



MEMORANDUM

DATE: June 25, 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 Power Transmission System for Wind Project in Sindh Wind Corridor in Pakistan Managed by National Transmission and Dispatch Company Limited, Grant 391-PEPA-ENR-WTL-00, for the Year Ended June 30, 2019 (5-391-20-055-R)

This memorandum transmits the final audit report on the Power Transmission System for Wind Project in Sindh Wind Corridor managed by National Transmission and Dispatch Company Limited. 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; (3) determine whether the grantee complied with award terms and applicable laws and regulations; and (4) determine if the grantee has taken adequate corrective action on prior audit report recommendations. The mission noted that there was no cost share provided by the grantee during the period audited. 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; tested compliance with award terms and applicable laws and regulations; and assessed 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.

status of prior audit recommendation. The audit covered project revenues and costs of \$18,360,495 each for the year ended June 30, 2019.

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 other internal control matters/instances of noncompliance. One was related to excess costs incurred due to revision in scope of work without proper justification (Rupees 326.89 million or \$2.56 million)² that we consider to be unsupported questioned costs and therefore, we are making a questioned cost recommendation to the mission.

The Auditor General also noted that the prior audit report finding had not been addressed.

During our desk review, we noted issues that the Auditor General will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated June 25, 2020.

To address the issue identified in the report, we recommend that the mission:

Recommendation I. Determine the allowability of \$2.56 million in unsupported questioned costs identified on page 2 of this memorandum and detailed on pages 21-22 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach a management decision. 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 \$1 is equivalent to Rs127.56 (OIG-computed average exchange rate from the total cost incurred).