



MEMORANDUM

DATE: February 24, 2020

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

FROM: USAID OIG Asia Regional Office Acting Audit Director, Abdoulaye Gueye /s/

SUBJECT: Closeout Audit of the Satpara Development Project in Pakistan Managed by Aga Khan Foundation (Pakistan), Cooperative Agreement AID-391-A-12-00002, January 1, 2018, to January 26, 2019 (5-391-20-017-R)

This memorandum transmits the final audit report on the Satpara Development project in Pakistan managed by Aga Khan Foundation (Pakistan) [AKF (P)]. AKF (P) contracted with the independent certified public accounting firm of A.F. Ferguson & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID Guidelines for Financial Audits Contracted by Foreign Recipients.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 AKF (P)'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 AKF (P)'s fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate AKF (P)'s internal controls; (3) determine whether AKF (P) complied with agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) determine

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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 USAID/Pakistan adopted the entire OIG rescinded Guidelines and referred to it as "USAID Guidelines" (applicable to USAID/Pakistan audits), which were used until the new USAID Guidance was issued in March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

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.

whether AKF (P) had 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 AKF (P)'s internal controls over financial reporting; tested compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit report recommendations. The audit firm noted that the recipient does not operate on a cost-sharing approach. The audit covered project revenues and costs of \$1,672,476 and \$1,136,089, respectively, from January 1, 2018, to January 26, 2019.

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 identify any questioned costs, material weaknesses in internal control, or instances of material noncompliance. The audit firm also issued a management letter to AKF (P) identifying two internal control matters. Finally, the audit firm reported that the three prior audit recommendations were satisfactorily addressed.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We have presented these issues in a memorandum to the Controller dated February 24, 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