

## REQUEST FOR QUOTATION - SERVICES (RFQS)

Project Title: Climate Change and Disaster Resilient Water Resources Sector  
Project – Additional Financing  
Source of Funding: L4646/G1041-KGZ  
Contract Ref: NCS-RFQ-1 External audit  
Date of Issue of Request: **March 24, 2026**

To: \_\_\_\_\_

Sir/Madam:

1. The Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic (Client) hereby requests you to submit price quotation/(s) for the performance of the services described in the **Scope of Services** attached as **Appendix A** in these documents. If you, however, have been associated with the preparation of this **Scope of Services** that is the subject of this request, you shall be disqualified.

To assist you in the preparation of your price quotation we enclose, in addition to the **Scope of Services**, the **Form of Quotation** and form of **Contract** are also attached.

2. If you/your firm, however, falls under any of the following conditions, your proposal shall not be considered:
  - (a) you/your firm are/is not a citizen/national of an ADB member country, or
  - (b) you/your firm have/has been associated with the firm that prepared the terms of reference or engaged in the preparation of the Project for which the contract that is subject of this request for quotations was identified, or
  - (c) you/your firm are/is owned by the Client, or
  - (d) you/your firm are/is currently sanctioned or temporarily suspended by the Asian Development Bank for a violation of its [Anticorruption Policy](#) (1998, as amended to date) or
  - (e) the contracting of services from your country or any payment to persons or entities in your country is prohibited in compliance with a decision of the United Nations Security Council under Chapter VII of the Charter of the United Nations.
3. To be qualified, you must have experience as a Service Provider of the services covered by this **Request for Quotation**. As evidence, you must attach a document of your experience as Service Provider in at least one contract in the last 3 years of a size and nature similar to the requirements of this contract.
4. Your quotation/(s) should be submitted in accordance with the following instructions, procedures, and the terms and conditions of the **Contract**.

### Preparation of Quotations

- (a) Your price quotation/(s) shall be for all the items as described in the **Scope of Services**, and submitted only in the attached **Form of Quotation**. The currency of quoted prices and payment shall be **KGS**.
- (b) You shall submit only one set of quotations for the above items. Your quotation must be typed or written in indelible ink and shall be signed by you or your authorized representative. Without a signature in your **Form of Quotation**, your quotation will not be considered further.
- (c) You shall submit one original of the **Form of Quotation**, and clearly marked “Original”. In addition, you shall also submit one copy marked as “COPY”. In case of any discrepancy between the Original and Copy, the Original shall prevail.
- (d) Your quotation(s) should be valid for a period of 30 days from the date the quotes are provided as specified below. If you withdraw your quotation during the validity period and/or refuse to accept the award of a contract when and if awarded, then you will be excluded from the list of Service Providers for the project for two years.

### Submission and Opening

- (e) Your **Form of Quotation** should be submitted by **April 24, 2026 15:00 (Bishkek time)** with the required documents that should be signed, sealed in an envelope and addressed to and delivered to the following address:

Client’s Address: Water Resources Service under the Ministry of Water Resources,  
Agriculture and Processing Industry of the Kyrgyz Republic  
Project Implementation Unit  
Room 328, 4A, Toktonaliev Street  
Bishkek City, Kyrgyz Republic  
Telephone: (+996) 54 90 72  
Email: [ccd-rwrsp@water.gov.kg](mailto:ccd-rwrsp@water.gov.kg)

Quotations shall be opened in public, in the presence of participating Service Providers’ representatives who wish to attend, on **same date as for quotation submission at time within one hour of stated deadline above** and at the following address.

Water Resources Service under the Ministry of Water Resources,  
Agriculture and Processing Industry of the Kyrgyz Republic  
Project Implementation Unit  
Room 328, 4A, Toktonaliev Street  
Bishkek City, Kyrgyz Republic  
Email: [ccd-rwrsp@water.gov.kg](mailto:ccd-rwrsp@water.gov.kg)

### Evaluation and Comparison

- (f) Quotations determined to be substantially responsive to this **Request for Quotation** will be evaluated by comparison of their offer prices. A quotation is not substantially responsive if it contains material deviations or reservations to the terms, conditions, and specifications in this **Request for Quotation**.
- (g) In evaluating the quotations, the Client will adjust for any arithmetical errors as follows:
  - (i) where there is a discrepancy between amounts in figures and in words, the amount in words will govern; and
  - (ii) where there is a discrepancy between the unit rate (where applicable) and the line item total resulting from multiplying the unit rate by the quantity, the unit rate as quoted will govern; and

If you refuse to accept the correction/(s), your quotation will be rejected.

