

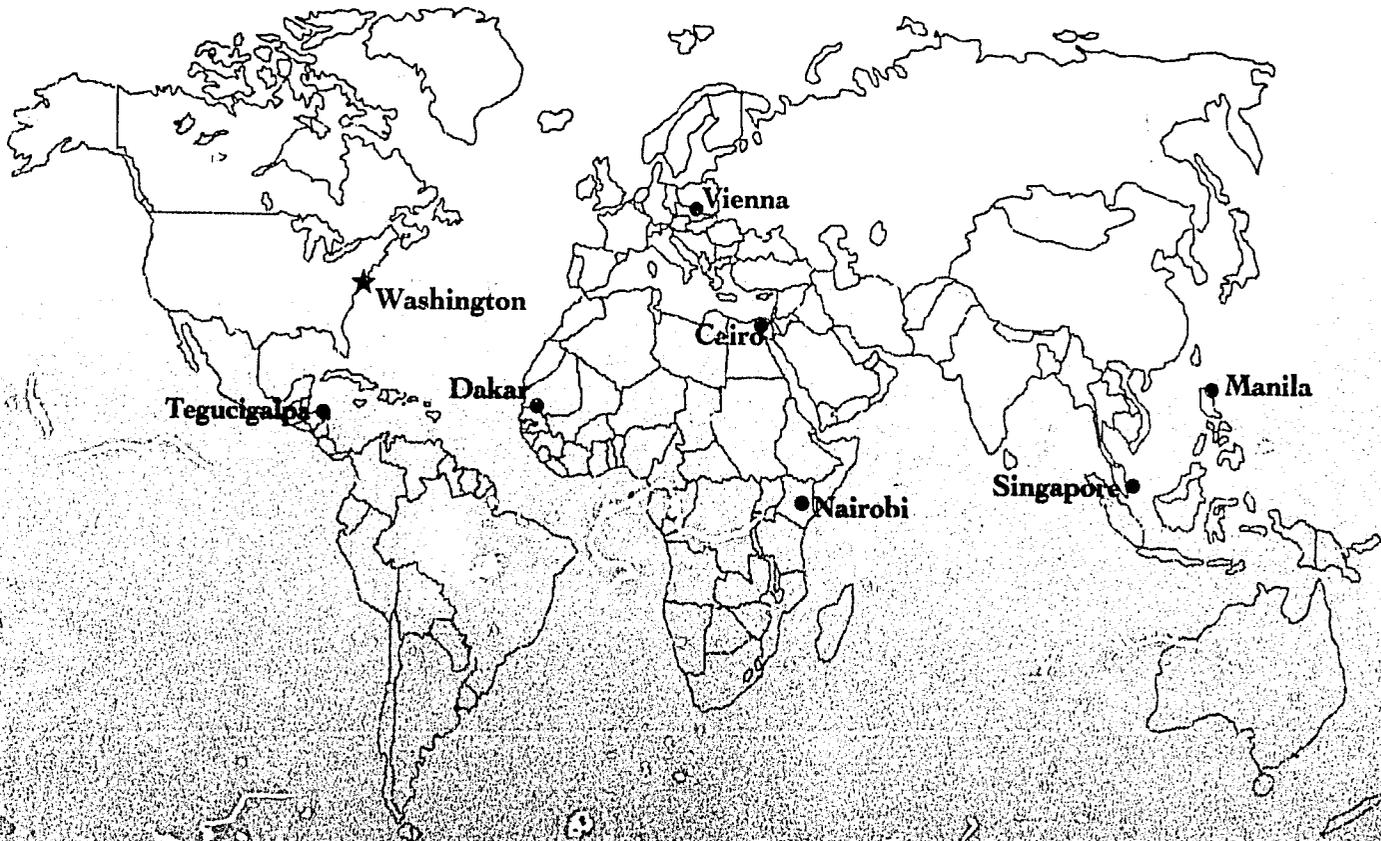
PD-ABA-790

**Regional Inspector General for Audit  
Singapore**

IN 804159

**AUDIT OF  
USAID/PAKISTAN'S GRANT NO. 391-0470-G-00-1103 TO  
ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PAKISTAN**

**Audit Report No. 5-391-94-005-N  
February 22, 1994**



FINANCIAL INFORMATION IN THIS REPORT MAY BE  
PRIVILEGED. THE RESTRICTIONS OF 15 USC 1905  
SHOULD BE CONSIDERED BEFORE ANY  
INFORMATION IS RELEASED TO THE PUBLIC.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

February 22, 1994

TO: John S. Blackton, Mission Director  
USAID/Pakistan

FROM: Richard C. Thabet, RIG/A/Singapore 

SUBJECT: Audit of USAID/Pakistan's Grant No. 391-0470-G-00-1103 to All  
Pakistan Women's Association, Punjab (APWA)  
Report No. 5-391-94-005-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm, Ford, Rhodes, Robson, Morrow) for your action. The audit covered the period from September 3, 1990, to December 31, 1992. APWA reported that it received and spent \$104,334 during this period. The background information on the grant and the project is presented on pages 1 and 2 of the report.

The audit objectives were to:

- Determine whether APWA's Fund Accountability Statement presents fairly the receipts and payments incurred under the grant;
- Report on APWA's system of internal controls; and
- Report on APWA's compliance with applicable laws, regulations, and terms of the grant agreement.

The audit report concluded that APWA's:

- Fund Accountability Statement presents fairly, in all material respects, the receipts and payments incurred under the grant;
- Internal controls had three reportable conditions, which were not considered to be material weaknesses; and

- Operations complied in all material respects with applicable laws, regulations, and terms of the grant except for three immaterial instances of non-compliance.

This audit report contains six findings and recommendations which include \$1,661 from interest earned but not remitted to USAID/Pakistan and a separate interest bearing account was not maintained for USAID funds. APWA's management comments are presented in its entirety in Appendix C.

USAID/Pakistan needs to ensure that necessary action is taken to correct the problems noted in this audit. In addition, the following recommendations will be included in the Inspector General's recommendation follow-up system:

