

**TERMS OF REFERENCE**  
**FOR THE ANNUAL NORMAL SCOPE FINANCIAL STATEMENTS AUDITS**  
**OF THE**

**• AQIP PROJECT**

FOR THE PERIODS:

BEGAN JUNE 6, 2024 ENDED DECEMBER 31, 2025  
BEGAN JANUARY 1, 2026 ENDED DECEMBER 31, 2026  
BEGAN JANUARY 1, 2027 ENDED DECEMBER 31, 2027  
BEGAN JANUARY 1, 2028 ENDED DECEMBER 31, 2028  
BEGAN JANUARY 1, 2029 ENDED DECEMBER 31, 2029  
BEGAN JANUARY 1, 2030 ENDED DECEMBER 31, 2030

**• RACDP PROJECT**

FOR THE PERIODS:

BEGAN OCTOBER 10, 2024 ENDED DECEMBER 31, 2025  
BEGAN JANUARY 1, 2026 ENDED DECEMBER 31, 2026  
BEGAN JANUARY 1, 2027 ENDED DECEMBER 31, 2027  
BEGAN JANUARY 1, 2028 ENDED DECEMBER 31, 2028  
BEGAN JANUARY 1, 2029 ENDED DECEMBER 31, 2029

**• SFMMSME PROJECT**

FOR THE PERIODS:

BEGAN JUNE, 2025 ENDED DECEMBER 31, 2025  
BEGAN JANUARY 1, 2026 ENDED DECEMBER 31, 2026  
BEGAN JANUARY 1, 2027 ENDED DECEMBER 31, 2027  
BEGAN JANUARY 1, 2028 ENDED DECEMBER 31, 2028  
BEGAN JANUARY 1, 2029 ENDED DECEMBER 31, 2029  
BEGAN JANUARY 1, 2030 ENDED DECEMBER 31, 2030

***Introduction***

Projects' Objectives and Descriptions:

- AQIP

The objective of the Project is to

- (i) strengthen the capacity of the Kyrgyz Republic to manage air quality, and
- (ii) reduce net PM<sub>2.5</sub> and GHG emissions in Bishkek.

The Project consists of the following parts:

1. Strengthen Air Quality Management System

(a) Enhancing air quality data collection, analysis and dissemination, through inter alia construction of new automatic air quality monitoring stations for monitoring key pollutants and upgrading selected existing manual monitoring stations, expanding meteorological monitoring capabilities, upgrading the air quality chemical testing laboratory and technical assistance to strengthening air quality control procedures, air quality forecasting and communication methods.

(b) Enhancing air quality management and pollution control, through inter alia strengthening such capacity of relevant agencies and departments under MNRETS and cross-sectorial coordination, construction of laboratory for air quality analysis, provision of equipment and mobile laboratories for surveillance monitoring and analysis of emissions from sources, establishment of datacenter for managing air quality and GHG emissions database, technical assistance to support the preparation of air quality management plans, strengthening capacity of relevant technical inspection agencies and supporting stakeholder engagement.

2. Support the adoption of clean heating solutions

(a) Establishment of a revolving mechanism, to provide Subsidiary Loans to PFIs for provision of Sub-loans to Beneficiaries to carry out Subprojects involving

- (i) clean heating investments in single family houses or
- (ii) expanding the supply of clean heating technologies and services.

(b) Supporting adoption of clean heating, through inter alia the following activities:

- (i) development of policy, regulatory and institutional measures relating to clean heating and energy efficiency,
- (ii) capacity building of relevant agencies, stakeholders and PFIs,
- (iii) awareness raising campaigns and communication activities to promote clean heating investments, and
- (iv) designing a financial assistance mechanism to support transition to clean heating of low-income households and vulnerable groups living in single family houses.

3. Improve Urban Greening

(a) Supporting measures to preserve and expand urban green cover in Bishkek, including creating green belts to mitigate the impacts of windblown dust.

(b) Construction of irrigation systems to ensure sustainability of urban green in Bishkek.

(c) Strengthening institutional capacity of the municipal greening and irrigation agencies in Bishkek.

4. Project Implementation Support

Supporting the PIUs in Project implementation, including financial management, monitoring and evaluation, environmental and social management and audits.

- RACDP

The objective of the Project is to increase productivity and climate resilience of selected agri-food clusters and in case of an eligible crisis or emergency, respond promptly and effectively to it.

The Project consists of the following parts:

Part 1. Investment for Agri-food Clusters Development Provision of Sub-loans, through PFIs, to Beneficiaries, to finance eligible Sub-projects aimed at increasing productivity, product quality, climate resilience and the use of climate-smart technologies in Selected Agri-food Clusters.

Part 2. Strengthening Institutions and Systems

2.1 Provision of

- (a) training to and capacity building of participants in the Selected Agri-food Clusters, including producers and processors, in organizational and business development, climate resilience, nutrition smart and green technology adoption, digital tools, productivity and market readiness;
- (b) technical assistance to strengthening legal and regulatory framework for seed system and animal breeding policies and regulations; and
- (c) artificial insemination services for improved dairy cattle breeds in Project areas and upgrade capacity of artificial insemination technicians.