### Award of Contract

- (h) The Client shall award the contract to the Service Provider whose quotation has been determined to be substantially responsive to this Request for Quotation and who has offered the lowest price quotation.
  - (i) The Service Provider whose quotation has been accepted will be notified by the Client within 30 days from the date of submission of quotation through the return of a copy of the **Form of Quotation** with **Acceptance** signed by the authorized representative of the Client.
  - (j) The successful Service Provider shall sign the **Contract** governed by the annexed **Contract Terms and Conditions**. Quoted price and the contract price shall include Value Added Tax (VAT) and Sales Tax in the Kyrgyz Republic (Client's country)".
5. Further information can be obtained from:
- Name : Nabiev Nurlan, PIU Director  
Address : 4A Toktonalieva Street, room # 328, Bishkek, Kyrgyz Republic  
Telephone : +996 312 54 90 72  
Fax : +996 312 54 90 72  
E-mail : [ccd-rwrsp@water.gov.kg](mailto:ccd-rwrsp@water.gov.kg)
6. The Client intends to apply funds from the **Asian Development Bank (ADB)** for eligible payments under the **Contract** resulting from this **Request for Quotation**.
7. Under **ADB's Anticorruption Policy** (1998, as amended to date) Service Providers shall observe the highest standard of ethics during the procurement and execution of such contracts.

ADB may reject a proposal for award, and may impose sanctions or other remedial actions on parties involved, if it determines that the Service Provider recommended for award or any other party, directly or through an agent, has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices or other integrity violations in competing for, or in executing, the Contract. At the time of submission of your quotation, you should not be in ADB's sanctions list. A firm/individual shall not be eligible to participate in any procurement activities under an ADB-financed, -administered, or -supported project while under temporary suspension or debarment by ADB pursuant to its Anticorruption Policy, whether such debarment was directly imposed by ADB, or enforced by ADB pursuant to the Agreement for Mutual Enforcement of Debarment Decisions.

8. You/your firm, joint venture partners, associates, parent company, affiliates or subsidiaries, including any subcontractors or suppliers for any part of the Contract, are not, or have never been, temporarily suspended, debarred, declared ineligible, or blacklisted by the client's country, any international organization, and other donor agency.

If so debarred, declared ineligible, temporarily suspended, or blacklisted, please state details (as applicable to each joint venture partner, associate, parent company, affiliate, subsidiaries, subcontractors, and/or suppliers):<sup>1</sup>

- (a) Name of Institution: \_\_\_\_\_
- (b) Period of debarment, ineligibility, or blacklisting (start and end date): \_\_\_\_\_
- (c) Reason for the debarment, ineligibility, or blacklisting: \_\_\_\_\_

9. You/your firm's, joint venture partners', associates', parent company's affiliates' or subsidiaries', including any subcontractors' or suppliers', key officers and directors have not been [charged or convicted] of any criminal offense (including felonies and misdemeanors) or infractions/violations of ordinance which carry the penalty of imprisonment.

If so charged or convicted, please state details:<sup>2</sup>

- (a) Nature of the offense/violation: \_\_\_\_\_
- (b) Court/Area of jurisdiction: \_\_\_\_\_
- (c) Resolution (i.e. dismissed; settled; convicted/duration of penalty): \_\_\_\_\_
- (d) Other relevant details:

10. You/your firm understands that it is your obligation to notify ADB should you/your firm, joint venture partners, associates, parent company, affiliates or subsidiaries, including any

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<sup>1</sup> Any such disclosure shall be forwarded by the Client to ADB.

<sup>2</sup> Any such disclosure shall be forwarded by the Client to ADB.

Subcontractors or Suppliers, be temporarily suspended, debarred or become ineligible to work with ADB or any other multilateral development banks, the client's country, international organizations, and other donor agencies, or any of your key officers and directors be charged or convicted of any criminal offense or infractions/violations of ordinance which carry the penalty of imprisonment.

