**KYRGYZ REPUBLIC**

**MINISTRY OF EMERGENCY SITUATIONS OF THE KYRGYZ REPUBLIC**

**KYRGYZ REPUBLIC RESILIENT LANDSCAPE RESTORATION PROJECT (RESILAND CA+ PROGRAM)**

**TERMS OF REFERENCE**

**FINANCIAL STATEMENTS AUDIT**

1. **GENERAL INFORMATION**

Currently, the Ministry of Emergency Situations of the Kyrgyz Republic is implementing the project “Resilient Landscape Restoration in the Kyrgyz Republic”, which is part of the World Bank's RESILAND CA+ Program, which aims to improve the resilience of regional landscapes in Central Asia.

**The objectives of the Project are**: (i) to increase the area under sustainable landscape management in Selected Locations in the Kyrgyz Republic; and (ii) to promote Kyrgyz Republic’s collaboration with other Central Asian countries on transboundary landscape restoration.

The project will be implemented in the northern regions of Naryn and Issyk-Kul, bordering Kazakhstan, and the southern regions of Jalal-Abad and Osh in the transboundary (with Uzbekistan) Kara-Darya River basin, particularly in the Kara-Unkur River sub-basin and the Kugart River sub-basin. Most of the sites (13) are located in Osh and Jalal-Abad regions, which have the highest concentration of sites with high mudflow risk. Three sites are located in Issyk-Kul and Naryn regions in the north – sites with high mudflow risk and significant protective impacts on households and agricultural land.

**Project Components:** The Project consists of the following three interrelated components to achieve the above-mentioned objectives.

**Component 1: Strengthening institutions and regional collaboration**

Component 1 has a national and regional focus, financing activities that enhance the government's ability to forecast, monitor and prepare to reduce and mitigate the impacts of natural and climatic disasters, thereby improving landscape resilience and restoration and activities that improve regional awareness, capacity, and cooperation on transboundary resilience of landscapes. National-level activities will have regional spillover effects on water resources assessment and forecasting, which is of a strategic importance for the Central Asia region.

**Component 2: Enhancing Resilient Landscapes and Livelihoods**

Component 2 will finance upstream and downstream nature-based, grey, green, and hybrid solutions for reducing the impact of mudflows on communities, landscapes, and infrastructure in the targeted transboundary areas. These solutions will not result in land use change that would lead to the loss of carbon capture or an increase in emissions. The project includes activities aimed at carrying out work that includes a combination of hybrid solutions for landscaping and soil erosion control upstream (on mountain slopes) and climate-resistant gray solutions (protective structures/dams) most affected by mudflows, in addition to modernization monitoring systems for mudflows and glaciers in the country to ensure more informed decisions are made to mitigate the impact of mudflows in the long term.

**Component 3: Project Management and Coordination**

The component will finance the incremental operating costs and other eligible expenses associated with project implementation. The Projects implementation unit under the MES KR will carry out project implementation.

1. **OBJECTIVE**

The objective of the audit of the project financial statements is to enable the auditor to express a professional opinion on the project’s financial position:

• As of the period from September 1, 2024 to December 31, 2025, at the end of December 31, 2026, December 31, 2027, December 31, 2028, June 29, 2029 including the grace period of October 29, 2029, income and expenses for the reporting period ending on this date.

The project’s books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project. Also, the auditor should check all project bidding processes for the fiscal year for compliance with the rules and procedures of the World Bank Procurement Regulations for IPF Borrowers (dated by Jully 2016 and revised in September 2023) and the Law on Public Procurement of the Kyrgyz Republic if applicable.

**RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS**

The project’s management is responsible for the preparation of financial statements, including the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, the safeguarding of the assets of the project, and adequate disclosure. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

1. **SCOPE OF SERVICES**

The audit will be conducted in accordance with [International Standards on Auditing](https://www.iaasb.org/). Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

1. In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud, as required by International Standard on Auditing 240.
2. When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements, as required by International Standard on Auditing 250.
3. The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity, as required by International Standard on Auditing 260.
4. The auditor should appropriately communicate to those charged with governance and to management any deficiencies in internal control that the auditor has identified in an audit of financial statements, as required by International Standard on Auditing 265.
5. To reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level, as required by International Standard on Auditing 330.
6. When certain aspects of an entity’s operations are performed by a third-party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process, as required by International Standard on Auditing 402.
7. As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance, as required by International Standard on Auditing 580.
8. When the external auditor decides to use the work of an entity’s internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, the determination shall be in accordance with International Standard on Auditing 610.
9. In determining whether to use the work of an auditor’s expert or the extent to which the work of an auditor’s expert is adequate for audit purposes, the determination shall be made in accordance with International Standard on Auditing 620.

