INDEPENDENT AUDITOR’S 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 of the "Bridge Improvement and Maintenance Program" financed by IDA Credit No 5138 NEP as at 15 July 2016 (31st Ashad, 2073) 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 included designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor’s Responsibility

Our responsibility is to express an opinion of these Project Financial Statements based on our audit. We conducted our audit in accordance with the INTOSAI (International Organization 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 improvement in financial management including compliance with 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 "Bridge Improvement and Maintenance Program" as of 16th July 2016 (31st Ashad 2073), 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 IDA Credit No 5138 NEP has been utilized for intended purposes.

Iswar Nepal
Deputy Auditor General