11. Any misrepresentation that knowingly or recklessly misleads, or attempts to mislead may lead to the automatic rejection of the quotation/bid or cancellation of the contract, if awarded, and may result in remedial actions, in accordance with ADB's Anticorruption Policy (1998, as amended to date) and Integrity Principles and Guidelines (2015 as amended from time to time).
12. A bidder shall not have a conflict of interest. All bidders found to have a conflict of interest shall be disqualified.
13. Please confirm by fax/e-mail the receipt of this request and whether or not you will submit the price quotation(s).

Sincerely,

Nabiev Nurlan, PIU Director  
(Client)

**FORM OF QUOTATION  
(External audit)**

\_\_\_\_\_ [date]

To: Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic, Project Implementation Unit  
Room 328, 4A, Toktonaliev str.  
Bishkek City, Kyrgyz Republic

We offer to execute the \_\_\_\_\_ [name and number of Contract] in accordance with the **Contract Terms and Conditions** and the **Scope of Services** accompanying this Quotation for the Contract Price of \_\_\_\_\_ [amount in words and numbers] ( \_\_\_\_\_ ) [name of currency] \_\_\_\_\_.

We offer to execute the \_\_\_\_\_ [name and number of Contract] in accordance with the **Contract Terms and Conditions** and the **Scope of Services** accompanying this Quotation for the Contract Price of \_\_\_\_\_ [amount in words and numbers] ( \_\_\_\_\_ ) [name of currency] \_\_\_\_\_ per unit of output as described in the **Scope of Services**.

We propose to complete the performance of the services described in the **Contract** within the Completion Period indicated in the priced **Scope of Services**.

This Quotation and your written acceptance will constitute a binding Contract between us. We understand that you are not bound to accept the lowest or any Quotation you receive.

We hereby confirm that this Quotation complies with the Validity of the Offer condition imposed by the **Request for Quotation** document.

We: (a) are a national of an ADB member country; (b) have not been associated with the firm that prepared the terms of reference or engaged in the preparation of the Project for which the contract that is subject of this request for quotations was identified; (c) are not owned by the Client; (d) are not currently sanctioned or temporarily suspended by the Asian Development Bank; and (e) to the best of our knowledge, is not prohibited from being contracted in compliance with a decision of the United Nations Security Council.

Name of Service Provider: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name of Signatory: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number, if any: \_\_\_\_\_

Email address (optional): \_\_\_\_\_

## ACCEPTANCE

The Client accepts the Service Provider's offer to provide the service.

**Name of Client:** Water Resources Service under the Ministry of Water Resources,  
Agriculture and Processing Industry of the Kyrgyz Republic, Project Implementation Unit.

**Authorized Signature:** \_\_\_\_\_

Name of Signatory: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

Date: \_\_\_\_\_

**PRICE SCHEDULE**

**External Audit**

<b>No.</b>	<b>Name of services</b>	<b>Amount in USD</b>
1.	External audit services for the period for 2025	
2.	External audit services for the period for 2026	
3.	External audit services for the period for 2027	
4.	External audit services for the period for 2028	
5.	External audit services for the period for 2029	
6.	External audit services for the period for 2030	
7.	External audit services for the period for 2031	
8.	VAT amount	
9.	Sales tax amount	
	<b>Total including Taxes:</b>	

**CONTRACT**

**Name of Country: Kyrgyz Republic**

**Project Name: Climate Change and Disaster Resilient Water Resources Sector Project –  
Additional Financing**

**Contract No. NCS-RFQ-1External audit**

This Contract is entered into on \_\_\_\_\_ [date] day of \_\_\_\_\_ [month], \_\_\_\_\_ [year], between \_\_\_\_\_ [name of Client] (hereinafter called “the Client”) on the one part, and \_\_\_\_\_ [name of Service Provider] (hereinafter called “the Service Provider”) on the other part.

Whereas the Client has requested a quotation for \_\_\_\_\_ [description of services] to be performed by the Service Provider in accordance with the **Contract**, and has accepted the Quotation by the Service Provider in the amount of \_\_\_\_\_ [amount in words] \_\_\_\_\_ [amount in figures] hereinafter called “the Contract Price”.

