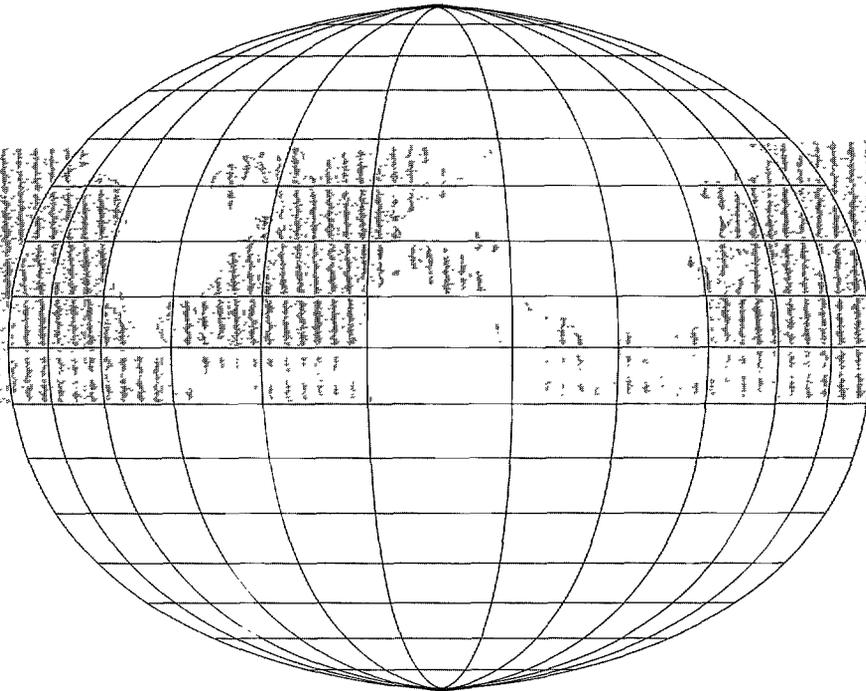


Report of Audit

Financial Audit of the Ministry of International Cooperation, Expenditures Incurred under Project Implementation Letters No. 2 and 7, under USAID/Egypt's Technical Support for Sector Policy Reform Project (Project No. 263-0233)

Report No. 6-263-01-004-N
March 18, 2001



FINANCIAL INFORMATION CONTAINED
IN THIS REPORT MAY BE PRIVILEGED.
THE RESTRICTION OF 18 USC 1905 SHOULD
BE CONSIDERED BEFORE ANY INFORMATION
IS RELEASED TO THE PUBLIC.

Cairo, Egypt

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID



CAIRO, EGYPT

**UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF REGIONAL INSPECTOR GENERAL**

**Report No. 6-263-01-004-N
March 18, 2001**

MEMORANDUM

TO: USAID/Egypt Director, Willard J. Pearson, Jr.
FROM: Acting RIG/Cairo, Thomas C. Asmus *Thomas C. Asmus*
SUBJECT: Financial Audit of the Ministry of International Cooperation, Expenditures Incurred under Project Implementation Letters No. 2 and 7, under USAID/Egypt's Technical Support for Sector Policy Reform Project (Project No. 263-0233)

The attached report transmitted on October 4, 2000, by PricewaterhouseCoopers, presents the results of a financial audit of the Ministry of International Cooperation (MIC), expenditures incurred under Project Implementation Letters No. 2 and 7, under USAID/Egypt's Technical Support for Sector Policy Reform Project (Project No. 263-0233). The purpose of the Project is to establish a monitoring unit in MIC to monitor performance of the Sector Policy Reform Program and assess the impact of policy reforms and also to establish a separate component of macroeconomic and debt analysis.

Expenditures subject to the audit included \$634,511 (equivalent to LE 2,157,338) during the period July 1, 1997 through June 30, 1999. PricewaterhouseCoopers also evaluated MIC's internal controls and compliance with applicable laws, regulations, and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The audit firm's report did not identify any questioned costs nor did the auditors identify any reportable internal control conditions or instances of material noncompliance with applicable laws and regulations.

No response is required from USAID/Egypt since no recommendations were included in USAID's Consolidated Audit Tracking System. Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the financial audit program in Egypt.

Attachment: a/s

U.S. Mailing Address
USAID-RIG Unit 64902
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USAID
Zahraa El-Maadi
Maadi, Cairo, Egypt

- B -

MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM
PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO.2 (SPRU) & (‘PIL’) NO.7(MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION

FOR THE PERIOD JULY 1, 1997 THROUGH JUNE 30, 1999

“Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.”