2.2 Enhancing the seed system to promote climate resilient, high value and quality seeds, through:

- (a) developing climate resilient, locally adapted and high value market-preferred seed varieties;
- (b) upgrading production, processing and storage facilities of public seed farms; and
- (c) upgrading laboratories, seed and variety testing centers at the district level.

2.3 Enhancing livestock breeding and information management system, through:

- (a) provision of quality bulls, farm equipment and associated climate-smart technologies to relevant institutions under the MoWRAPI;
- (b) provision of farm equipment and modernization of selected breeding farms;
- (c) upgrading the regional veterinary laboratories; and
- (d) establishment of a cattle breeding information system.

Part 3. Operational Support and Project Management Supporting:

- (a) the CLMU in implementation of Part 1 and 3(a) of the Project, including financial management, procurement monitoring and evaluation, environmental and social management and communication, as well as overall financial management of the Project; and
- (b) the ABCC in implementation of Part 2 and 3(b) of the Project, including financial management, procurement, monitoring and evaluation, environmental and social management, communication; and training of staff and other interventions to promote gender diversity in relevant agriculture sector institutions.

Part 4. Contingent Emergency Response Component (CERC)

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

- SFMMSME

The objective of the Project is to support the development of a sustainable finance market for

MSMEs by mobilizing green and other sustainable private finance and building the capacity of financial institutions.

The Project consists of the following parts:

Part 1: Green and Sustainable Finance

Improving access to sustainable finance through:

1.1. Wholesale Co-financing to Participating Financial Institutions. Providing a Sub-loan to SDB for the establishment of a credit facility for the provision of financing on a loan basis to PFIs ("PFI Sub-loans") for on-lending to Eligible MSMEs ("MSME Sub-loans") for Sub-projects to adopt renewable energy, energy and energy efficiency and other green technologies, and climate adaptation and mitigation measures.

1.2. Financing for the Green Finance Fund ("GFF"). Providing a Sub-loan to SDB for onlending to the GFF for direct on-lending and/or equity investments to Eligible MSMEs to finance Green Financing.

Part 2: Green Guarantees Reducing the risk of green finance products through the Guarantee Fund by:

2.1. Green Portfolio Risk Sharing Facility ("PRSF") for Eligible MSMEs. Providing a Subloan to the Guarantee Fund to establish a PRSF to provide guarantees to PFIs to cover potential defaults on a portfolio basis for loans extended by PFIs to Eligible MSMEs.

2.2. Green Partial Credit Guarantees for Individual Loans for Eligible MSMEs. Providing a Sub-loan to the Guarantee Fund to establish a Partial Credit Guarantee Facility ("PCGF") for the issuance of Individual Green Guarantees to cover potential defaults on individual loans extended by PFIs to Eligible MSMEs.

Part 3: Project Implementation and Sustainable Finance Capacity Building Providing technical and operational support for:

- (i) project management and coordination, including financial management, independent audits, procurement, environmental and social impact management, stakeholder engagement, grievance redress mechanisms, monitoring, reporting and evaluation; and
- (ii) capacity building for the Credit Line Management Unit ("CLMU"), relevant implementing agencies, PFIs, MSMEs, and market participants in sustainable finance.

### **Executing Agencies:**

AQIP: Ministry of Finance of the Kyrgyz Republic (MFKR) and Ministry of Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic (MNRETSKR)

RACDP: Ministry of Finance of the Kyrgyz Republic (MFKR) and Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic (MWRAPIKR)

SFMMSME: Ministry of Finance of the Kyrgyz Republic (MFKR)

### **Implementing Agencies:**

AQIP: PIU under the Ministry of Finance of the Kyrgyz Republic and PIU under the Ministry of

Natural Resources, Ecology and Technical Supervision of the Kyrgyz Republic

RACDP: CLMU under the Ministry of Finance of the Kyrgyz Republic

SFMMSME: CLMU under the Ministry of Finance of the Kyrgyz Republic

**Donors:**

AQIP: IDA

RACDP: IDA, GASPF

SFMMSME: IDA

**Sources of Financing:**

AQIP: IDA Credit No.7434-KG in amount of USD 50,000,000.00

RACDP: IDA Credit No.7526-KG in amount of USD 30,000,000.00, and GASPF Grant No. TF C4129-KG in amount of USD 5,000,000.00

SFMMSME: IDA Credit No.7741-KG in amount of USD 120,000,000.00

***Objective***

1. The objective of the audit of the projects' financial statements is to enable the auditor to express a professional opinion on the projects' financial position as at the end of years: 2025, 2026, 2027, 2028, 2029 and 2030 and for the periods indicated above of the income and expenditure for the accounting periods ending on those dates. The projects' 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.