The Client and the Service Provider agree as follows:

1. The following documents shall be deemed to form and be read and construed as part of this Contract, viz:

- a) Form of Quotation, with Scope of Services and Appendix and Price Schedule; and**
- b) Contract Terms and Conditions;**

2. Taking into account payments to be made by the Client to the Service Provider as hereinafter mentioned, the Service Provider hereby enters into this Agreement with the Client to execute and complete the performance of services under the Contract.

3. The Client hereby agrees to pay, in consideration of the successful performance of the services, the **Contract Price** as indicated and accepted in the **Form of Quotation**, under payment terms stipulated in the **Contract Terms and Conditions**.

IN WITNESS whereof the parties hereto have executed the **Contract** under the laws of the Kyrgyz Republic on the date indicated above.

Signature and seal of the Client:  
For and on behalf of

**Signature and seal of the Service Provider:**  
For and on behalf of

\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Name of Authorized Representative

## CONTRACT TERMS AND CONDITIONS

Project Name: Climate Change and Disaster Resilient Water Resources Sector Project – Additional Financing  
Client: Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic  
Contract No. NCS-RFQ-1 External audit

### 1. Definitions

- a) “Contract” means the agreement entered into between the Client and the Service Provider, together with the Contract Documents referred to therein, including all attachments, appendixes, and all documents incorporated by reference therein.
- b) “Contract Documents” means the documents listed in the Contract, including any amendments thereto.
- c) “Contract Price” means the price payable to the Service Provider as specified in the Contract, subject to such additions and adjustments thereto pursuant to the Contract.
- d) “Completion” means the fulfilment of the committed services by the Service Provider in accordance with the terms and conditions set forth in the Contract.
- e) “Client” means the entity purchasing the Services.
- f) “Services” means the services the Service Provider will perform as specified in the Scope of Services in Appendix A.
- g) “Service Provider” means the natural person, private or government entity, or a combination of the above, whose bid to perform the Contract has been accepted by the Client and is named as such in the Contract.
- h) “ADB” is the Asian Development Bank.

### 2. Applicable Law

The Contract shall be interpreted in accordance with the laws of the Client's country.

### 3. Language

All communications and documents related to the Contract shall be in **Russian language with English translation.**

### 4. Assignment

Any assignment of this Contract or of any rights hereunder, in whole or in part without the prior written consent of the Client shall be void.

### 5. Fraud and Corruption

This Contract shall be covered by the provisions of [ADB’s Anticorruption Policy](#) (1998, as amended to date) and [Integrity Principles and Guidelines](#) (2015, as amended from time to time) that requires Borrowers (including beneficiaries of ADB-financed activity), as well as Service Providers and Contractors under ADB-financed contracts, to observe the highest standard of ethics during the procurement and execution of such contracts.

## **6. Performance of the Services**

The Service Provider shall carry out the Services with due diligence and efficiency and shall furnish to the Client such information related to the Services as the Client may from time to time reasonably request. The Service Provider shall at all times cooperate and coordinate with the Client with respect to the performance of the Services.

## **7. Required Performance Standards** (with attachments as necessary to be prescribed by Client.)

- a) General Description
- b) Specific Standards
- c) Performance Parameters

Service Provider confirms compliance with above standards and parameters.

## **8. Service Completion Schedule**

The Services must be completed and presented to the Client within 6 (six) months after the end of the financial year.

## **9. Fixed Contract Price**

The prices indicated in the **Form of Quotation** are firm and fixed and not subject to any adjustment during contract performance, subject to Clause 11 [Payment] below.

## **10. Taxes and Duties**

The Service Provider shall be entirely responsible for all taxes, duties, license fees, etc., incurred until completion of the services to the Client.

## **11. Payment**

When the Supplier submits an annual claim, the contract price will be paid after the Client and ADB review and approve the claim on an annual basis.

## **12. Resolution of Disputes**

The Client and the Service Provider shall make every effort to resolve amicably by direct informal negotiation any disagreement or dispute between them under or in connection with the Contract. In the case of an unresolved dispute, the dispute shall be settled in accordance with the provisions of the arbitration law or rules of the Kyrgyz Republic.

## **13. Independent Service Provider**

Nothing contained in this Contract shall be construed as establishing or creating the relationship of master and servant, employer and employee or principal and agent between the Client and the Service Provider, or his employees or agents or other persons engaged by the Service Provider to perform any of the services.