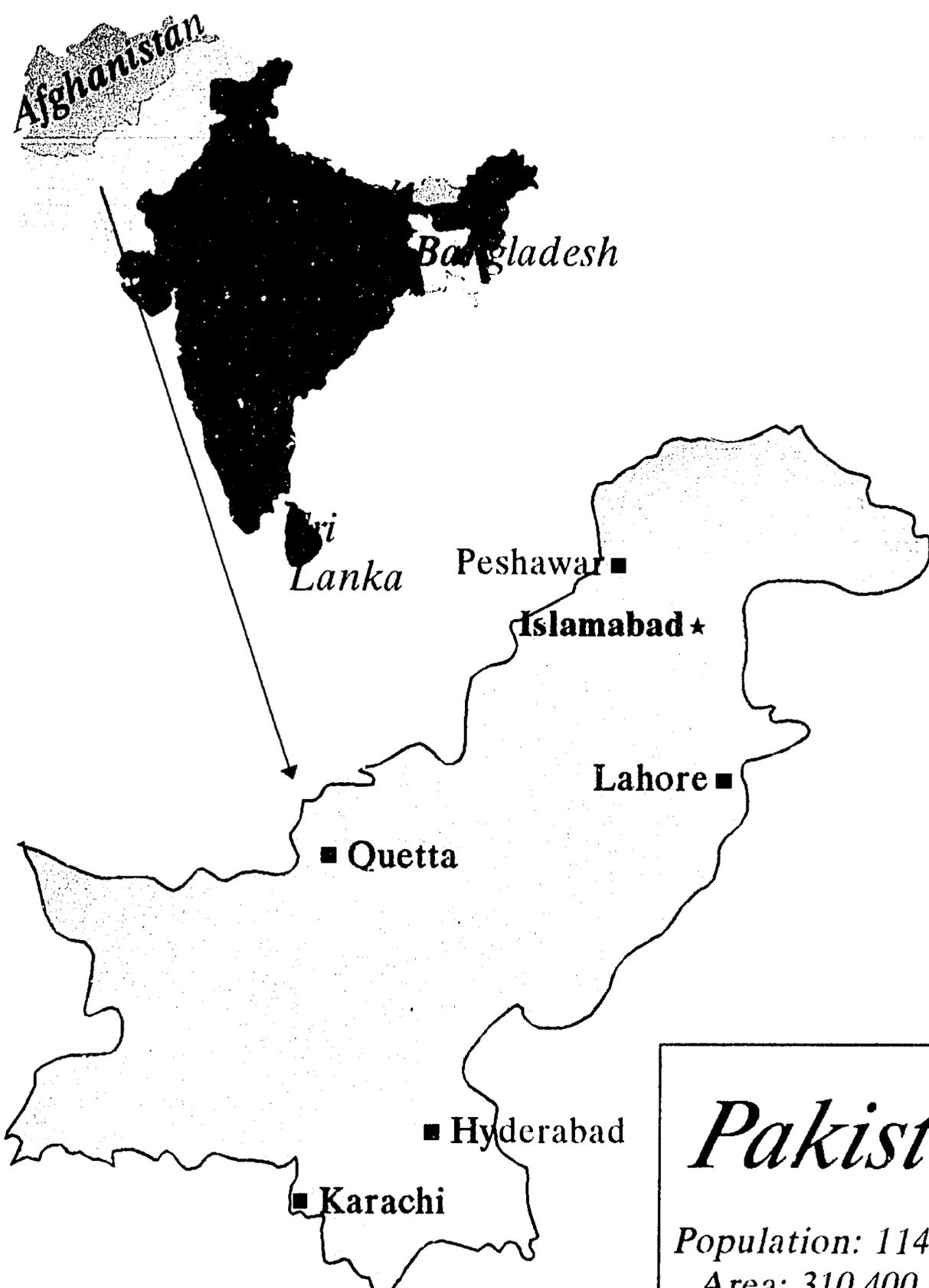
**Recommendation No. 1: We recommend that USAID/Pakistan resolve the \$1,661 in interest earned on USAID funds but not remitted to USAID/Pakistan.**

**Recommendation No. 2: We recommend that USAID/Pakistan verify that All Pakistan Women's Association maintains: (a) a separate interest bearing account for USAID/Pakistan funds; and (b) a separate ledger to record expenses from USAID/Pakistan funds.**

We appreciate the courtesies and cooperation USAID/Pakistan and APWA extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Attachment: a/s



*Afghanistan*

*Bangladesh*

*Sri Lanka*

Peshawar ■

Islamabad ★

Lahore ■

■ Quetta

■ Hyderabad

■ Karachi

***Pakistan***

*Population: 114 million*  
*Area: 310,400 sq. mi.*  
*Capital: Islamabad*



AUDIT OF

ALL PAKISTAN WOMEN'S  
ASSOCIATION, PUNJAB  
(APWA PUNJAB)

PERFORMED AND PREPARED BY

FORD, RHODES, ROBSON, MORROW,  
CHARTERED ACCOUNTANTS  
LAHORE - PAKISTAN

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ALSO AT KARACHI & ISLAMABAD.

**AUDIT OF  
ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB (APWA PUNJAB)**

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**FORD, RHODES, ROBSON, MORROW**  
CHARTERED ACCOUNTANTS

NTN 06-04-143-7506

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TELEGRAMS RAPROF, LAHORE.

Ref. LIIR/025/1994 January 06, 1994

Mr. Richard C. Thabet,  
Regional Inspector General for Audit, Singapore,  
US Agency for International Development,  
17-03, Peninsula Plaza,  
111, North Bridge Road,  
Singapore 0617.

Dear Mr. Thabet,

Our reports present the results of our audit of USAID/Pakistan's grant (Grant No.391-0470-G-00-1103-00) to All Pakistan Women's Association, Punjab (APWA Punjab) for construction of a multipurpose auditorium. The period covered by the audit was September 03, 1990 to December 31, 1992.

**Background - Pakistan**

Pakistan is the ninth most populous country in the world with approximately 114 million people. The Pakistani Government has tried continuously to improve industrialization in the country by privatizing state-owned industrial units and providing attractive facilities to local and foreign investors. As a result persistent improvement in the growth rate of GDP has been witnessed in the past two years. After sliding to a level of 4.8 and 4.67 percent in 1988-89 and 1989-90, the growth rate of the GDP rose to 5.6 percent in 1990-91 and further to 6.4 percent in 1991-1992.

With the progress of the industrialization process, the upliftment of women in the country continues to be a high priority of the Government. The government endeavours to provide an opportunity for women's integration in every sphere of life. Education development, especially of females in Pakistan, has not kept pace with progress in the other

Mr. Richard C. Thabet,  
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areas which is evident from the low improvement of 5.3% in literacy rate from 1981 to 1992 (i.e. 16% to 21.31%). Emphasis is therefore given to this sector with a view of raising literacy rates by providing facilities to this sector.

In 1982, USAID signed an agreement with the Government of Pakistan to implement a project called the Project Design and Implementation Fund (PDIF). This project is intended to assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth. To contribute toward the achievement of this objective, APWA Punjab was sanctioned a grant on September 3, 1990, to construct a multi-purpose auditorium in Lahore to benefit women of all ages from all walks of life. This is envisaged as a community service in the heart of Lahore, the provincial metropolis with a population of about three and a half million. This multi-purpose auditorium has the capacity to seat 350 people and will be named Zeenat Hall.

