AUDIT REPORT

The Secretary
Ministry of Finance
Singh Durbar, Kathmandu

Report on the Financial Statements

We have audited the accompanying Project Financial Statements including Statement of Designated Account and Statement of Expenditure of the "The Project for Strengthening the National Rural Transport Program (SNRTP)" financed by IDA Grant No H899-NP and IDA Credit 5336-NP as at July 16, 2018 (32 Ashad, 2075) and for the year then ended and a summary of accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Government of Nepal (GoN) accounting policies and relevant practices. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of project financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Project Financial Statements based on our audit. We conducted our audit in accordance with the INTOSAI (International Organisation of Supreme Audit Institutions) Fundamental Auditing Principles. Those Principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

Management letter highlighting areas for improving financial management including compliance with the financial covenant is attached herewith.

In our opinion, the Project Financial Statements including statement of Designated Account, in all material respects, give a true and fair view of the financial position of the "The Project for Strengthening the National Rural Transport Program (SNRTP)" as of July 16, 2018 (32 Ashad, 2075), and of the results of its operations and its cash flows for the year then ended in accordance with GoN accounting policies. We also report that funds provided under by IDA Grant No. H899-NP and IDA Credit 5336-NP have been utilized for intended purposes.

In addition, with respect to SoEs, a) adequate supporting documentation has been maintained to support claims to donors for reimbursement of expenditures incurred; and b) expenditures are eligible for financing under the above mentioned Grants.

(Ram Maya Kunwar)
Deputy Auditor General