## **14. Intellectual Property Rights**

Intellectual Property Rights: (a) The Service Provider shall indemnify the Client from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, proceedings, demands, costs, expenses and disbursements of whatsoever

nature that may be imposed on, incurred by or asserted against, the Client during or in connection with the Services by reason of: (i) infringement or alleged infringement by the Service provider of any patent or other protected right, or (ii) plagiarism or alleged plagiarism by the Service provider.

#### **15. Failure to Perform**

The Client may terminate the Contract if the Service Provider fails to perform the services, in accordance with the above terms and conditions, in spite of a 14-day notice given by the Client, without incurring any liability to the Service Provider. In the event of such termination, the amount due under the Contract shall be subject to equitable adjustment.

#### **16. Termination Due to Integrity Violation**

The Client may terminate this Contract, in whole or in part, if the Service Provider, in the judgment of the Client has engaged in integrity violations in accordance with Clause 5 [Fraud and Corruption], in competing for or in executing this Contract.

#### **17. Other Grounds for Termination**

The Client may also terminate this Contract, in whole or in part, if the Service Provider becomes insolvent, bankrupt or gives the Client reasonable evidence of its inability to complete the Services as specified, or fails to correct any non-conformity in the Services or performs in bad faith by willfully not observing the terms and conditions of this Contract.

#### **18. Force Majeure**

The Service Provider shall not be liable for penalties or termination for default if and to the extent that its delay in performance or other failure to perform its obligations under the Contract is the result of an event of Force Majeure.

a) For purposes of this Clause, “Force Majeure” means an events beyond the control of the Service Provider and not involving the Service Provider’s fault or negligence and not foreseeable. Such events may include, but not restricted to, act of Client in its sovereign capacity, wars or revolutions, fires, floods, epidemics, quarantine restrictions, and freight embargoes.

b) If a Force Majeure situation arises, the Service Provider shall promptly notify the Client in writing of such condition and the cause thereof. Unless otherwise directed by the Client in writing, the Service Provider shall continue to perform its obligations under the Contract as far as is reasonably practical, and shall seek all reasonable alternative means for performance not prevented by Force Majeure event.

#### **19. Accounts and Records**

a) The Service Provider shall keep accurate and systematic accounts and records in respect of the Services in such form and detail as are customary in its profession and are sufficient to establish accurately that the costs have been duly incurred.

b) Notwithstanding anything to the contrary stated herein, the Service Provider shall maintain accounts and records, including original receipts, invoices and other supporting documents

evidencing payments made by the Service Provider under this Contract, for the period of the Services and for a period no less than 3 years after the expiration or termination of this Contract.

c) The Service Provider shall permit ADB to inspect the accounts, records, and other documents relating to the submission of bids and contract performance of the Service Provider and to have them audited by auditors appointed by ADB.

**20. Suspension of ADB Loan or Credit.**

In the event that ADB suspends the Loan or Credit to the Client, from which part of the payments to the Service Provider are being made, the Client is obligated to notify the Service Provider, with copy to the Client's representative, of such suspension within 7 days of having received ADB's suspension notice.

**21. Termination Notice Due to Non-payment**

If the Service Provider has not received payments due within the 28 days as provided for in Clause 11 [Payment], the Service Provider may immediately issue a 14-day termination notice.

## **Appendix A**

### **SCOPE OF SERVICES FOR THE AUDIT SERVICES**

#### **AUDITED PROJECT FINANCIAL STATEMENTS (APFS)**

##### **I. INTRODUCTION**

The Water Resources Service (SWR) under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic is the Executive Agency of the project " Climate Change and Disaster Resilient Water Resources Sector Project – Additional Financing " - Additional funding.

The Project Implementation Unit (PIU) under the WRS is responsible for the day-to-day management and coordination of project activities, as well as the allocation of funds and management on behalf of the Executive Agency (EA). The PIU Director manages the PIU and reports to the EA Director.

The Kyrgyz Republic has received:

- (i) a concessional loan of US\$ 20 million from ADB's ordinary capital resources to help finance the project;
- (ii) a grant not exceeding \$27.00 million from ADB's Special Funds resources (Asian Development Fund) to help finance the project .