**All Pakistan Women's Association, Punjab - The organization and its Programme:-**

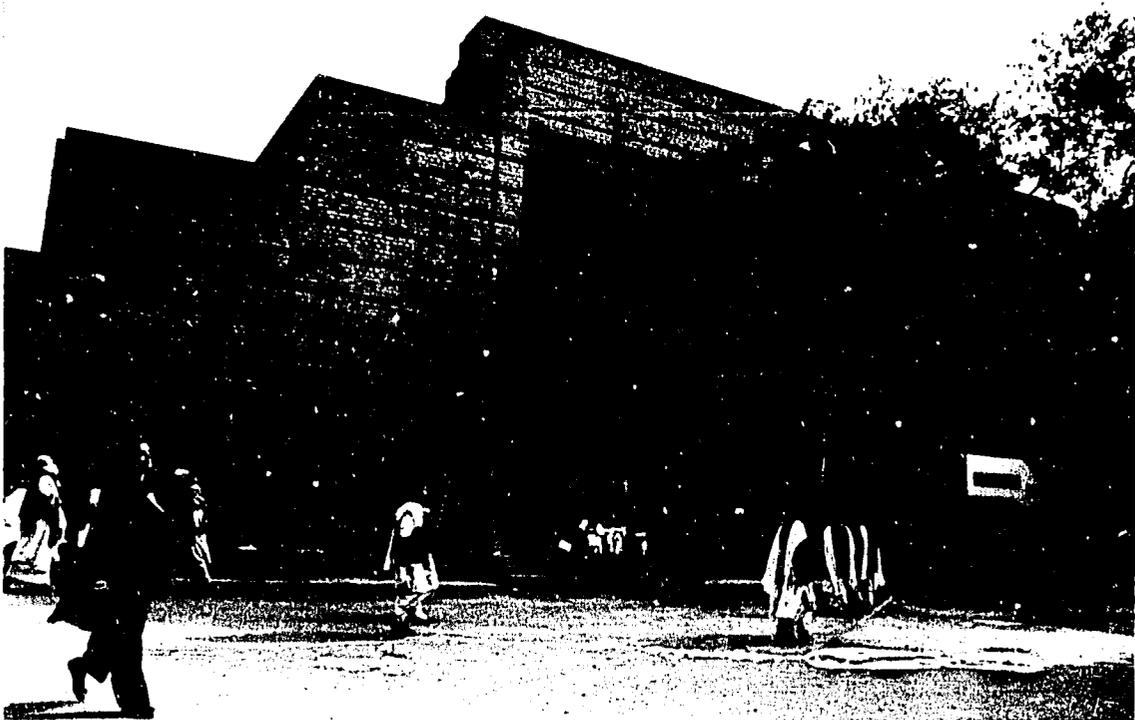
All Pakistan Women's Association (APWA), founded in Karachi, was one of the first non-governmental organizations to gain international recognition. The All Pakistan Women's Association, Punjab (APWA Punjab), Punjab branch was established in 1949 by the late Begum Zeenat Fida Hassan. It is a non-political, non-sectarian organization dedicated to serve the community, especially women and children. There are presently 15 branches of APWA Punjab in the Province of Punjab, covering rural and under-privileged places and providing health, education and employment services, among others, to women.

