

Our Reference: 69-7-4

The Honourable Pila Niningi, MP
Minister for Inter-Government Relations
Office of the Minister
PO Parliament Haus
WAIGANI
National Capital District

***INDEPENDENT AUDIT REPORT ON THE
RURAL SERVICE DELIVERY PROJECT
(IDA GRANT NO.6076-PG & GoPNG FUNDS)
FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2017***

OPINION

In accordance with *Section 8(4)* of the *Audit Act, 1989 (as amended)*, I have audited the accompanying special purpose financial statements of the **Rural Service Delivery Project**, and the **GoPNG Funds** which comprise the Statement of Cash Receipts and Payments for the 6 months period ended **31 December 2017** and notes to the Statement of Cash Receipts and Payments, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying Project's special purpose financial statements;

- i) are based on proper accounts and records;
- ii) are in agreement with those accounts and records and present fairly, in all material respects, the Project's financial performance for the 6 months' period ended 31 December 2017;
- iii) comply with generally accepted accounting practice and statutory requirements in Papua New Guinea; and
- iv) funds were used for the purpose of the project as set out in the *IDA Grant Agreement No.6076*, and the *GoPNG Funds*.

BASIS FOR OPINION

I conducted my audit in accordance with *International Standards on Auditing* and the *Audit Act, 1989 (as amended)*. My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report. I am independent of the Rural Service Development Project in accordance with the ethical requirements that are relevant to my audit of the financial statements in Papua New Guinea, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTER

Basis of Accounting and Restriction on Distribution

I draw attention to *Note (2a)* to the financial statements which describe the basis of accounting. The financial statements have been prepared to assist the entity in connection with the requirements set out in the IDA grant agreement No.6076-PG. As a result, the financial statements may not be suitable for any other purpose. My report is intended solely for the Independent State of Papua New Guinea, and World Bank and should not be distributed for use by other parties.

My opinion is not modified in respect of this matter.

Responsibilities of the Project Management and those charged with Governance for the Financial Statements

The Department Head overseeing the Project Implementation Unit (PIU) at the Department of Provincial and Local Level Government Affairs (DPLGA) is responsible for the preparation and fair presentation of the financial statements. The financial statements are submitted under *Section 63(3)* of the *Public Finances Management Act, 1995* in accordance with the Cash Basis of Accounting as stated in *Note (2a)* of the financial statements in compliance with relevant provisions set out in the grant agreement **IDA Grant No.6076-PG** and the **GoPNG Funds** and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Rural Services Delivery Project's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit in accordance with *International Standards on Auditing*, I exercise professional judgement and maintain professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the statement of cash receipts and payments, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in blue ink, appearing to read 'G. Kega'.

GORDON KEGA MBA, CPA
Auditor-General

31 January, 2022