



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: November 20, 2024

TO: USAID/Pakistan Mission Director, Kate Somvongsiri

FROM: Asia Regional Office, Assistant Director, Rhonda M. Horried /s/

SUBJECT: Financial Audit of the Power Transmission System for Wind Project in Sindh Wind Corridor in Pakistan, Managed by the National Transmission and Dispatch Company Limited, Agreement 39I-PEPA-ENR-WTL-00, for Fiscal Year Ended June 30, 2022 (5-39I-25-005-R)

This memorandum transmits the final report on the audit of the schedule of expenditures of USAID awards¹ of the Power Transmission System for Wind Project in Sindh Wind Corridor in Pakistan managed by the National Transmission and Dispatch Company Limited (NTDCL). The Auditor General of Pakistan (Auditor General) stated that it conducted the audit in accordance with the International Organization of Supreme Audit Institutions' standards. The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the NTDCL's statement of expenditure of USAID awards; 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 NTDCL's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate NTDCL's internal controls; (3) determine whether NTDCL complied with the award terms and applicable laws and regulations; and (4) assess the status of prior audit recommendations. To answer the objectives, the Auditor General reported that it tested project revenues and expenditures, assessed relevant internal controls and compliance, and followed up on prior audit recommendations. The audit covered \$4.478 million in USAID revenues and expenditures each, for the fiscal year ended June 30, 2022.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the agreement for the audited period. The Auditor General did not report any questioned costs in the statement of expenditures of USAID awards or identified material weaknesses in internal controls and

¹ The Auditor General of Pakistan used the term Fund Accountability Statement.

² We reviewed the Auditor General's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that needing clarification or issues that require 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.

instances of material compliance. However, in its management letter, the Auditor General reported the entire incurred costs of \$4.478 million as irregular payments because NTDCL records had not been reconciled with the Economic Affairs Division (EAD) to establish accuracy and reliability of all costs charged from the grant. In addition, the Auditor General considered the payments to suppliers and contractors totaling of \$4.478 million as an instance of noncompliance since there was no approved procurement plan. Based on the information in the management letter, OIG considers these costs questionable.

In addition, the Auditor General noted that NTDCL had not addressed two prior audit recommendations, which included the required reconciliation of its records with EAD. We notified the Controller regarding these issues in a memorandum dated November 20, 2024.

To address the issues identified in the report, we recommend that USAID/Pakistan:

Recommendation 1: Determine the allowability of \$4.478 million aggregate payments to suppliers and contractors during the audited period as detailed in finding Nos. 4.1.1 and 4.1.2 on pages 19 to 20 of the audit report.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.³

³ The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub.L.No.117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.