FORD, RHODES, ROBSON, MORROW

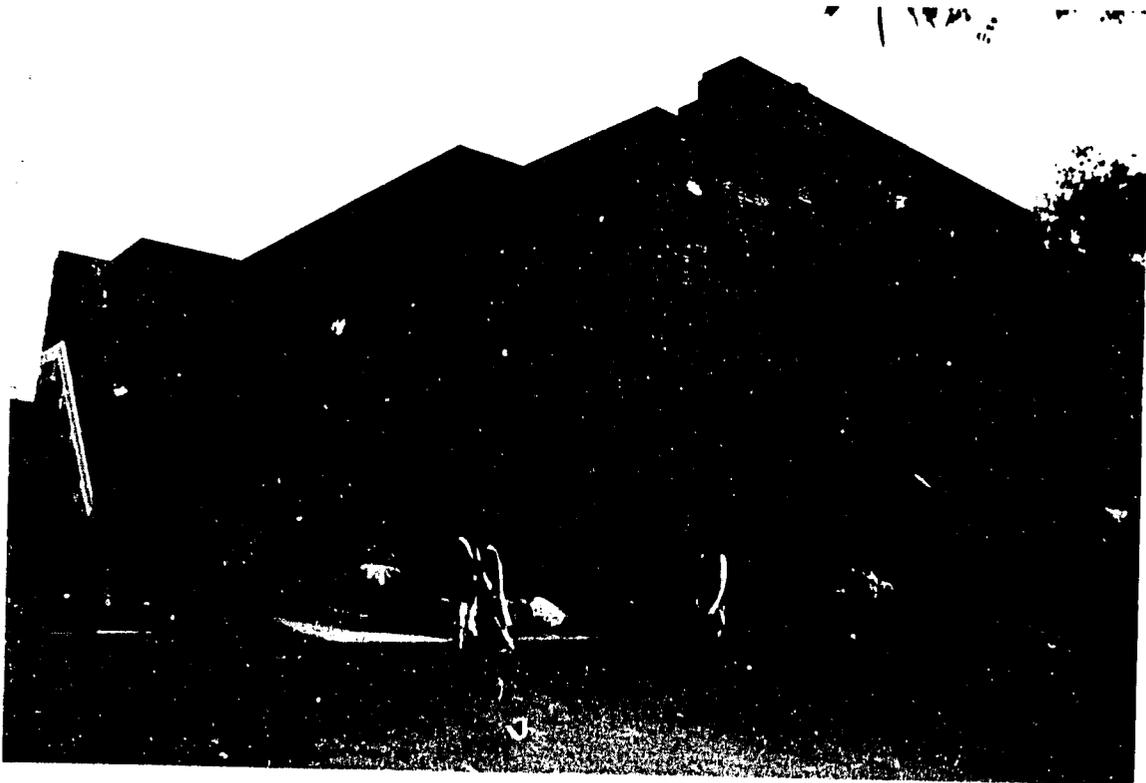


FRONT VIEW OF THE ZEENAT AUDITORIUM

FORD, RHODES, ROBSON, MORROW

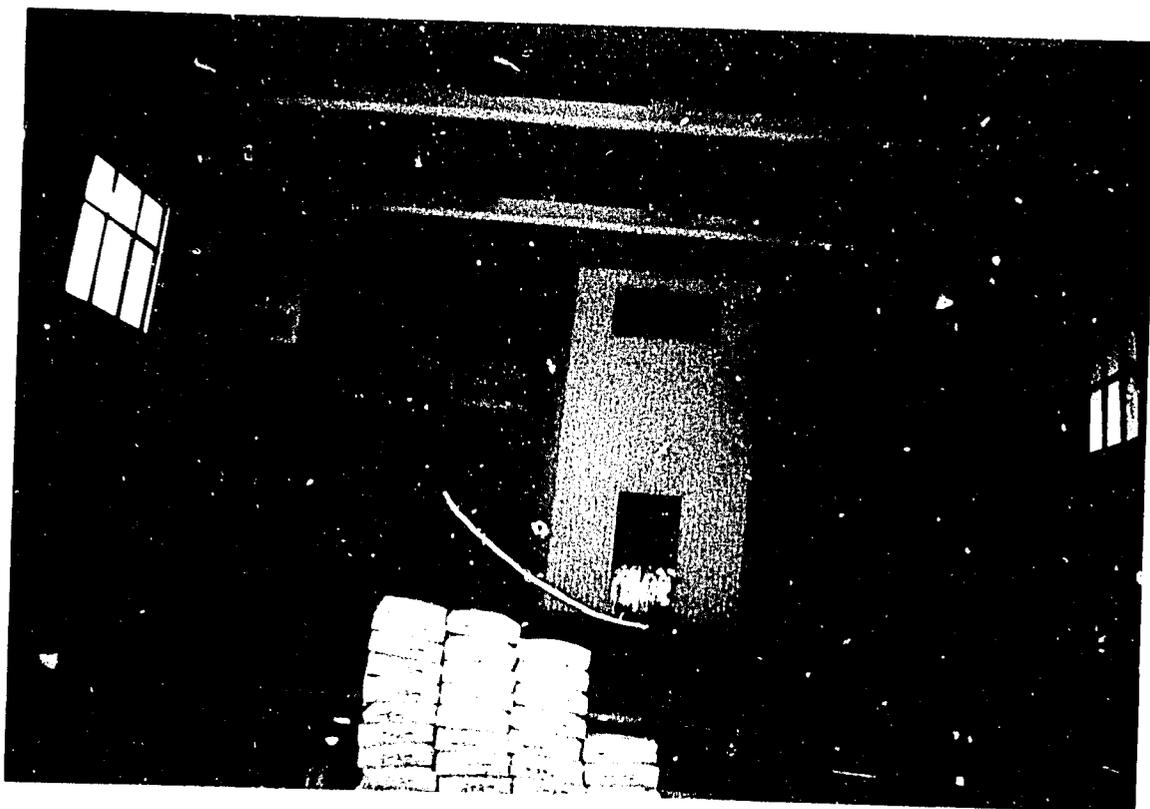


OUTSIDE VIEW OF ZEENAT AUDITORIUM

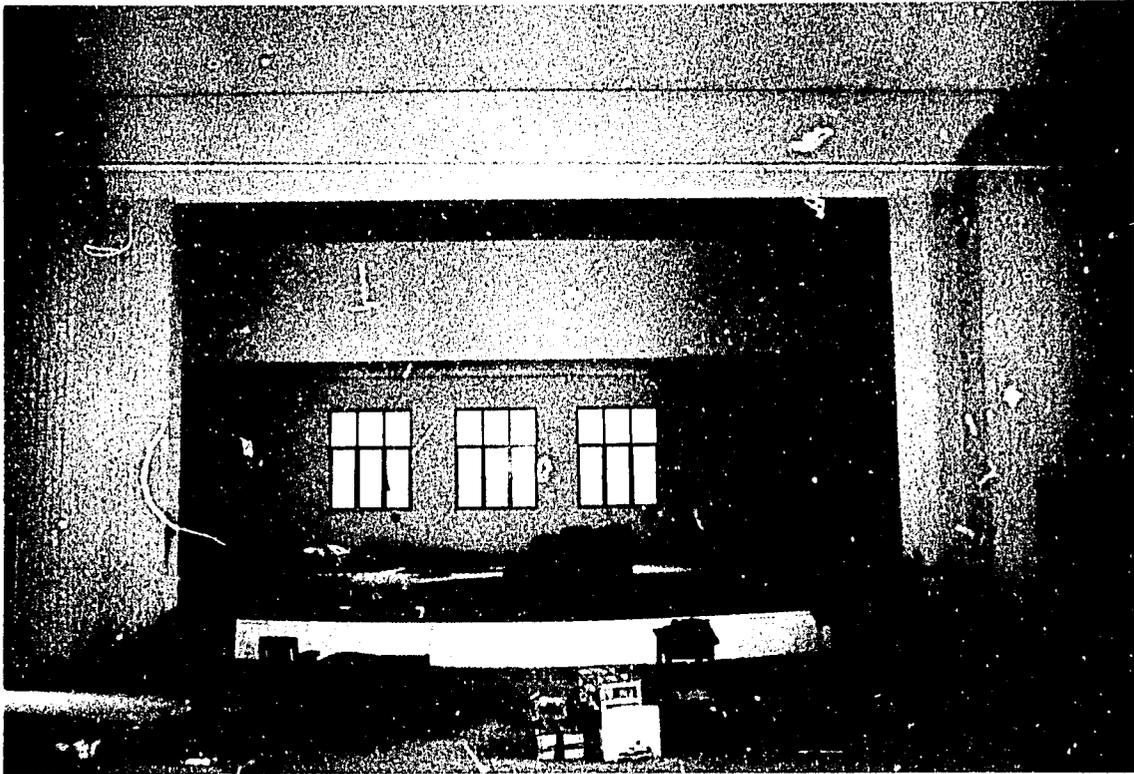


OUTSIDE VIEW OF ZEENAT AUDITORIUM

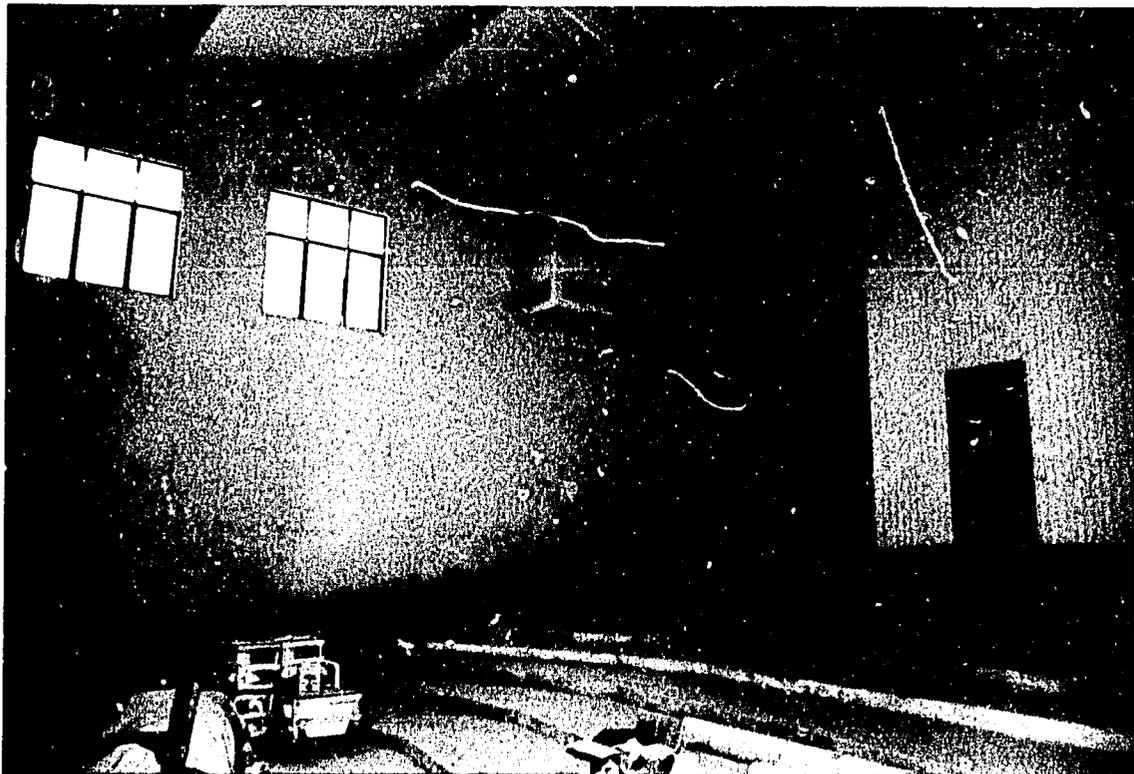
FORD, RHODES, ROBSON, MORROW



GALLERY VIEW OF THE ZEENAT AUDITORIUM



STAGE OF ZEENAT AUDITORIUM -



INSIDE RIGHT WALL OF ZEENAT AUDITORIUM

Mr. Richard C. Thabet,  
Regional Inspector General for Audit, Singapore,  
US Agency for International Development,  
17-03, Peninsula Plaza,  
111, North Bridge Road,  
Singapore 0617.

**Audit Objective:-**

We have conducted a financial audit of APWA Punjab's Fund Accountability Statement relating to the construction of a multipurpose auditorium under Grant No.391-0470-G-00-1103-00 for the period from September 3, 1990 to December 31, 1992. The results of our work are reflected in the accompanying Independent Auditors' Report on the:-

- Fund Accountability Statement;
- System of Internal Controls; and
- Compliance with Agreement Terms, Applicable Laws and Regulations.

The objectives of our work were to -

- (a) Determine whether the Fund Accountability Statement of APWA Punjab presents fairly the receipts and payments covering the audit period noted above in accordance with the terms of the grant with USAID / Pakistan;
- (b) Report on the organisation's system of internal controls; and
- (c) Report on the organisation's compliance with applicable laws, regulations, agreement terms, binding policies and procedures.

Our audit was conducted in accordance with generally accepted auditing standards and US Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to attain our audit objectives.

Mr. Richard C. Thabet,  
Regional Inspector General for Audit, Singapore,  
US Agency for International Development,  
17-03, Peninsula Plaza,  
111, North Bridge Road,  
Singapore 0617.