**Responsibility for preparation of financial statements**

2. 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.

**Scope**

3. The audit will be conducted in accordance with International Standards on Auditing. 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.

4. 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:
  - (a) 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.
  - (b) 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.
  - (c) 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.
  - (d) 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.
  - (e) 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.
  - (f) 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.
  - (g) 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.
  - (h) 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.
  - (i) 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.
5. In evidencing compliance with agreed project financing arrangements, the auditor is expected to carry out tests to confirm that:
  - (a) 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: 1) Financing Agreement between the Kyrgyz Republic and International Development Association (AQIP - Credit No.7434-KG); Financing and Grant Agreements between the Kyrgyz Republic and International Development Association (RACDP - Credit No. 7526-KG, Grant No. TF C4129-KG) and Financing Agreement between the Kyrgyz Republic and International Development Association (SFMMSME – Credit No. 7741-KG).

- (b) 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.
- (c) Goods, works, and services financed have been procured in accordance with relevant financing agreements,<sup>1</sup> including specific provisions of the [World Bank Procurement Framework](#).
- (d) 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.

#### ***Project financial statements***

- 6. The auditor should verify that the financial statements have been prepared in accordance with [International Public Sector Accounting Standards](#). The financial statements should include:
  - (a) A summary of funds received from the World Bank, other financiers and counterpart contributions from the borrower, all presented separately;
  - (b) A summary of expenditures paid, presented under project account headings and main categories of expenditures;
  - (c) 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;
  - (d) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
  - (e) Notes, comprising a summary of significant accounting policies and other explanatory notes.

*[The explanatory notes should include reconciliation between the amounts shown as “received by the project from the World Bank” and those disbursed by the Bank and a summary of movements on the project’s designated account.]*

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

- 7. The auditor is required to audit all SOE/IFS submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s). Expenditures should be examined for

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<sup>1</sup> 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.

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***

8. 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***

9. 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.
10. 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.
11. 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.

### ***Other audit reports***

12. In addition to the audit opinion, the auditor will also, either in the audit report or in the report to management:
  - (a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
  - (b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
  - (c) report on instances of noncompliance with the terms of the financial agreement(s);
  - (d) 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;
  - (e) communicate matters that have come to attention during the audit that might have a significant impact on the implementation of the project;
  - (f) draw to the borrower's attention any other matters that the auditor considers pertinent; and
  - (g) responses from management, including implemented and proposed remedial actions.



13. The auditor's opinion on the financial statements and management letter should be submitted in accordance with the table below:

№	Deliverables	Number of copies	Date of submission
1	Draft audit report and Management letter for the year 2024-2025	1 copy (in Russian and English)	Within five months after the end of the year 2025
2	Final audit report and Management letter for the year 2024-2025	4 hard copies (in Russian and English)	Within six months after the end the year 2025
3	Draft audit report and Management letter for the year 2026	1 copy (in Russian and English)	Within five months after the end the year 2026
4	Final audit report and Management letter for the year 2027	4 hard copies (in Russian and English)	Within six months after the end the year 2027
5	Draft audit report and Management letter for the year 2028	1 copy (in Russian and English)	Within five months after the end the year 2028
6	Final audit report and Management letter for the year 2028	4 hard copies (in Russian and English)	Within six months after the end the year 2028
7	Draft audit report and Management letter for the year 2029	1 copy (in Russian and English)	Within five months after the end the year 2029
8	Final audit report and Management letter for the year 2030	4 hard copies (in Russian and English)	Within six months after the end the year 2030

### **General**

14. 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.
15. The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the World Bank project task team.
16. It is highly desirable that the auditor reviews the Bank's financial reporting and auditing requirements contained in [OP 10.00 Investment Project Financing](#), [Bank Policy: Program for Results Financing](#), and [OP 8.60 Development Policy Lending](#). The auditor should also be familiar with the [Disbursement Guidelines for Investment Project Financing](#) (February 2017), the [Loan Handbook for World Bank Borrowers](#) (February 2017), and the [World Bank's Procurement Framework](#) (July 2016).
17. This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

### **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
K1	Audit partner-Team Leader	<ul style="list-style-type: none"> <li>• ISA;</li> <li>• IFRS/IPSAS;</li> <li>• National Accounting Standards and tax regulations;</li> <li>• Overall management and review</li> </ul>	Minimum 7 years of relevant project experience
K2	Senior Auditor	<ul style="list-style-type: none"> <li>• ISA;</li> <li>• IFRS/IPSAS;</li> <li>• National Accounting Standards and tax regulations;</li> <li>• Primary management, client communication and review</li> </ul>	Minimum 5 years of relevant project experience
K3	Audit in charge	<ul style="list-style-type: none"> <li>• ISA;</li> <li>• IFRS/IPSAS;</li> <li>• National Accounting Standards and tax regulations;</li> <li>• Performance of detailed audit procedures</li> </ul>	Minimum 4 years of relevant project experience