



MEMORANDUM

DATE: January 9, 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 Tarbela Dam Repair and Maintenance Phase-II Project in Pakistan Managed by the Water and Power Development Authority, Grant 391-PEPA-ENR-TDR2-00, July 1, 2017, to June 30, 2018 (5-391-20-010-R)

This memorandum transmits the final audit report on the Tarbela Dam Repair and Maintenance Phase-II Project in Pakistan Managed by the Water and Power Development Authority (WAPDA). The audit was conducted by the Auditor General of Pakistan (Auditor General). The Memorandum of Understanding between the United States Agency for International Development and the Auditor General requires that the audit be conducted in accordance with generally accepted government auditing standards (GAGAS) or the financial audit manual and the guidelines developed by the 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 (INTOSAI). The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on WAPDA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether WAPDA's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate WAPDA's internal controls; and (3) determine whether WAPDA complied with agreement terms and applicable laws and regulations. To answer the audit objectives, the Auditor General examined the fund accountability statement; evaluated WAPDA's internal controls relevant to the project; tested compliance with agreement terms and applicable laws and regulations. The

¹ 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.

audit covered project revenues and costs of \$474,646 and \$1,063,626, respectively, from July 1, 2017, to June 30, 2018.

The Auditor General concluded that the fund accountability statement presented fairly, in all material respects, project 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 one internal control matter pertaining to loss amounting to PKR82,787,000 (\$708,975)² from variation in the currency rate due to delay in finalizing contractual requirements (Finding 4.1.1). Since these costs were not charged to USAID, we are not making a questioned cost recommendation to the mission.

During our desk review, we noted several issues that the Auditor General will need to address in future audit reports. We presented these issues in a memorandum to the controller dated January 9, 2020.

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

² PKR stands for Pakistani Rupee. PKR figure has been converted at USD 1 = PKR 116.77 (OIG-computed average exchange rate from the total cost incurred) for the purpose of this memo.