



MEMORANDUM

DATE: May 12, 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 National University of Sciences and Technology Under Two Programs in Pakistan, Periods Ending June 30, 2019 and December 4, 2019 (5-391-20-035-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 Naveed Zafar Ashfaq Jaffery and Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organization. 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 the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether NUST's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate 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 the recipient's compliance 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

¹ 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.

cost-sharing approach. The audit covered program revenues and costs of \$6,675,179² and \$7,208,858, respectively, during the audited period.³

Naveed Zafar Ashfaq Jaffery and Co. concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed under the agreements for the period audited. The audit firm did not identify any questioned costs, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance. The audit firm also issued a management letter to NUST identifying one nonmaterial instance of noncompliance. Finally, the audit firm reported that 14 out of 15 prior audit recommendations were satisfactorily addressed.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated May 12, 2020.

Given the above results of the audit, we are not making any recommendation. 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 The audit also covered bank interest of \$23,992 and interest refund of \$22,857 as reported in the fund accountability statement, during the audited period

³ The audit covers two programs: (1) Closeout audit of U.S. Pakistan Centers for Advance Studies in Energy Program, Cooperative Agreement AID-391-A-14-000004 for the period from July 1, 2018 to December 4, 2019, under which NUST is a prime recipient, and (2) Financial audit of Higher Education Commission - Merit and Needs Based Scholarship Program for the period from July 1, 2018 to June 30, 2019, under which NUST is a sub-recipient.