



## MEMORANDUM

**DATE:** April 16, 2020

**TO:** Millennium Challenge Corporation, Chief Risk Officer, Audit, Risk, and Controls Division, Alice Miller

**FROM:** Director of External Financial Audits Division, David A. McNeil /s/

**SUBJECT:** Financial Audit of MCC Resources Managed by Millennium Challenge Account Malawi, Under the Compact Agreement between the MCC and the Government of Malawi for the Period Audited April 1, 2017 to March 31, 2018 (3-MCC-20-010-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account (MCA)-Malawi, for the period April 1, 2017, to March 31, 2018. MCA-Malawi contracted with the independent certified public accounting firm PricewaterhouseCoopers to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and MCC's Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities. The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing professional education program or an external peer review because none is offered by professional organizations in Malawi. The audit firm reported it did not believe that the effect of this departure was material because the audit firm participates in the PwC global assurance quality review programme. In addition, Institute of Chartered Accountants in Malawi performs a review of the firm's compliance with the International Standard on Quality Control every 3 years. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Malawi's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations<sup>1</sup>.

The audit objectives were to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate and

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<sup>1</sup> We reviewed the audit firm'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.

obtain an understanding of MCA-Malawi's internal control structure related to Millennium Challenge Corporation (MCC) funded programs; and (3) determine whether MCA-Malawi complied with agreement terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Malawi that includes examining, on a test basis, evidences supporting the amounts and disclosures in the fund accountability statement. The audit procedures also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation for the period from April 1, 2017, to March 31, 2018. The costs incurred for this period were \$92,316,791.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance procured by MCA-Malawi for the period audited and did not identify any significant deficiencies or material weaknesses in internal control or material instances of noncompliance.

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").