MINISTRY OF INTERNATIONAL COOPERATION

**TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233**

**PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO.2 (SPRU) & (‘PIL’) NO.7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

**FOR THE PERIOD
JULY 1, 1997 THROUGH JUNE 30, 1999**

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October 4, 2000

Mr. Darryl Burris
Regional Inspector General/Cairo
United States Agency for
International Development

Dear Mr. Burris:

This report presents the result of our financial related audit of project revenue received and costs incurred by Ministry of International Cooperation (MIC). The audit population includes revenues received and costs incurred by MIC under Project Implementation Letters ("PIL") No.2 (SPRU) and ("PIL") No.7 (MEDA) of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0233 ("Grant Agreement" or "Project") for the period July 1, 1997 through June 30, 1999 (the "audit period").

BACKGROUND

The Grant Agreement between the Arab Republic of Egypt and the United States of America for the Technical Support for Sector Policy No. 263-0233. (The "Project"). Was signed on August 24, 1992 and remains in effect until September 30, 2001. The purpose of the project is to establish a monitoring unit in MIC to monitor performance of the Sector Policy Reform Program and assess the impact of policy reforms and also to establish a separate component for macroeconomic and analysis.

PIL No.2 was signed between MIC and USAID/Egypt on August 1, 1994; the PIL remains in effect until September 30, 2001. The purpose of the PIL is to provide guidance regarding the establishment of the monitoring unit MIC and the assessment of the impact of policy reforms implemented under the project. The unit is called the Sector Policy Reform Unit (SPRU).

PIL No.7 was signed between the MIC and USAID/Egypt on July 22, 1996; the PIL remains in effect until September 30, 2001. The Purpose of the PIL is to establish an independent Macro-Economic and Debt Analysis (MEDA) Unit to support MIC in its efforts to reform the Egyptian economy. As part of the support the unit examines issues associated with debt management and both domestic and international financial and economic conditions to determine if Egypt can support additional foreign debt from the World Bank and other lenders whom typically require policy reform before granting loans.

AUDIT OBJECTIVES AND SCOPE

The objective of this engagement was to perform a financial-related audit of project revenues received and costs incurred by MIC under the Grant Agreement for the PILs during the audit period. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed project presents fairly, in all material respects, project revenues received, costs incurred, and commodities and technical assistance directly procured by USAID during the period under audit in conformity with the terms of the PILs, and generally accepted accounting principles, or other comprehensive basis of accounting, including the cash receipts and disbursements basis;
2. determine if the costs reported as incurred under PILs Nos. PIL No.2 (SPRU) and PIL No.7 (MEDA) are allowable, allocable, and reasonable in accordance with the terms of the Grant Agreement;
3. evaluate and obtain a sufficient understanding of the internal control structure of MIC as it relates to the PILs, assess control risk, and identify reportable conditions, including material internal control structure weaknesses;
4. perform tests to determine whether MIC complied, in all material respects, with the terms of the Grant Agreement and with applicable laws and regulations related to the USAID funded PILs; and
5. determine if MIC has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in September 1, 2000. These procedures consisted of discussions with personnel from the office of the Regional Inspector General for Audit in Cairo and MIC management. Audit fieldwork commenced in September 30, 2000 and was completed in October 2000.

The audit population includes revenues received and costs incurred by MIC under Project Implementation Letters ("PILs") Nos. PIL No.2 (SPRU) and PIL No.7 (MEDA) of the USAID/Egypt funded Grant Agreement No. 263-0233 for the period July 1, 1997 through June 30, 1999.

We tested one hundred percent of the revenues and the following percentages of project costs. Amounts are expressed in Egyptian Pounds.

Item	PIL NO.2 (SPRU)	PIL NO.7 (MEDA)	TOTAL
Project Costs	LE 613,360	LE 1,543,978	LE 2,157,338
	US\$ 180,400	US\$ 454,111	US\$ 634,511
Cost Tested	LE 140,694	LE 352,206	LE 492,900
	US\$ 41,381	US\$ 103,590	US\$ 144,971
Percent of Total Cost Tested	23 %	22 %	23 %
Receipts From USAID	LE 587,736	LE 1,483,051	LE 2,070,787
	US\$ 172,864	US\$ 436,191	US\$ 609,055

The mentioned PILs are funded 100% from USAID; no cost sharing contribution was required.

