



MEMORANDUM

DATE: April 26, 2021

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

FROM: USAID OIG Asia Regional Office Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Financial Audit of the Merit and Need-Based Scholarship Programme (Phase-II) in Pakistan Managed by the Higher Education Commission, Grant 391-G-00-04-01023-12, July 1, 2019, to June 30, 2020 (5-391-21-024-R)

This memorandum transmits the final audit report on the Merit and Need-Based Scholarship Programme (Phase-II) in Pakistan managed by the Higher Education Commission (HEC). 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.¹ 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.²

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 (including cost-sharing contributions). 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

¹ These standards were issued by the International Organization of Supreme Audit Institutions.

² 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.

reporting, and tested compliance with award terms and applicable laws and regulations. The audit covered program revenues and costs of \$1,377,913 and \$1,372,871, respectively, from July 1, 2019, to June 30, 2020.

The Auditor General concluded that the fund accountability statement (FAS) presented fairly, in all material respects, program 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. However, in its management letter, the Auditor General identified five audit findings. Our review showed that three of the five findings involved monetary effects totaling \$1,168,204 (\$11,256 ineligible; \$1,156,948 unsupported) that should have been reported as questioned costs in the FAS. Accordingly, we are making a recommendation to the mission to determine the allowability and recover, as appropriate, these questioned costs. The details of the findings and the associated costs are summarized in Table I below.

Table I. Summary of Findings with Monetary Effects

Finding Description	Questioned Costs				Reference Finding & Page Nos.	
	Unsupported		Ineligible			
	Rs ³	\$ ⁴	Rs ³	\$ ⁴		
1 Fund utilization reports were not submitted by partner universities ⁵					4.1.1	15
2 Traveling and physical verification expenses were claimed but no verification activities were conducted during the period			1,771,834	11,256	4.1.2	15
3 Monthly reconciliations of scholarship funds with partner universities were not performed	182,117,990	1,156,948			4.2.1	16
TOTAL QUESTIONED COSTS	182,117,990	1,156,948	1,771,834	11,256		

Regarding the review of cost-sharing contributions, the Auditor General reported that the HEC contributed Rs36,517,475 (\$354,780)⁶ for the period audited. The Auditor General did not report any questioned cost-sharing contributions. According to the mission, the cumulative contributions provided by the grantee as of the audit period ending June 30, 2020 met the life-of-project cost-sharing contributions required by the agreement.

During our desk review, we noted several issues that the mission and the Auditor General will need to address in future audit reports. We also have a suggestion to the mission. We

³ Rs, used alternatively with PKR, is the symbol for Pakistani Rupees.

⁴ The questioned costs values in Pakistani Rupees were from the finding discussion. The dollar equivalents were from the dollar values as presented in the FAS.

⁵ The associated costs to this finding, in the amount of Rs4,157,803, are included in the total associated costs in Table I's third finding.

⁶ The exchange rate for the cost-sharing contribution is \$1: Rs102.93

presented these issues and suggestion in a memorandum to the mission's controller dated April 26, 2021.

To address the issues identified in the report and discussed in this memorandum, we recommend that USAID/Pakistan:

Recommendation I. Determine the allowability of \$1,168,204 (\$111,256 ineligible; \$1,156,948 unsupported) in questioned costs as detailed in Table 1 on page 2 of this memorandum 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.

The 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