The scope of our work included the following general procedures:-

- Holding meetings with representatives of USAID Pakistan, management of APWA Punjab, their Contractors and Architects.
- Reviewing appropriate agreements, related amendments thereto and correspondence between USAID / Pakistan and APWA Punjab.
- Reviewing correspondence between APWA Punjab and their contractors and Architects.
- Obtaining an understanding of the accounting, administrative and internal control systems of APWA Punjab.
- Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement.
- Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the result of our audit.
- Testing the effectiveness of administrative controls applied by APWA Punjab management to ensure compliance with applicable laws, regulations and agreement terms.

Mr. Richard C. Thabet,  
Regional Inspector General for Audit, Singapore,  
US Agency for International Development,  
17-03, Peninsula Plaza,  
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Singapore 0617.

### **Audit Results**

#### **(a) Opinion on the Fund Accountability Statement.**

We have carried out an audit of the Fund Accountability Statement covering the period from September 3, 1990, to December 31, 1992, and report that the Fund Accountability Statement for Grant No. 391-0470-G-00-1103-00 fairly presents in all material respects the receipts and payments of APWA Punjab for the above period in conformity with the basis of accounting stated in Note 1(b) on page 10.

#### **(b) System of Internal Controls.**

In accordance with paragraph 19 of Chapter 5 of Government Auditing Standards, we limited our reliance on APWA Punjab's system of Internal Controls as our preliminary evaluation of such system revealed that an adequate system which is generally required is not in existence due to the small size of the entity. In order to minimize any possible audit risk, we therefore performed extensive substantive testing.

While carrying out our audit we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions. These matters are described on pages from 17 to 22. However, none of these conditions are considered to be material weaknesses.

#### **(c) Compliance with agreement terms, applicable laws and regulations.**

During the course of our audit, we also noted instances of non-compliance with agreement terms, applicable laws and regulations which are described on pages from 26 to 29.

Mr. Richard C. Thabet,  
Regional Inspector General for Audit, Singapore,  
US Agency for International Development,  
17-03, Peninsula Plaza,  
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Our tests for compliance with agreement terms, applicable laws and regulations indicate that these have been duly complied with in all material respects for the period noted above. With respect to items not tested, nothing came to our notice, which caused us to believe that APWA Punjab had not complied in all material respects with agreement terms, applicable laws or regulations.

In the course of our work, no significant or material findings and recommendations from previous audits that affect the current audit objectives were noted.

Comments on Findings and Recommendation

The management of APWA has given detailed comments to our findings and recommendations on internal control and non-compliance set out on pages 17 to 22 and pages 26 to 29 respectively and their comments are fully set out in Appendix-C. They have disputed findings A-2 and B of the report on the system of Internal Controls and we have made appropriate comments on the disputed matters.

Acknowledgments

We would like to take this opportunity to express our gratitude for the assistance given to us by the RIG/A/S office, USAID/Pak., and the management and staff of APWA Punjab during the course of our audit.

Yours faithfully,

*Fred Rhodes*

AUDIT OF

ALL PAKISTAN WOMEN'S  
ASSOCIATION, PUNJAB

REPORT ON

THE FUND ACCOUNTABILITY  
STATEMENT

**FORD, RHODES, ROBSON, MORROW**  
CHARTERED ACCOUNTANTS

NTN 06-04-143-7506

OFFICES IN PAKISTAN AT  
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TELEGRAMS RAPROF, LAHORE.

Ref. LHR/026/1994 January 06, 1994

Mr. Richard C. Thabet,  
Regional Inspector General for Audit Singapore,  
US Agency for International Development,  
17-03 Peninsula Plaza,  
111, North Bridge Road,  
Singapore-0617

Dear Mr. Thabet,

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO.391-0470-G-00-1103-00 WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN**

**INDEPENDENT AUDITORS' REPORT ON THE FUND  
ACCOUNTABILITY STATEMENT**

1. We have audited the Fund Accountability Statement of All Pakistan Women's Association, Punjab pertaining to its grant No.391-0470-G-00-1103-00 given by the United States Agency for International Development, Pakistan ("USAID/PAK") for the period from September 3, 1990 to December 31, 1992. This statement is set out on pages 9 to 10.
2. The Fund Accountability Statement reflects only the transactions of APWA Punjab as they pertain to its grant for the above mentioned period and is not intended to report fairly the receipts and payments of APWA Punjab as a whole.
3. The preparation of this Statement, comprising the receipts and payments for the above mentioned grant for the period outlined above, is the responsibility of APWA Punjab management. Our responsibility is to express an opinion on the Statement based on our audit.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO.391-0470-G-00-1103-00 WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON THE FUND  
ACCOUNTABILITY STATEMENT

4. We conducted our audit in accordance with generally accepted auditing standards and US Government Auditing Standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as reviewing the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.
5. As described in Note 1 (b) to the Fund Accountability Statement, the Statement is prepared on a cash receipt and payment basis.
6. In our opinion, the Fund Accountability Statement is fairly presented in all material respects and in conformity with the basis of accounting described in Note 1 (b) to the Fund Accountability Statement.
7. This report is intended solely for the use of the Agency for International Development and APWA Punjab and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.



Ford, Rhodes, Robson, Morrow,  
Chartered Accountants.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
 FUND ACCOUNTABILITY STATEMENT  
 FOR GRANT NO. 391-0470-G-00-1103-00  
 FOR THE PERIOD FROM  
 SEPTEMBER 3, 1990 TO DECEMBER 31, 1992

Revenue	Budget Rupees	Budget US Dollars	Actual Rupees	Actual US Dollars
Grant received	<u>2,500,000</u>	<u>116,279</u>	<u>2,500,000</u>	<u>104,334.14</u>
Direct cost	2,500,000	116,279	2,500,000	104,334.14
TOTAL COST INCURRED	<u>2,500,000</u>	<u>116,279</u>	<u>2,500,000</u>	<u>104,334.14</u>

CASH IN HAND                      NIL

The notes on page 10 forms an integral part of this statement.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

**1. Significant Accounting Policies**

- (a) The Fund Accountability Statement, expressed in Pakistan Rupees, has been prepared in accordance with the historical cost convention. Pakistan rupee amounts have been translated to their US dollar equivalent at actual rates of exchange.
- (b) Receipts and payments relate to amounts received and paid respectively in cash.

**2. Component unit of APWA Punjab**

The Fund Accountability Statement reflects only the transactions of APWA Punjab as they pertain to its grant received from USAID/PAK and is not intended to present fairly the receipts and payments of APWA Punjab as a whole.

