



MEMORANDUM

DATE: June 5, 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, 2018, to June 30, 2019 (5-391-20-048-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. The audit was conducted by the Auditor General of Pakistan (Auditor General). The Auditor General stated that it performed its audit in accordance with international standards of supreme audit institutions. The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the grantee'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 the grantee's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the grantee's internal controls; and (3) determine whether the grantee complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General examined the fund accountability statement and its supporting documents; evaluated the grantee's internal controls over its financial reporting; and tested compliance with award terms and applicable laws and regulations. The audit covered project revenues and costs of \$588,980 and \$3,349,064, respectively, from July 1, 2018, to June 30, 2019.

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.

The Auditor General 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 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 two internal control matters. One was related to a potential loss of Rs160,312,000 (\$1,111,040) due to the grantee not opening a letter of credit with the State Bank of Pakistan after the prior letter of credit had elapsed (Finding 4.1.1).² The other one was related to a loss of Rs3,832,000 (\$26,558) for an imposed penalty associated with the expiration of a separate letter of credit (Finding 4.1.2). These costs were not charged to USAID; thus, we are not making a questioned cost recommendation to the mission.

During our desk review, we noted issues that the Auditor General will need to address in future audit reports. We presented these issues and suggestions in a memorandum to the mission's controller dated June 5, 2020.

The report does not include any recommendations. 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 Rs is the Pakistani Rupees symbol. \$1 is equivalent to Rs144.29 (OIG-computed average exchange rate from the total cost incurred).