**Terms of Reference**

for audit of financial statements of the project "Emergency response to effects of COVID-19" in the Kyrgyz Republic for the period from October 05, 2022

to March 31, 2024

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| **Project:** | | | Emergency response to effects of COVID-19 (hereinafter – Project) | |
| **Client:** | | | The Ministry of Health of the Kyrgyz Republic | |
| **Source of Financing:** | | | Grant of Eurasian Fund for Stabilization and Development (hereinafter – EFSD) | |
| **Type of audit:** | | | Audit of the Project’s expenditures and financial statements for the indicated period. | |
| **Term of provision of audit services:** | | | May 30, 2024 – July 30, 2024 | |
| **Location of Services:** | | | Bishkek, boulv. Erkindik 58А, room # 302 | |
| **Scope of Services:** | | | The audit will be carried out in respect of PIG’ operating costs (salaries and administrative costs) and procurement of goods and services within the approved Project’s Procurement Plan.  The staff number of the PIG is 5 (five) specialists.  The Project Procurement Plan includes 2 (two) packages for procurement of goods, thereof ambulances and medical transport procurement. | |
| **Audit Stages:** | | | **Stage 1 -** Audit of expenses and financial statements for the period from October 05, 2022 to March 31, 2024.    The audit of the reporting period must begin no earlier than May 30, 2024, and end (submission of the Audit Report) no later than July 30, 2024. | |
| **Basic requirements for the audit:** | | | Audit must be conducted in accordance with the requirements of International audit standards (ISA), published by the International Federation of Accountants (IFAC). In accordance with International audit standards, (ISA) the Consultant must plan and conduct the audit with special attention to the following:   1. In accordance with ISA requirement **240** «Responsibilities of auditor in relation to unjust acts during financial statement audit», to reduce the audit risk the auditor when planning and conducting an audit must take into account the significant distortion in financial statement as the result of unjust acts. 2. In accordance with ISA requirement **250** «Reviewing the laws and legal acts in the course of financial statement audit» when working out, audit, evaluation, and submission of the final statement the auditor must take into consideration the violation of laws and legal acts that may significantly influence the financial statement. 3. In accordance with ISA requirement **260** «Informational cooperation with corporative managers», in the course of audit related to management issues the auditor must cooperate with corporative managers. 4. In accordance with ISA requirement **265** «Informing corporative managers and management of organization on internal control disadvantages», the auditor must inform the management of the organization and corporative managers on internal control disadvantages, revealed by auditor. 5. In accordance with ISA requirement **330** «Аudit procedures on counteracting the revealed risks», the auditor must work out and perform a system aimed at eliminating the risks of significant distortion in financial statement as well as work out and conduct audit procedures, the nature, timing and scope of which are based on evaluated risks and aimed at its elimination. 6. In accordance with ISA requirement **580** «The written statements», during financial statement audit is expected that auditor must receive the written confirmation from management and in relevant situations from corporative managers. | |
| **Basic responsibilities and tasks of the auditor:** | | | 1. Conducting of independent audit, preparation and submission to the Client an expert statement on legality and validity of using grant funds, received according to the Grant Agreement between the Kyrgyz Republic and the Eurasian Development Bank on a grant from the EFSD aimed to finance “Emergency response to effects of COVID-19” project as of April 13, 2022 (hereinafter – Financial Agreement); 2. review and evaluation of financial statements, submitted to Eurasian Development Bank (EFSD’s fund manager) (hereinafter – Bank) for the reviewed period; 3. review the compliance of financial restrictions according to the Financial agreement; 4. review and evaluation of financial statements preparation procedures; 5. review of complete documentation availability in relation to all expenses within the Project; 6. evaluation of the compliance of financial statements to the expenses (including the expenses of the signed contracts) from October 05, 2022 to March 31, 2024; 7. evaluation of the accounting system, internal financial control, and related systems; 8. review the compliance of financial statements and financial statements preparation methods on the Project to International accounting standards in the government sector, Financial agreement provisions, requirements of applicable guidelines, policies, and procedures, and submission of the compliance report to the Client; 9. review on implementation of recommendations provided within previous audit; 10. review of legality and validity of funds movements on Project’ special account (Special Account in United States Dollars #1350108030007109, Transit Account to Special Account in Kyrgyz Soms #1350108030006907, Savings account in United States Dollars for Special Account’ balance #135108030007008 in JSC “Aiyl Bank”); 11. making the statement on special accounts maintenance related to the Project. Financial statements on special accounts include:  * deposits and funds reimbursed from the Bank; * payments made on withdrawal requests; * interest that may be accrued on the balance of the account funds; * balance sheet at the end of the reporting period.      