Our tests of project costs incurred by MIC included, but were not limited to, the following:

1. Reconciling project accounting records to billings and reports issued by MIC to USAID/Egypt to ensure that project costs were supported with appropriate books and records;
2. comparing project costs billed and reported to USAID/Egypt to the approved budget according to the Grant Agreement and PILs;
3. testing of project costs incurred by the MIC for allowable, allocable, reasonableness and appropriate support; and
4. determining that procurement was made using sound commercial practices including competition, reasonable prices were obtained, and there were adequate controls on qualities and quantities received.

As part of our examination of MIC, we assessed internal controls, as they relate to PILs Nos. PIL No.2 (SPRU) and PIL.7 (MEDA), in order to determine our auditing procedures. We also reviewed MIC's compliance with applicable laws, regulations, contracts and grants as they relate to the PILs under the Grant Agreement.

RESULTS OF AUDIT

Fund Accountability Statement

Our audit procedures identified no question costs. The fund accountability statement expressed in Egyptian pound fairly presents, in all material respects, the Project revenues received and cost incurred for the audit period in conformity with the terms of Grant Agreement and generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursement basis or modification of the cash basis.

Internal Control Structure

We noted no matters involving the internal control structure and its operation that we consider being material weaknesses. However, we did identify other non-reportable conditions, which we have communicated to the MIC management in a separate letter dated October 4, 2000.

Compliance with Agreement Terms and Applicable Laws and Regulations

The results of our test disclosed no instance of material noncompliance that is required to be reported herein under *U.S. Government Auditing Standards*.

FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

One of the audit objectives was to perform a follow up on prior audit recommendation. Allied Accountants performed an audit of MIC for the period started July 1,1996 through June 30,1997. We reviewed the prior audit report of MIC. Our review revealed the following:

-Fund Accountability Statement

The prior audit report identified in aggregate question costs. The question costs are broken down as follows:

	<u>Ineligible Costs</u>	
	<u>US \$</u>	<u>LE.</u>
PIL NO. 2 (SPRU)	80	273
PIL NO.7 (MEDA)	<u>180</u>	<u>612</u>
	<u>260</u>	<u>885</u>

These issues were closed, and amounts were refunded to USAID/Egypt.

- Internal Control

The prior audit report identified no material instance of internal controls.

- Compliance with Agreement Terms and Applicable Laws and Regulations

The prior audit report identified no material instance of noncompliance.

MANAGEMENT'S COMMENTS

Management's comments have been obtained and are included in Appendix A to this report.

MISSION RESPONSE

The USAID/Egypt mission's response is included in Appendix B to this report.

This report is intended for the information of MIC management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

October 4, 2000

Mr. Darryl Burris
Regional Inspector General/Cairo
United States Agency for
International Development

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FUND ACCOUNTABILITY STATEMENT**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1,1997 through June 30,1999 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No.2 (SPRU) and No.7 (MEDA). These funds accountability statements are the responsibility of the management of MIC. Our responsibility is to express an opinion on these funds accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. 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. 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 evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

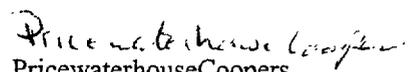
We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of *U.S. Government Auditing Standards*, since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the *U.S. Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control program. This program requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices and firms.

As described in Note 2, the fund accountability statement has been prepared on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation arises. Accordingly, the fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

In accordance with GAS, we have also issued a report dated October 4, 2000, on our consideration of MIC internal control structure and a report dated October 4, 2000 on its compliance with laws, regulations, contracts, and grants.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, program revenues and costs incurred and reimbursed under PIL No.2 (SPRU) and PIL No.7 (MEDA) of the Grant Agreement during the audit period, in accordance with the terms of the agreements and inconformity with the basis of the accounting described in Note 2.

This report is intended for the information of MIC management and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.


PricewaterhouseCoopers
October 4, 2000

MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM
PROJECT NO.263-0233 PIL NO.2 (SPRU) & PIL NO.7 (MEDA)
FOR THE AUDIT PERIOD JULY 1,1997 THROUGH JUNE 30,1999
FUND ACCOUNTABILITY STATEMENT
EXPRESSED IN US DOLLARS (US\$)