AUDIT OF

ALL PAKISTAN WOMEN'S  
ASSOCIATION, PUNJAB

REPORT ON

THE SYSTEM OF INTERNAL  
CONTROLS

**FORD, RHODES, ROBSON, MORROW**  
CHARTERED ACCOUNTANTS

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NTN 06-04-143-7506

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Ref. LHR/027/1994 January 06, 1994

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO 391-0470-G-00-1103-00  
WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN  
INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS

1. We have audited the Fund Accountability Statement of All Pakistan Women's Association, Punjab (APWA Punjab) pertaining to its Grant No. 391-0470-G-00-1103-00 for the period from September 03, 1990 to December 31, 1992. The statement and the notes are set out on pages 9 to 10, and we have issued our report thereon dated January 06, 1994.
2. We conducted our audit in accordance with generally accepted auditing standards and US Government auditing standards. These standards require that we plan and perform our audit to obtain a reasonable assurance whether the Fund Accountability Statement is free of material misstatement.
3. In planning and performing our audit of All Pakistan Women's Association, Punjab, we considered its internal control structure in order to determine the extent and nature of our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide an assurance on the internal control structure.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO 391-0470-G-00-1103-00  
WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS

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4. The management of APWA Punjab is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management were used to determine the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with the basis of accounting described in Note 1 (b) to the Fund Accountability Statement. Because of inherent limitations in any system of internal controls, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.
5. For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories.
- Accounting Controls
    - Bank Receipts
    - Bank Disbursements
  - Administrative Controls
    - Cost allocations and allowability
    - Monitoring
    - Reporting

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO 391-0470-G-00-1103-00  
WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS

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6. For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, observed that these controls have been placed in operation and assessed control risk.
7. As a result of these procedures, and in accordance with US Government Auditing Standards, we limited our reliance on the internal control structure as, due to the small size of the entity, an adequate structure for the purpose of audit reliance was considered not to be in existence. Accordingly, we adopted an extensive substantive testing approach in our audit of the Fund Accountability Statement.
8. We noted certain matters involving internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure which, in our judgment, could adversely affect the organization's ability to record, process, summarise, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The reportable conditions are set out in detail on pages 17 to 22.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO 391-0470-G-00-1103-00  
WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS

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9. A material weakness is a reportable condition in which the design or operation of a specific internal control structure does not reduce to a relatively low level, the risk that errors or irregularities, in amounts that would be material in relation to the Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
  
10. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of APWA Punjab in a separate communication dated November 28, 1993.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO 391-0470-G-00-1103-00  
WITH THE  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM  
OF INTERNAL CONTROLS

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11. This report is intended solely for the use of Agency for International Development and APWA Punjab and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

*Ford Rhodes Robson Morrow*

Ford, Rhodes, Robson, Morrow,  
Chartered Accountants.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
SUMMARY OF REPORTABLE CONDITIONS

- A. Inadequate maintenance of sufficient and proper accounting records.
- B. Non-compliance with terms of agreement with contractor.
- C. Bank reconciliation statement not prepared.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS

A. INADEQUATE MAINTENANCE OF SUFFICIENT AND PROPER  
ACCOUNTING RECORDS

A-1. Condition

Cash payment vouchers are not used to record payments, instead payments were approved informally on supporting documents (e.g. bills, invoices, etc.)

Criteria

Initiation of payment transactions through vouchers is a basic tool of a sound internal control system over payments as it contains proper information for date, head of account debited and initials of persons who authorize and prepare them.

Cause

Management did not recognize the need to prepare payment vouchers.

Effect

In absence of such vouchers, proforma information required for recording transactions may not be present on the documents used for recording transactions and may result in misleading information on financial reports.

Recommendation

APWA Punjab needs to introduce official printed vouchers for all payments.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS

**Management response**

Reference is drawn to para 2(a) of Attachment III of USAID's letter dated September 3, 1990 wherein "The grantee shall maintain books ..... in accordance with the grantee's usual accounting procedure to sufficiently substantiate charges to the grant". This indicates that APWA Punjab has not violated the Agreement.

However, the point is noted and such vouchers are being introduced shortly.

**A-2. Condition**

We did not find any evidence to support that cash book is checked by any responsible official of APWA Punjab.

**Criteria**

In order to have better control, the cash book should be regularly checked and initialled for evidence by a responsible official.

**Cause**

According to the management, they have checked although not initialled.

**Effect**

In the absence of proper control over cash book transactions, the chances of mistakes and errors may be increased.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS**

**Recommendation**

We recommend that cash book be checked regularly and initialled by a responsible official.

**Management response**

Reference is again made to Para 2(a) of Attachment III of USAID letter dated September 3, 1990. The Cash Book was maintained according to previous practice. Also, since payments were made via crossed cheques requiring signatures of at least two officers, the objection is invalid. The objection may please be dropped.

**Auditors Comments**

Checking of the cash books for inaccuracies is a separate function from dual signing of cheques.

**A-3. Condition**

USAID disbursements were not separately accounted for in APWA Punjab's ledgers.

**Criteria**

Attachment III, No. 2 of the grant agreement requires proper maintenance of records to substantiate all costs charged to the grant.

**Cause**

Lack of proper and adequate accounting procedures.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS**

**Effect**

The above practice results in the inadequate monitoring of USAID funds and disbursements therefrom.

**Recommendation**

It is recommended that APWA Punjab set up a separate account for USAID disbursements to ensure compliance with the grant agreement.

**Management response**

Observation has been noted for future compliance/necessary action.

**B. NON-COMPLIANCE WITH TERMS OF AGREEMENT WITH CONTRACTOR**

**Condition**

We observed that throughout the construction period, frequent advance payments were made (Appendix "A") to the Contractor. These were in addition to mobilization advance and payments for portion of work completed.

**Criteria**

As per Clause 7 of the agreement with the contractor, the contractor is entitled to receive monthly payments proportionate to the portion of work completed, approved and passed by the Architect. The advances in question were not covered by the agreement as:

- these were not for any work completed.
- these were not approved by the Architect.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS**

**Cause**

These advances were given on the contractor's requests to enable him to complete the work.

**Effect**

These advance payments resulted in reduction of interest earned on USAID fund balance.

**Recommendation**

APWA Punjab should pay advances to contractors strictly in accordance with terms of agreement.

**Management response**

The contractor was paid an advance initially of Rs. 400,000 as per item No. 9 of the Agreement and subsequently a deduction @ 10% was made from running bills. The other advances were actually not advances but became payable on basis of actual work completed and were paid to the contractor to enable him to complete the work. These were adjusted in the subsequent running bills.

**Auditors Comments**

In accordance with the clause 7 of the Agreement between APWA and the contractor, the payments shall be made after submission of bills duly approved by the Architect. However the above payments were made to the contractor before submission of such bills.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT ON THE SYSTEM OF INTERNAL CONTROLS

C. BANK RECONCILIATIONS NOT PREPARED

Condition

We noted that bank reconciliation statements are not prepared to reconcile cash book balance with the bank statement balance.

Criteria

Monthly bank reconciliation statements facilitate early detection of errors whether on the part of the bank or by the accountant.

Cause

APWA Punjab did not recognize the need for such bank reconciliations.

Effect

The lack of these statements may result in errors remaining undetected.

Recommendation

The management should introduce a system of preparing monthly bank reconciliations.

Management response

APWA Punjab Management realizes the necessity of monthly bank reconciliations which were not possible in this case due to non-receipt of bank statements on a monthly basis.

Subsequently, the bank account is being changed to the National Bank of Pakistan, ACP Model Branch and the concerned official has been instructed to prepare monthly bank reconciliation statements.

AUDIT OF

ALL PAKISTAN WOMEN'S  
ASSOCIATION, PUNJAB

REPORT ON

COMPLIANCE WITH AGREEMENT  
TERMS, APPLICABLE LAWS AND  
REGULATIONS

**FORD, RHODES, ROBSON, MORROW**  
CHARTERED ACCOUNTANTS

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TELEGRAMS RAPROF, LAHORE.