1. drawing up an opinion on compliance with the applicable procedures in relation to the process of maintaining special accounts, as well as on the balance of funds on them as of the end of the reporting period; 2. examining correctness of financial transactions conducted within reporting period, of special account’ balances as of end of such period, of use of the Special account in accordance with Financial Agreement, of adequacy of the internal control systems applied within disbursement mechanism; 3. random check of expense statements based on which the withdrawal requests were submitted. Such expenses must be thoroughly analyzed for conformity to the requirements of the corresponding Financial agreement. If the expenses are not eligible for funding but included in withdrawal requests and paid are revealed the auditor should mention this. The total amount of withdrawn expenses must be checked with the amounts paid by the Bank and corresponds to financial statements; 4. include in the Audit report tables or other forms showing the calculation, confirming or refuting legality and validity of funds movement. | |
| **Financial statements subject to audit review:** | | | The Project financial documentation must be prepared by Client and submitted to the Consultant and should include:   1. Interim unaudited financial statements, including:  * Statement of sources and use of funds; * Statement of use of funds for Project activities; * Balance Sheet; * Special Account Statement; * Bank Statement of Special Account; * Statement of Expenditures.  1. Supporting Accounting Documents; 2. other financial Statements mentioned in Financing Agreement. | |
| **Audit Reports:** | | | Upon finalization of Stage 1 этапа 1, auditor will issue following:   1. Audit Report; 2. «Letter to the management», which shall include: 3. disadvantages, weak points, comments and remarks to the accounting, systems and instruments of internal financial control, investigated during the audit; 4. submit information of noncompliance with Financial agreement; 5. information on expenses which are considered to be unreasonable and illegal; 6. information on important problems during the audit which may significantly influence the Project efficiency; 7. other questions which the auditor considers necessary to draw the Client`s attention; 8. the Client`s comments regarding the auditor observations, included in the Letter to the management.   If nothing of the above is found the auditor submits the letter in which mentions that nothing was found during the audit review that may draw the Client`s attention.  Before the assignment is completed the auditor must submit to the Client drafts of Audit report and Letter to the management for the review. Drafts should be submitted in English and Russian languages. After reviewing the report, the Client will provide comments to the auditor, which should be addressed in the final versions of the above documents. After including the comments, auditor submits to Client the final Audit report and Letter to the management in 4 (four) copies in Russian and English languages in printed and electronic forms. | |
| **Qualification Requirements for the Consultant and its key personnel:** | | | | |
| **№** | **Requirements** | | | **Minimum value** |
| 1 | Experience of the Consultant in providing audit services in the government (public) sector. Government (public) sector audit experience refers not only to the auditing of government entities, but also the projects, financed by international financial organizations. | | | 5 years |
| 2 | Number of completed assignments with a similar nature and scope within audit reviews of financial statements of the projects, financed by international financial organizations during the last 5 years. | | | 3 |
| 3 | **Key personnel qualification:** | | | |
| Head of the Group | 10 years of audit experience conforming to international standards, including no less than 5 years of audit experience and implementation the programs financed by International financial organizations (IFIs), no less than 4 years of audit experience as head of the unit in audit organization, good command of the English language. | | |
| Аuditor 1 | 5 years of audit experience conforming to international standards, including no less than 3 years of audit experience and implementation the programs financed by International financial organizations (IFIs), no less than 2 years of audit experience in audit organization, good knowledge on international accounting standards and tax legislation, good command of the English language. | | |
| Аuditor 2 | 5 years of audit experience conforming to international standards, including no less than 3 years of audit experience and implementation the programs financed by International financial organizations (IFIs), no less than 2 years of audit experience in audit organization, good knowledge on international accounting standards and tax legislation, good command of the English language. | | |