INDEPENDENT AUDIT REPORT ON THE ACCOUNTS OF PNG ENERGY SECTOR DEVELOPMENT PROJECT (IDA CREDIT No. 5201-PG & GEF Grant No. TF014583) – COMPONENT 2 FOR THE FISCAL YEAR ENDED 31 DECEMBER 2015.

To the Managing Director, PNG Power Limited

I have audited the accompanying Financial Statements of the PNG Energy Sector Development Project (IDA Credit No. 5201-PG & GEF Grant No. TF014583) – Component 2, which comprises the statement of Receipts and Payments, and the accompanying notes as at 31 December 2015.

Responsibility for the Financial Statements

The Managing Director overseeing the Project Implementation Unit (PIU) at the PNG Power Limited is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor-General

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with International Standards on Auditing. These standards require that I comply with ethical requirements and 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of the PNG Energy Sector Development Project (IDA Credit No. 5201-PG & GEF Grant No. TF014583) – Component 2 as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
Other Matters

1. **Disbursement by the World Bank/IDA & GEF Grant No. TF014583**
   
   With respect to disbursement by the International Credit Agency (IDA) & GEF Grant No. TF014583 were paid on the basis of Certified Statements of Expenditure (SOE) & GEF Grant No. TF014583. Adequate supporting documents were maintained to support the claims to the IDA & GEF Grant No. TF014583 for reimbursements of expenditure incurred and the expenditures concerned are eligible for financing under the IDA loan and GEF Grant.

2. **GoPNG Counterpart Trust Account**
   
   The GoPNG Counterpart Trust Account gives a true and fair view of the monies received and expanded during the year and the status of the Counterpart Funding by the State as at 31 December 2015.

PHILIP NAUGA
Auditor-General

12 June 2017