



MEMORANDUM

DATE: May 21, 2021

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

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, 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, 2019, to June 30, 2020 (5-391-21-028-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 (WAPDA). 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 WAPDA's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate WAPDA's internal controls; and (3) determine whether WAPDA 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 \$2,258,064 and \$7,780,885, respectively, from July 1, 2019, to June 30, 2020.

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.

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 reported two audit findings. The first finding related to USAID not reimbursing WAPDA's claims in the amount of Rupees 731.32 million or \$4.39 million due to inadequate supporting documentation (Finding 4.1.1). The second finding related to WAPDA not amending the letter of credit in spite of a cost revision, and delays in contract awards that may result in an estimated loss of Rupees 496.35 million or \$3,008,200 (Finding 4.2.1). We are not making a questioned cost recommendation to the mission on both findings because (1) WAPDA subsequently submitted to USAID the documents to support the claims of \$4.39 million and USAID paid these claims on September 23, 2020, and (2) the estimated loss of \$3,008,200 has not been incurred and charged to USAID as of the audit period ending June 30, 2020.

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 suggestions to the mission. We provided these issues and suggestions in a memorandum to the mission's controller dated May 21, 2021.

The report does not include any recommendations.

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