**Заместитель министра энергетики
Кыргызской Республики**

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**Н.М.Садыков**

**«\_\_\_» \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 2025г.**

**KYRGYZ REPUBLIC**

**Ministry of Energy of the Kyrgyz Republic**

**Projects:**

1. **Kyrgyz Energy Modernization and Sustainable Development (KEMS)**
2. **Kyrgyz Renewable Energy Development (KRED)**
3. **Technical assistance for the Kambarata HPP-1 project**
4. **Additional Financing for the Technical assistance for the Kambarata HPP-1 project (AF KA-1)**

**Terms of Reference**

**FOR FINANCIAL STATEMENTS AUDIT**

1. **Background**

The Ministry of Energy of the Kyrgyz Republic is implementing the World Bank financed projects: Kyrgyz Energy Modernization and Sustainable Development (KEMS); Kyrgyz Renewable Energy Development (KRED); Technical assistance for the Kambarata HPP-1 project; Additional Financing for the Technical assistance for the Kambarata HPP-1 project (AF KA-1). Two Project Management Offices were established to implement these projects: Project Management Office for implementation of KEMS and KRED projects (PMO KEMS-KRED) and Project Management Office for implementation of projects for Kambarata HPP-1 (PMO KA-1).

**Purpose and description of the Projects**

The project “Electricity Sector Modernization and Sustainability Project” (KEMS, P177871), funded by the International Development Association in the amount of 58.0 million US dollars, is aimed at improving the financial and operational sustainability of the electric power sector by rehabilitating distribution networks and digitalizing the energy accounting system.

The project "Kyrgyz Renewable Energy Development” (KRED, P178286), funded by the International Development Association in the amount of 80.2 million US dollars, is aimed at ensuring energy security, reliable sustainable operation of the energy system, rational use of water resources, as well as increasing the generating capacity of the Kyrgyz Republic.

The project “Technical Assistance for Kambara 1 Hydropower Plant project” (TA K-1, P181086), financed by the International Development Association in the amount of 5.0 million US dollars (hereinafter referred to as the Project), aims to update previous studies to confirm the feasibility study, as well as strengthen the ecological and social basis of the Kambara HPP-1 construction project.

Additional financing for the Technical Assistance of Kambarata 1 Hydropower Plan project (AF KA-1, P181086) in the amount of USD 13.6 million is aimed at completing the work initiated within the framework of the project, as well as selecting a panel of experts, developing a macroeconomically sustainable financing plan and commercial structure for the construction of the Kambarata 1.

The Ministry of Energy of the Kyrgyz Republic is an implementing agency. Ministry of Labor, Social Security and Migration of the Kyrgyz Republic is and implementing agency for Component 3 of the KEMS project.

The Project Management Office KEMS-KRED (hereinafter referred to as the PMO KEMS-KRED) under the Ministry of Energy of the Kyrgyz Republic is engaged in the implementation of KEMS and KRED projects.

The Project Management Office PMO KA-1 (hereinafter referred to as the PMO KA-1) under the Ministry of Energy of the Kyrgyz Republic will be engaged in the implementation of the projects Technical Assistance for Kambara 1 Hydropower Plant project (TA KA-1) and Additional financing for the Technical Assistance of Kambarata 1 Hydropower Plant project (AF KA-1)

1. **Objective**

The objective of the audit of the projects’ financial statements is to enable the auditor to express a professional opinions on the projects’ financial position:

* KEMS project – as at the end of December 31, 2023; December 31, 2024; December 31, 2025; December 31, 2026; December 31, 2027, and including Grace period till April 30, 2028; and of the income and expenditure for the accounting period ending on that date;
* KRED project – as at the end of December 31, 2025; December 31, 2026; December 31, 2027; and of the income and expenditure for the accounting period ending on that date;
* Original financing of the Technical Assistance for Kambarata-1 Hydropower project – as at the end of December 31, 2024; December 31, 2025; and of the income and expenditure for the accounting period ending on that date;
* Additional financing of the Technical Assistance for Kambarata-1 Hydropower project – as at the end of December 31, 2025; December 31, 2026; December 31, 2027; and of the income and expenditure for the accounting period ending on that 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 is expected to carry out tests to confirm that goods and services financed have been procured in accordance with the relevant general conditions and relevant financing agreements, including specific provisions of the World Bank “Procurement Regulations for IPF Borrowers (November 2020), revised (September 2023) or, there applicable, the Law on Public Procurement of the Kyrgyz Republic.