Ref. LHR/028/1994 January 06, 1994

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO. 391-0470-G-00-1103-00  
WITH THE UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT IN PAKISTAN**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS**

1. We have audited the Fund Accountability Statement of All Pakistan Women's Association, Punjab ("APWA Punjab") pertaining to its grant No.391-0470-G-00-1103-00 with United States Agency for International Development, Pakistan ("USAID/PAK"), in respect of the period from September 03, 1990 to December 31, 1992. The statement, together with the notes are set out on pages 9 to 10 and we have issued our report thereon dated January 06, 1994.
2. We conducted our audit in accordance with generally accepted auditing standards and US Government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.
3. Compliance with agreement terms, laws and regulations applicable to APWA Punjab, is the responsibility of the APWA Punjab management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of APWA Punjab's compliance with certain provisions of agreement, laws and regulations. However, it should be noted that we performed these tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our objective was not to provide an opinion on compliance with such provisions.

FORD, RHODES, ROBSON, MORROW  
ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
PERTAINING TO ITS GRANT NO.391-0470-G-00-1103-00  
WITH THE UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT IN PAKISTAN

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

4. Our testing of transactions and records selected disclosed certain immaterial instances of non-compliance with those laws and regulations. These instances of non-compliance that we found are identified in pages 26 to 29 of this report and in a separate communication to the management of APWA, Punjab dated November 28, 1993.
5. The results of our test of compliance indicate that with respect to the items tested, APWA Punjab complied in all material respects with the provisions referred to above. With respect to items not tested, nothing came to our attention which caused us to believe that APWA Punjab had not complied, in all material respects, with those provisions.
6. This report is intended solely for the use of the Agency for International Development and APWA Punjab and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

  
Ford, Rhodes, Robson, Morrow,  
Chartered Accountants.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
SUMMARY OF AUDIT FINDINGS ON NON-COMPLIANCE

- A. Separate bank account was not maintained for USAID funds.
- B. Interest earned on USAID funds was not remitted to USAID/Pak.
- C. Non-compliance with reporting requirement under the grant agreement.

ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT OF FINDINGS OF NON-COMPLIANCE

A. USAID FUNDS WERE NOT SEPARATELY MAINTAINED

Condition

APWA Punjab has not maintained a separate bank account for the USAID Grant, instead these are commingled with funds from other sources.

Criteria

Attachment III of the USAID Grant Agreement, under clause "Payment Periodic Advance (November 1985)" No.(a), states that USAID funds shall not be commingled with other grantee - owned or controlled funds and should be deposited in a separate account.

Cause

APWA Punjab's management was not aware of the above requirement.

Effect

Without maintenance of separate bank account, APWA Punjab was unable to readily demonstrate cumulative receipts and expenditures, the balance of remaining funds and the interest earned on these balances.

Recommendation

APWA Punjab should deposit all USAID funds in a separate bank account to facilitate monitoring and reconciliation.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT OF FINDINGS OF NON-COMPLIANCE**

**Management response**

A separate bank account was maintained for all funds relating to the Auditorium. Opening of separate bank accounts for USAID grant and for other donors would create complications. Disbursements from USAID grant and other funds separately, against the contractor's same invoice would be difficult, especially when USAID funds and other donations are received late. Also, the particular fund - related expenditure could be achieved by adjustments through journal.

- B. INTEREST EARNED ON USAID FUNDS WAS NOT REMITTED TO USAID/PAK.**

**Condition**

We noted that APWA Punjab has not remitted to USAID/Pak. the bank interest earned on USAID funds.

**Criteria**

Attachment III No.3(a) of the grant agreement requires that the grantee remit to USAID all the interest earned on funds provided by USAID.

**Cause**

APWA Punjab is not able to determine the interest earned on USAID funds as these funds were not separately kept.

**Effect**

Non-compliance with the provisions of agreement has resulted in loss of interest to USAID.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT OF FINDINGS OF NON-COMPLIANCE**

**Recommendation**

APWA Punjab should remit to USAID the bank interest on these funds, which is estimated by us to be approximately Rs. 35,719 (US \$ 1,661.35) (Appendix "B") on the assumption that USAID funds were retained in a separate bank account.

**Management response**

As all funds relating to the Auditorium were maintained in one bank account, it becomes difficult to determine the exact interest earned on the USAID funds. Reference is drawn to para 4 - Revision of Grant Budget (May, 1986) of Attachment III of USAID letter dated September 3, 1990 and it is requested that the estimated interest of Rs. 35,719/- may be considered as on additional advance as the same was also used for purpose of the Auditorium.

**C. NON-COMPLIANCE WITH REPORTING REQUIREMENTS UNDER THE GRANT AGREEMENT**

**Condition**

We were not provided with any evidence indicating that the APWA Punjab management has complied with the Program Performance Reporting requirement as specified in the grant agreement.

The above statement can be supported by the following observations:-

1. There was no evidence to show that Progress Reports were regularly sent to USAID.
2. Period report was not available to support the change in the completion date of the construction work.

**ALL PAKISTAN WOMEN'S ASSOCIATION, PUNJAB  
REPORT OF FINDINGS OF NON-COMPLIANCE**

**Criteria**

Attachment I No. E-2, of the Grant Agreement states that:

1. Progress reports should be submitted quarterly on the latest progress made regarding the project.
2. Period reports are required for any major change in time schedules proposed initially.

**Cause**

The APWA Punjab management was not aware of the above reporting requirement.

**Effect**

Without the above reports, effective monitoring of this project is hindered.

**Recommendation**

We recommend that APWA Punjab provide the required reports provided under attachment I, E-2 of the grant agreement.

**Management response**

Observation has been noted for future compliance/ necessary action.

**APPENDIXES**

APPENDIX - A

ADVANCE PAYMENTS IN ADDITION TO MOBILIZATION ADVANCE

(As referred to in para B of Report on  
System of Internal Controls)

ADVANCE PAYMENT RUPEES	AMOUNT US \$	D A T E	ADJUSTED IN
100,000	4,651.16	August 21, 1991	1st Running Bill dt. Sept.8, 1991
300,000	13,953.49	December 7, 1991	3rd Running Bill dt. Dec.22, 1991
100,000	4,651.16	May 13, 1992	5th Running Bill dt. May 13, 1992

APPENDIX - B

**CALCULATION OF PROFIT ON USAID FUNDS**  
(As referred to in para B of Report of findings of non-compliance)

From	To	Rate of profit %	Amount received	Amount paid	Balance Rupees A	Days B	Product Rupees (A) x (B)	Amount of Interest Rupees	Amount in US Dollar
Nov 25, 90	Dec 31, 90	6.30	625,000	-	625,000	37	<u>23,125,000</u> <u>23,125,000</u>	3,991	
Jan 01, 91	Feb 17, 91	6.00	-	-	625,000	48	30,000,000		
Feb 18, 91	Jun 30, 91		-	333,333	291,667	133	<u>38,791,711</u> <u>68,791,711</u>	11,308	
Jul 01, 91	Aug 21, 91	7.10	-	-	291,667	52	15,166,684		
Aug 08, 91	Sept 07, 91	"	-	83,333	208,334	18	3,750,012		
	Sept 08, 91	"	-	208,334	-				
Sept 26, 91	Sept 30, 91	"	625,000	-	625,000	5	3,125,000		
	Oct 01, 91	"	-	102,500					
Oct 02, 91	Oct 17, 91	"	-	-	522,500	15	7,837,500		
	Oct 18, 91	"	-	325,833					
Oct 18, 91	Dec 06, 91	"	-	-	196,667	50	9,833,350		
	Dec 07, 91	"	-	196,667			<u>39,712,546</u>	7,725	
			-	-					
Feb 20, 92	Mar 04, 92	6.60	664,000	-	664,000	14	9,296,000		
	Mar 05, 92	"	-	166,789					
Mar 05, 92	Mar 14, 92	"	-	-	497,211	9	4,474,899		
	Mar 15, 92	"	-	205,568					
Mar 16, 92	May 12, 92	"	-	-	291,643	58	16,915,294		
	May 13, 92	"	-	83,333					