In evidencing compliance with agreed project financing arrangements, the auditor is expected to carry out tests to confirm that:

1. All external funds have been used in accordance with the conditions of the relevant financing agreements: Financing Agreement between the Kyrgyz Republic and International development Association (IDA), Grant Agreement on Global Partnership for Sustainable and Resilient Landscapes Multi-Donor Trust Fund, Grant Agreement of the Korea-World Bank Partnership Facility Single Donor Trust Fund, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include IDA CREDIT № 74900-KG, IDA GRANT KWPF № TF C3586-KG, GRANT PROGREEN № TF С3588-KG.
2. Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
3. Goods, works, and services financed have been procured in accordance with relevant financing agreements, including specific provisions of the [World Bank Procurement Regulations for IPF Borrowers or the Law on Public Procurement of the Kyrgyz Republic.](http://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs)
4. All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account.

In confirmation of compliance with the procurement rules and procedures of the World Bank Procurement Regulations for IPF Borrowers (dated by Jully 2016 and revised in September 2023) and the Law on Public Procurement of the Kyrgyz Republic if applicable, the auditor will check the correctness of the execution of bidding procedures under project and confirm that:

* Bidding processes were carried out in accordance with the Procurement Plan approved by the WB;
* Bidding processes within the project were carried out in accordance with the World Bank Procurement Regulations or the Public Procurement of the Kyrgyz Republic, and the Project Operational Guidelines;
* all bidding documentations were entered into STEP system, except for operation costs for the PIU;
* National competitive bidding was held in accordance with the Law on Public Procurement of the Kyrgyz Republic, using government procurement portal of the Kyrgyz Republic - <https://zakupki.gov.kg/>;
* files are properly prepared and archived for all biddings held in hard and soft version;
* properly prepared all reports and minutes of bidding process, and signed by all Commission members;
* complaints from bidders are reviewed and responded in accordance with the rules and procedures of the World Bank and the Project Operational Guidelines, as well as in accordance with the Law on Public Procurement of the Kyrgyz Republic (for procurement in accordance with the national market approach);
* announcements for bidding were published in the local media, UNDB via STEP, EGP-Portal <https://zakupki.gov.kg/> or on the website of the executing agencies;
* the anti-corruption policy of the World Bank was conformed and violations regarding corruption were not revealed;
* consultations were held for members of tender commissions on the correctness of tender evaluation and contract monitoring by PIU;
* careful monitoring of the contract was carried out by the PIU and contacts were executed properly;
* all necessary documents upon completion of the contract are signed and properly stored in the PIU.

**Extended scope**

In consideration of peculiarities in the nature of the project’s activities, the auditor will be required to carry out and report on the following additional procedures and outcomes.

Audit of expenditures incurred by the Tien Shan Alpine Scientific Center (TSASC) under the Institute of Water Problems and Hydropower of the National Academy of Sciences of the Kyrgyz Republic and by the Institute of Water Problems and Hydropower of the NAS KR with respect to expeditions undertaken under the Project. The auditor is expected to:

Select a representative sample of expenditures and carry out the following detailed tests to determine whether those were used for intended purposes, justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditor must ensure that all funding received by the recipient were appropriately recorded in the recipient’s accounting records and that those records were periodically reconciled with information maintained in the main project records.

**Project financial statements**

The auditor should verify that the financial statements have been prepared in accordance with [International Public Sector Accounting Standards](https://www.ipsasb.org/). The financial statements (cash basis) should include:

* A summary of funds received from the World Bank, other financiers and counterpart contributions from the borrower, all presented separately;
* A summary of expenditures paid, presented under project account headings and main categories of expenditures; and
* Additional disclosures in explanatory notes, including details of statements of expenditures (SOE) supporting Withdrawal Applications submitted during the period, a reconciliation of movements on the Designated Account, and a statement of fund balances].

**Review of Statements of Expenditure and Interim Unaudited Financial Statements**

The auditor is required to audit all SOE submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s). Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. The auditor should report any ineligible expenditures identified as having been included in withdrawal applications and reimbursed.

**Review of designated accounts**

During the audit of the project financial statements, the auditor is required to review the activities of the project’s designated account(s). Activities to be examined will include deposits received, payments made, interest earned, and reconciliation of period-end balances.