1. **Responsibility for preparation of financial statements**

The projects’ 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 work**

Audits 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, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include **Credit IDA-71470-KG, Grant IDA-E0690-KG, Grant TF-B9767-KG; Credit IDA 73700-KG, Grant TF-C3790-KG, TF-C3809-KG; Credit IDA-74220-KG, Grant TF-C1818-KG, Credit IDA-76010-KG, Grant TF-C4773-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,[[1]](#footnote-1) including specific provisions of the [World Bank Procurement Framework or PPL.](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 (November 2020), revised (September 2023) or, where applicable, the Law on Public Procurement of the Kyrgyz Republic, 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 procurement documentation is entered into STEP system, excluding Operational expenses of PMOs
* 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;
* 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 packages following local market approach);
* announcements for bidding were published in the local media, UNDB (through STEP), 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 the tender commissions on the correctness of evaluation of tender proposals and monitoring of the contract by PMOs;
* A thorough monitoring of contract was conducted from the side of PMOs and the contracts were executed properly;
* All necessary documents following the completion of the contract are signed and properly stored in PMOs;

**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 should include:

* *A summary of funds received from the World Bank, other donors 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**

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 projects’ designated accounts. Activities to be examined will include deposits received, payments made, interest earned, and reconciliation of period-end balances.

1. **Audit Reports**

**Audit opinion**

1. The auditor will issue an audit opinions on the financial statements. The auditor’s opinions 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 opinions. The audit reports shall be prepared in accordance with International Standard on Auditing 700.
2. Modified audit opinions 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 opinions where the auditor, having formed opinions 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 reports. 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.

**Other audit reports**

In addition to the audit opinions, the auditor will also, either in the audit reports or in the reports 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.

The auditor’s opinions on the financial statements and management letters should be received by the Bank no later than six months after the official projects closing dates.

The financial statements, including the auditor’s reports, and the auditors’ letters to management must be received by the PMOs no later than five months after the end of the audited fiscal year. The PMO should immediately send to the World Bank two copies of the financial statements (including the auditor's report) and a letter from the auditors to the management. The reports should be submitted in two languages: English and Russian, 3 copies each.

1. **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 the Bank’s Policy on Investment Policy Financing (IPF). 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 Framework](http://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs) (July 2016).

1. **Duration of the assignment**

Lumpsum contract will be signed for an initial period of 48 months. The contract may be extended beyond the original term subject to project periods and satisfactory performance of auditors.

1. **Qualification Criteria**

Selection criteria for inclusion in the short list:

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

List of Key Expert Positions Whose CV and Experience Would Be Evaluated.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Key Expert Position** | **Area of Specific Expertise required** | **Minimum Qualification and Professional Experience Required** | **Min Staff inputs required in person Days for Audit FY** |
| **2025** | **2026** | **2027** | **2028** |
| K1 | Audit partner[[2]](#footnote-2) | ISA, IFRS/IPSAS, National Accounting Standards and tax regulations; general coordination and management of the project, preparation and signing of audit report | Minimum 7 years of relevant project experience, international certification | 15 | 15 | 15 | 15 |
| K2 | Audit Manager-Team leader | ISA, IFRS/IPSAS, National Accounting Standards and tax regulations. Primary management, client communication and review | Minimum 5 years of relevant project experiencein similar projects, at least qualification CAP / CIPA | 30 | 30 | 30 | 30 |
| K3 | *Auditor in Charge* | ISA, IFRS/IPSAS, National Accounting Standards and tax regulations. Primary review of working papers, financial statements and performance of detailed audit procedures | Minimum 3 years of relevant project experience | 30 | 30 | 30 | 30 |
| K4 | *Auditor (Procurement Specialist)* | 1) World Bank Procurement Regulations for IPF Borrowers (November 2020), revised (September 2023); 2) Public Procurement Law of the Kyrgyz Republic dated April 14, 2024 № 27 (the “PPL”) | Minimum 3 years of relevant project experience as procurement specialist in donor organization (preferably WB projects)  | 30 | 30 | 30 | 30 |

1. Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement, in compliance with provisions of International Standard on Auditing 620. Consideration of using of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance. [↑](#footnote-ref-1)
2. In local companies, positions may be called differently. In this case, it is necessary to determine the equivalent. [↑](#footnote-ref-2)