FORD, RHODES, ROBSON, MORROW

May 14, 92	Jun 28, 92	"	-	-	208,310	46	9,582,260	
	Jun 29, 92	"	-	68,540				
Jun 30, 92	Jun 30, 92	"	-	-	139,770	1	<u>139,770</u>	
							<u>40,408,223</u>	7,307
Jul 01, 92	Jul 13, 92	6.60	-	-	139,770	13	1,817,010	
	Jul 14, 92	"	-	139,770				
Aug 05, 92	Aug 11, 92	"	586,000	-	586,000	7	4,102,000	
	Aug 12, 92	"	-	416,667				
Aug 13, 92	Dec 31, 92		-	-	169,333	141	<u>23,875,953</u>	
							<u>29,794,963</u>	<u>5,388</u>
	TOTAL		<u>2,500,000</u>	<u>2,330,667</u>			<u>35,719</u>	<u>1,661.35</u>



PHONE: 486073, 484550

# ALL PAKISTAN WOMEN'S ASSOCIATION

BEGUM RA'ANA LIAQUAT ALI KHAN  
Founder President N. I.

APPENDIX "C"

Chairman:  
Mrs. Miriam Habib  
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Vice Chairman: (Rural)  
Mrs. Rashida Ahsan  
Phone: 305328

General Secretary  
Mrs. Khalil Ramley  
Phone: 487047

Senior Vice Chairman (Tehsil)  
Mrs. Nasim Bokhari  
Phone: 872657

Vice Chairman (Education)  
Miss. A. Abdur Rehman  
Phone: 851603

Vice Chairman (Social Welfare)  
Miss. Zubaida Saleem Hassan  
Phone: 5220511

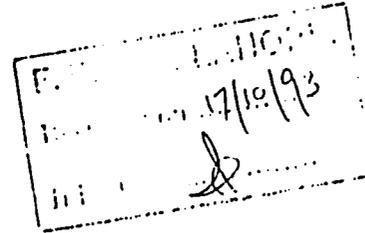
Vice Chairman (Youth League)  
Mrs. Shakeela Rashid  
Phone: 489079

Head Quarters:  
APWA PUNJAB  
65-JAIL ROAD, LAHORE.

Ref No. APWA/IIQ/LUR/ZA

Dated 13-10-1993.

M/S. Ford Rhodes, Robson, Morrow,  
Chartered Accountants,  
Lahore.



Dear Sir,

Following comments are offered on the observations made by you in the Audit ...

Report:-

i). The name of the Organisation may please be amended as " All Pakistan Women's Association " Punjab ( APWA PUNJAB) wherever appearing in the report.

ii). Para 1 at page 2.

The grant was not "given" but sanctioned on September 3, 1990 and its 1st instalment amounting to Rs.6,25,000/- was received on 25.11.1990.

iii) Para 11 of the report.

Inadequate maintenance of sufficient and proper Accounting Record.

In this connection a reference is invited to the following sentence of para 2 (a) of Attachment III of U.S. Aid'S letter dated September 3, 1990.

" The grantee shall maintain books, records, documents and other evidence in accordance with the grantee's usual accounting procedure to sufficiently substantiate charges to the grant". From the above it is

-:33:-

quite clear that APWA was allowed by U.S. AID to maintain the accounting record according to the procedure in vogue and APWA has committed no irregularity. However, the point has been noted and vouchers are being got printed and will be introduced shortly. In fact these vouchers are already in use in some other projects under APWA.

Since APWA has not violated the relevant article of the Agreement the objection may be dropped.

Para 12 of the report.

Report on the system of internal control.

A-2.

This objection is also not valid as the cash Book was maintained according to the previous practice and as per agreement quoted above. Moreover payments were made to the contractor etc. through Crossed Cheques which are signed by at least two office bearers and no cash is drawn from the bank from Auditorium account necessitating counter checking by other responsible officer of the cash balance shown in the cash book.

The objection which is not covered by the provision of the Agreement may please be dropped.

As regards the separate bank account it is pointed out that funds relating to Auditorium are already kept in a separate bank account and other funds relating to APWA except of Auditorium are not commingled. But so far as the question of opening of two accounts i.e. one for U.S. AID grant and other for donations / contributions collected by APWA for Auditorium is concerned it is feared that this procedure would create complications for disbursements. For instance the contractor submits one invoice for payment and it would be difficult to issue one cheque from US-AID grant and the other from APWA's Donations Fund meant for Auditorium, particularly in case when funds are not received either from US-AID in time or donations are received etc. It would, therefore, be more convenient if only one account for Auditorium is maintained to avoid

complications. The purpose of having separate expenditure figures against US-AID Funds and APWA contribution can be achieved by making adjustments through Journal.

Page-13 of the report.

B-Non compliance with terms of agreement with the contractor.

The contractor was paid an advance of Rs.4,00,000/- on 18.2.91 as per item No. 9 of the Agreement which was to be adjusted from the running bills at the rate of 10% of each bill starting from the 2nd running bill. Accordingly the recoveries were made from the 2nd bill at the above mentioned rates.

As regards the remaining amounts those were not actually advance amounts but had become payable on the basis of the actual work done by that time and were paid to the contractor on his urgent demand to continue the work. The same were, however, adjusted in the next running bills which were received shortly after payments.

Page - 14 of the report.

C- Bank Reconciliation not prepared.

APWA admits its necessity of bank reconciliation every month but the difficulty is that bank concerned does not supply statements of accounts monthly in spite of our repeated requests. The account in that bank is now being closed and opened in the National Bank of Pakistan ACP Model Branch, Lahore. The official concerned has also been instructed to obtain statements of accounts monthly from the Bank and prepare reconciliation statements every month in future.

Page 22 of the report.

B- Interest earned on US-AID Fund was not admitted to US-AID /PAK.

In view of the fact that both funds relating to Auditorium and US-AID used to be deposited in one Bank Account it is difficult to verify the actual amount of interest earned on US-AID Funds through PLS Account estimated by you as Rs.35,719/-. In this connection we may, however, draw a reference to para 4 -

Revision of grant budget (May 1986) of Attachment III of US-AID's letter dated September 3, 1990, and request that the amount of interest may kindly be considered an additional aid Grant as this amount was also spent on the construction of building and not for any other purpose. It may be added that against the estimated expenditure of Rs.30.00 lac a total expenditure of about Rs.40.00 lac has so far been incurred.

So far as your observations made in your letter referred to above are concerned we may add that the bills of the contractor were also independently checked by the management and the Architect remarks were not relied upon entirely although we may not have recorded our remarks on each voucher. As regards other points raised by you necessary action has also been taken there on where possible and the remaining have been noted for future compliance.

As you have already appreciated APWA is a Social Welfare Charitable Organisation and mostly depends upon modest amounts of Government grant -in aid and donations from its limited resources, from the public and it cannot spend heavy amounts on appointments of additional staff which is necessary for the implementation of all of your suggestions.

However the management of this organisation exercises utmost control over expenditure and the actual spirit of the relevant financial rules is observed and unnecessary formalities are avoided for quick services. We will be pleased to have your guidance in financial matters in future as well, and would try to comply with the same as far as possible.

Thanking you.

Yours truly,

*Miriam Habib*

Mrs Miriam HABIB.

Chairman,  
APWA Punjab, Lahore.

**APPENDIX D**

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