	APPROVED	ACTUAL	QUESTIONED COSTS	
	BUDGET	EXPENDITURES	INELIGIBLE	UNSUPPORTED
	(NOTE 1)	(NOTE 1)	(NOTE 5)	(NOTE 5)
OPENING FUND BALANCE (Note 4)		(47,470)		
REVENUES (Note 1):				
PIL NO.2 (SPRU)		172,864		
PIL NO.7 (MEDA)		436,191		
Total Revenues		609,055		
EXPENDITURES:				
<u>PIL NO.2 (SPRU)</u>				
Salaries	364,995	147,931		
Maintenance	8,824	3,732		
Stationary	14,706	4,080		
Consultant	8,824	0		
Ext. Auditor	14,706	0		
Travel Inside	5,000	1,775		
Training	17,647	2,616		
Data Collection	8,824	381		
Office Space	12,353	10,613		
Cont./Misc	5,882	1,324		
Telephone lines	4,412	865		
Vehicle Maintenance	11,765	7,083		
Medical Insurance	4,412	0		
Total PIL NO.2 (SPRU) Expenditures	482,350	180,400		
<u>PIL NO.7 (MEDA)</u>				
Salaries	715,458	308,564		
Maintenance	9,456	7,390		
Stationary	20,241	16,227		
Consultant	8,824	0		
Ext. Auditor	11,765	0		
Travel Inside	4,853	4,230		
Training	10,294	4,962		
Data Collection	11,765	9,684		
Office Space	99,515	96,151		
Telephone line	7,647	(1,149)		
Cont/Misc	14,412	3,640		
Medical Insurance	14,412	4,412		
Total PIL NO.7 (MEDA) Expenditures	918,642	454,111		
TOTAL EXPENDITURES	1,400,992	634,511		
FUND BALANCE (Note 4)		(72,926)		

MINISTRY OF INTERNATIONAL COOPERATION

**TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233**

**PROJECT IMPLEMENTATION LETTERS
PIL NO.2 (SPRU) & PIL NO.7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233**

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

**FOR THE PERIOD
JULY 1, 1997 THROUGH JUNE 30, 1999**

NOTE 1 - SCOPE OF STATEMENT:

The fund accountability statement includes project revenues received and costs incurred by MIC under Project Implementation Letters PIL No.2 (SPRU) and PIL No.7 (MEDA) of the USAID/Egypt funded Grant Agreement No. 263-0233 ("Grant Agreement" or "Project") for the period July 1, 1997 through June 30, 1999 (the "audit period").

The "Approved Budget" column includes the USAID/Egypt approved project budget in accordance with the most recent budget amendments of the PILs within the audit period, and is presented for informational purposes only. Amendment No.11 to PIL No.2 (SPRU) dated December 30, 1998 approved an additional commitment of LE 42,000. Amendment No.8 to PIL No.7 (MEDA) dated September 22, 1998 approved an additional commitment of PIL budget of LE 1,497,285.

The "Actual Expenditures" column represents project revenues received and costs incurred by MIC during the audit period.

The "Revenues" includes reimbursements of expenditures received during the audit period.

NOTE 2 - BASIS OF PRESENTATION

The fund accountability statement has been prepared on the cash disbursement method of accounting. Consequently, project revenues are recognized when received rather than when earned and project costs are recognized when paid rather than when the obligation arises.

NOTE 3 - FOREIGN EXCHANGE:

Actual and budgeted Project revenues and costs incurred in LE have been converted to US dollars at an exchange rate of LE 3.40 to one US Dollar. The exchange rate has been calculated by averaging the ending monthly exchange rates, obtained from the Central Bank of Egypt, during the audit period.

NOTE 4 - FUND BALANCE

The fund accountability statement of MIC includes the adjusted opening fund balance as of July 1, 1997, due to using the average exchange rate calculated for the audit period. The opening fund balance has been adjusted accordingly:

	<u>LE</u> <u>expressed in</u> <u>US \$</u>
Unadjusted Opening Fund Balance (As obtained from last year's audit report)	\$ (47,631)
Difference due to average exchange rate	161
Adjusted Opening Fund Balance (July 1, 1997)	<u><u>\$ (47,470)</u></u>

The "Ending Fund Balance" represent project revenues received and opening fund balance less costs incurred during the audit period.

The fund balance at June 30, 1999 consists of the:

Bank Balance @ 6/30/1999:

1. PIL 2 (SPRU)	LE 174,895
2. PIL 7 (MEDA)	<u>LE 73,319</u>
Total (A)	<u><u>LE 248,214</u></u>
+ Imprest Fund Balance:	
1. PIL 2 (SPRU)	LE 2,533
2. PIL 7 (MEDA)	<u>LE 1,305</u>
Total (B)	<u><u>LE 3,838</u></u>
Ending Balance (A+B):	LE 252,052
(-) Line of Credit at NIB	<u>LE (500,000)</u>
Ending Fund Balance	<u><u>LE (247,948)</u></u>

NOTE 5 – QUESTIONED COSTS:

Questioned project costs are presented, separately, by respective PIL number, in two categories; ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not project related or are prohibited by the PILs, Grant Agreement, or applicable laws and regulations. Unsupported project costs are those that are not supported with adequate documentation. Our audit procedures identified no questioned costs.

