUST complied with agreement terms (including cost-sharing contributions, if applicable), and applicable laws and regulations; and (4) determine whether NUST has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; conducted tests of NUST's compliance

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. USAID/Pakistan adopted the entire OIG rescinded Guidelines and referred to it as "USAID Guidelines" (applicable to USAID/Pakistan audits), which were used until the new USAID Guidance was issued in March 2019. The contract statement of work referred to these same guidelines as USAID Pakistan Guidelines for Financial Audits Contracted by Foreign Recipients (which was subsequently referred to in the audit report as USAID Financial Audit Guide for Foreign Organization).

² 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.

with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit firm noted that the recipient does not operate on a cost-sharing approach. The audit covered program revenues and costs of \$2,591,720 and \$3,640,077, respectively, from July 1, 2017, to June 30, 2018.³

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or instances of material noncompliance. The audit firm also issued a management letter to the NUST identifying internal control matters and nonmaterial instances of noncompliance. Finally, the audit firm reported that four of the nine prior audit recommendations were not satisfactorily addressed; thus, they were reported again in the current audit report.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We also made several suggestions to the mission. We presented these issues and suggestions in a memorandum to the controller dated November 12, 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

³ The audit covers two programs for the period audited: U.S. Pakistan Centers for Advance Studies in Energy Program, Cooperative Agreement AID-391-A-14-000004 under which NUST is a prime recipient, and Higher Education Commission - Merit and Needs Based Scholarship Program under which NUST is a sub-recipient.