**AUDIT REPORTS**

**Audit opinion**

1. The auditor will issue an audit opinion on the financial statements. The auditor’s opinion shall be based on an evaluation of the conclusions drawn from the audit evidence obtained and shall be expressed clearly through a written report that also describes the basis for that opinion. The audit report shall be prepared in accordance with International Standard on Auditing 700.
2. A modified audit opinion shall be rendered in the financial statements when the auditor concludes, on the basis of the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Modified audit opinions shall be in accordance with International Standard on Auditing 705.
3. The auditor will include emphasis of matter paragraphs or other matter paragraphs in the audit opinion where the auditor, having formed an opinion on the financial statements, seeks to draw users’ attention, when in the auditor’s judgment it is necessary to do so, by way of clear additional communication in the auditor’s report. The paragraphs will refer to either a matter that, although appropriately presented or disclosed in the financial statements, is of such importance that it is fundamental to users’ understanding of the financial statements; or as appropriate, any other matter that is relevant to users’ understanding of the audit, the auditor’s responsibilities, or the auditor’s report. This form of opinion will be presented in accordance with International Standard on Auditing 706.
4. The auditor issues an audit report on procurement. The audit report is based on an assessment of the findings obtained from audit evidence and should be clearly expressed in a written report that also describes the basis for this opinion. The audit report should be prepared on the basis of the Procurement Guideline for IPF Borrowers (dated by Jully 2016 and revised in September 2023) and the Law on Public Procurement of the Kyrgyz Republic.

**Other audit reports**

* + - 1. In addition to the audit opinion, the auditor will also, either in the audit report or in the report to management:
  1. provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
  2. identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
  3. report on instances of noncompliance with the terms of the financial agreement(s);
  4. quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or claimed from the World Bank;
  5. communicate matters that have come to attention during the audit that might have a significant impact on the implementation of the project;
  6. draw to the borrower’s attention any other matters that the auditor considers pertinent; and
  7. responses from management, including implemented and proposed remedial actions.
     + 1. The auditor’s opinion on the financial statements and management letter should be received by the Bank no later than [*three to six*]months after the end of [*the audit reference date*].

Financial statements, including the auditor's report, the auditors' letter to management must be received by the PIU no later than five months after the end of the audited fiscal year. The PIU must immediately send to the World Bank two copies of the financial statements (including the auditor's report) and the auditors' letter to management. The reports must be presented in two languages: English and Russian, 4 copies each.

**GENERAL**

The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit, including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.

The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the World Bank project task team.

It is highly desirable that the auditor reviews the Bank's financial reporting and auditing requirements contained in [OP 10.00 Investment Project Financing](https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=4035&VER=CURRENT), [Bank Policy: Program for Results Financing](https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=3684&VER=CURRENT), and [OP 8.60 Development Policy Lending](https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=2673&ver=current). The auditor should also be familiar with the [Disbursement Guidelines for Investment Project Financing](https://siteresources.worldbank.org/PROJECTS/Resources/DisGuideEng.pdf) (February 2017), the [Loan Handbook for World Bank Borrowers](http://siteresources.worldbank.org/LOANS/Resources/Disbursement09.pdf) (February 2017), and the [World Bank’s Procurement Regulations for IPF Borrowers](https://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs) (dated by July 2016 and revised in September 2023).

1. **QUALIFICATION CRITERIA**

**Selection criteria for the short list:**

* Experience in auditing financial statements for at least seven years – 60 points;
* The firm has completed at least two (2) similar assignments over the last three (3) years – 40 points;
* **Essential requirement:** The firm must be in the World Bank list of eligible audit firms.

List of positions of key experts whose resumes and experience will be evaluated:

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| --- | --- | --- | --- |
| **No. Positions** | **Key Expert Position** | **Required knowledge in a specific area** | **Required minimum qualifications and professional experience** |
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| K1 | *Audit Partner[[1]](#footnote-1)* | ISA, IFRS/IPSAS, National Accounting Standards and Tax Legislation.  General management and review of the project preparation and signing of the audit report. | Minimum 7 years of relevant experience in similar projects, availability of an international certificate |
| K2 | *Audit Manager – Team Leader* | ISA, IFRS/IPSAS, National accounting standards and tax legislation.  Basic management, client interaction and review. | Minimum 5 years of relevant experience in similar projects, with a minimum of CAP/CIPA certification. |
| K3 | *Chief Auditor* | ISA, IFRS/IPSAS, National accounting standards and tax legislation.  Initial review of working papers, financial statements and full audit performance. | Minimum 3 years of relevant experience in similar projects. |
| K4 | *Auditor (procurement specialist)* | 1. Procurement Rules for borrowers of the WB IPF (July 2016, revised in September 2023); 2. Law of the Kyrgyz Republic on public procurement dated April 14, 2022 No. 27 (LGZ). | Minimum 3 years of relevant experience as a procurement specialist in donor organizations (preferably in WB-funded projects) or 3 years of experience in auditing international projects in the procurement part. |

1. In local companies, positions can be called differently. In this case, it is necessary to determine the equivalent. [↑](#footnote-ref-1)