October 4, 2000

Mr. Darryl Burris
Regional Inspector General/Cairo
United States Agency for
International Development

**REPORT OF INDEPENDENT ACCOUNTANTS
ON INTERNAL CONTROL STRUCTURE**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1, 1997 through June 30, 1999 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No.2 (SPRU) and No.7 (MEDA). We have issued our report thereon dated October 4, 2000.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 31 of chapter 3 of *Government Auditing Standards* since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of *Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control program. This program requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices.

The management of MIC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess 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 in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in accordance with the basis of accounting described in Note 2 of the report on the fund accountability statement. Because of inherent limitations in any internal control structure, 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 because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of MIC for the audit period, we obtained an understanding of the internal control structure as it relates to the PILs under audit. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of MIC in a separate letter dated October 4, 2000.

This report is intended for the information of MIC management and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers

PricewaterhouseCoopers
October 4, 2000

October 4, 2000

Mr. Darryl Burris
Regional Inspector General/Cairo
United States Agency for
International Development

**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1,1997 through June 30,1999 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No.2 (SPRU) and No.7 (MEDA). We have issued our report thereon dated October 4,2000.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 31 of chapter 3 of *Government Auditing Standards* since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of *Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control program. This program requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices.

Compliance with Grant Agreement and PILs terms and laws and regulations applicable to MIC is the responsibility of MIC management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of MIC's compliance with certain provisions of laws, regulations, contracts and Grant Agreement terms. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *U.S. Government Auditing Standards*.

This report is intended for the information of MIC management and the USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers

PricewaterhouseCoopers
October 4, 2000

MINISTRY OF ECONOMY AND INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO.2 (SPRU) & (‘PIL’) NO.7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

MANAGEMENT COMMENTS

*Ministry of International Cooperation
Sector Policy Reform Unit
(SPRU)*

Mrs. Exa Snow
Director,
PriceWater House Coopers L.L.C.
22 El Nasr Street,
New Maadi, 11431, Cairo, Egypt.

December 25th, 2000

Dear Mrs. Exa,

Thank you for your cooperation and services provided to the SPRU.
This is to notify you by our concurrence regarding your draft audit report for project revenue received and costs incurred by the Ministry of International Cooperation under Project Implementation Letter (PIL) no. 2 for SPRU of the United States Agency for International Development Mission to Egypt (USAID/Cairo), funded Grant Agreement no. 263-0233 for the period July 1, 1997 through June 30, 1999.

Thus, you can finalize your report and send it to the USAID.

We appreciate your courtesy and look for further cooperation in the future.

Best regards.

Sincerely yours



Dr. Lotfalla Imam
Executive Director
SPRU.

34 Michelle Bakhom St., Dokki, Giza, Egypt.
Tel.: 3369081
Fax: 3369082

MINISTRY OF ECONOMY AND INTERNATIONAL COOPERATION

TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO.2 (SPRU) & (‘PIL’) NO.7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

MANAGEMENT COMMENTS

Ministry of Economy & International Cooperation
Macroeconomic & Debt Analysis Unit - MEDA

Mrs. Exa Snow
Director,
Price Water House Coopers L.L.C.
22, El Nasr Street,
New Maadi, 11431, Cairo, Egypt.

December 31st, 2000

Dear Mrs. Exa,

Thank you for your cooperation and services provided to the MEDA. This is to notify you by our concurrence regarding your draft audit report for project revenue received and costs incurred by the Ministry of International Cooperation under Project Implementation Letter (PIL) no. 7 for MEDA of the United States Agency for International Development Mission to Egypt (USAID/Cairo), funded Grant Agreement no. 263-0233 for the period July 1, 1997 through June 30, 1999.

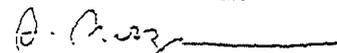
Thus, you can finalize your report and send it to the USAID.

We appreciate your courtesy and look for further cooperation in the future.

Best Regards,

Sincerely Yours,

Dr. Abdullah Marzban



Executive Director
MEDA

11, Gamal El Din Abu El Mahassen St., Garden - City, Cairo, Egypt
Tel. : (202) 3553582 - 3550425 - 3547537 Fax : (202) 3545722

MINISTRY OF INTERNATIONAL COOPERATION

**TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233**

**PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO.2 (SPRU) & (‘PIL’) NO.7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233**

MISSION RESPONSE

USAID/EGYPT had no comments on the audit report.