



**AUDITOR GENERAL'S OFFICE**  
PAPUA NEW GUINEA

Phone: (+675) 3012200 Fax: (+675) 325 2872 Email: agopng@ago.gov.pg Website: www.ago.gov.pg



PAPUA NEW GUINEA

*Our Reference: 67-16-4*

***The Honourable Renbo Paita, MP***

Minister for Communication and Energy

*Office of the Minister*

PO Parliament Haus

**WAIGANI**

National Capital District

***INDEPENDENT AUDIT REPORT ON  
PNG ENERGY SECTOR DEVELOPMENT PROJECT – COMPONENT 2  
(IDA CREDIT NO. 5201 PG)  
FOR THE YEAR ENDED 31 DECEMBER 2016***

**OPINION**

In accordance with *Section 8(4) of the Audit Act, 1989 (as amended)*, I have audited the financial statements of **PNG Energy Sector Development Project – Component 2**, which comprise the Statement of Cash Receipts and Payments for the year ended **31 December 2016** 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 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 year ended 31 December 2016;
- iii) comply with generally accepted accounting practice and statutory requirements in Papua New Guinea; and
- iv) are in compliance with relevant provisions set out in the *Loan Agreement IDA Credit No. 5201 PG*.

**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 PNG Energy Sector Development Project – Component 2 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.

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

The Management overseeing the Project Implementation Unit (PIU) at the PNG Power Limited is responsible for the preparation and fair presentation of the financial statements submitted under *Section 63(3) Public Finance (Management) (Amendment) Act, 2016* in accordance with the *International Public Sector Accounting Standards*, Financial Reporting under the Cash Basis of Accounting in compliance with relevant provisions set out in the IDA Credit No.5201 PG 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 PNG Energy Sector Development Project – Component 2's financial reporting process.

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

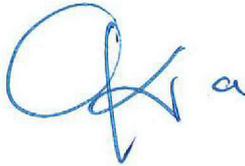
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 entity'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 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.

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.



**GORDON KEGA MBA, CPA**  
*Acting Auditor-General*

**12 June, 2019**