



MEMORANDUM

DATE: April 29, 2019

TO: USAID/Pakistan Mission Director, Jerry Bisson

FROM: USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of Halcrow Pakistan (Private) Limited Under Multiple USAID Task Orders, for the Year Ended December 31, 2016 (5-391-19-025-R)

This memorandum transmits the final audit report on the multiple task orders managed by Halcrow Pakistan (Private) Limited (Halcrow). Halcrow contracted with the independent certified public accounting firm of BDO Ebrahim and Co., Chartered Accountants (BDO) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Halcrow's cost representation 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 cost representation statement for the period audited, was presented fairly, in all material respects; (2) evaluate Halcrow's internal controls; (3) determine whether Halcrow complied with award terms and applicable laws and regulations; and (4) determine whether Halcrow has taken corrective

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. The statement of work, however, required the auditors to follow the guidelines, and this contracted audit follows the guidelines.

² 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.

actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the cost representation statement and supporting documentation; evaluated Halcrow's internal control systems; tested compliance with contract terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project costs of \$4,921,902 for the year ended December 31, 2016³.

The audit firm concluded the cost representation statement presented fairly, in all material respects, project costs incurred under the award for the period audited. The audit firm did not identify any questioned costs; material weaknesses in internal control or instances of material noncompliance. The audit firm also issued a management letter to Halcrow identifying other internal control matters or nonmaterial instances of noncompliance.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. 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

³ The audit covers following six task orders under Contract AID-391-I-11-00002 for the year ended December 31, 2016: Closeout audits of AID-391-TO-12-00004 (Sindh Basic Education Program (SBEP)) and AID-391-TO-15-00006 (Technical Work Inspection for USAID's Energy Policy Project and Power Distribution Project); AID-391-TO-12-00010 (Municipal Service Program Peshawar Town-I); AID-391-TO-15-00005 (Independent Quality Assurance for USAID's Stabilization Program Activities in FATA and KP); AID-391-T0-16-00001 (Monitoring and Milestone Verification of Waran Canal and Gomal Zam Dam Command Area Development Project in Khyber Pakhtunkhwa); and AID-391-T0-16-00006 (SBEP – stage II).