The Government of the Kyrgyz Republic will finance USD 6.44 million cash contributions for taxes and duties. The project is estimated to cost 53.44 million dollars. The main expenditure items funded by ADB under the project are construction works, goods, consulting services, PIU personnel, land acquisition and resettlement costs, and intends to use part of these funds for consulting services to audit the project accounts.

The Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic intends to engage an independent external auditor to conduct a financial audit of the project from fiscal years 2025 to December 2031 (until the financial closure of the project).

##### **II. MANAGEMENT RESPONSIBILITY FOR PREPARING PROJECT FINANCIAL STATEMENTS**

Management is responsible for preparing and fairly presenting the project financial statements, and for maintaining sufficient internal controls to ensure that the financial statements are free from material misstatement, whether due to fraud or error. In addition, management is responsible for ensuring that funds were used only for the purpose(s) of the project, for compliance with financial covenants (where applicable), and for ensuring that effective internal controls, including over the procurement process, are maintained. In this regard, management must:

- (i) Prepare and sign the Audited Project Financial Statements.
- (ii) Prepare and sign a Statement of Compliance.

Management must include the following in the Statement of Compliance:

- (i) That project financial statements are free from material misstatements including omissions and errors, and are fairly presented;

- (ii) That the borrower or executing agency has utilized the proceeds of the loan only for the purpose(s) of the project;
- (iii) That the borrower or executing agency was in compliance with the financial covenants of the legal agreement(s) (where applicable);
- (iv) That the advance fund procedure, where applicable, has been operated in accordance with the Asian Development Bank's (ADB) *Loan Disbursement Handbook* (2022, as amended from time to time);
- (v) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE), where applicable, for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and
- (vi) That effective internal control, including over the procurement process, was maintained.

### **III. OBJECTIVES**

The objective of the audit of the project financial statements is to enable the auditor to (i) express an independent and objective opinion as to whether the project financial statements present fairly, in all material respects, or give a true and fair view of the project's financial position, its financial performance and cash flows, and (ii) provide a reasonable assurance opinion over certain specific representations made in the Statement of Compliance. (Please refer to paragraph 10).

### **IV. OBJECTIVES**

The objective of the audit of the project financial statements is to enable the auditor to (i) express an independent and objective opinion as to whether the project financial statements present fairly, in all material respects, or give a true and fair view of the project's financial position, its financial performance and cash flows, and (ii) provide a reasonable assurance opinion over certain specific representations made in the Statement of Compliance. (Please refer to paragraph 10).

### **V. AUDITING STANDARDS**

The audit is required to be conducted in accordance with International Standards on Auditing. These standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the project financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the project financial statements whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the project financial statements 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 project financial statements.

The standards to be applied will be documented in the project/loan documents, and will include standards promulgated by the International Auditing and Assurance Standards Board (IAASB):

- (i) International Standards on Auditing (ISA); and
- (ii) International Standards on Assurance Engagements (ISAE).

In complying with ISA, the auditor will pay particular attention to the following standards:

- (i) ISA 800 – Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.
- (ii) ISA 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements.
- (iii) ISA 250 – Consideration of Laws and Regulations in an Audit of Financial Statements.
- (iv) ISA 260 – Communication With Those Charged with Governance.
- (v) ISA 265 – Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.
- (vi) ISA 330 – The Auditor’s Responses to Assessed Risks.

## **VI. PROJECT FINANCIAL REPORTING FRAMEWORK**

The auditor will verify that the project financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis promulgated by the International Public Sector Accounting Standards Board (IPSASB). The executing agency and/or implementing agency are responsible for preparing the project financial statements, not the auditor.

## **VII. AUDIT DELIVERABLES**

### **a) Audited Project Financial Statements**

An auditor’s opinion providing reasonable assurance over the project financial statements, and project financial statements comprising the following:

- (i) A statement of cash receipts and payments
- (ii) A statement of budgeted versus actual expenditures
- (iii) A statement of advance account
- (iv) A summary statement of expenditures
- (v) Significant accounting policies and explanatory notes
- (vi) Any additional schedules agreed (e.g., a summary of assets)

**b) Reasonable Assurance Opinion over the Use of Loan Proceeds and Compliance with Financial Covenants**

The auditor will provide a reasonable assurance opinion following ISAE 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” for the following confirmations provided by Management in the Statement of Compliance:

- (i) That the proceeds of the loan were used only for the purpose(s) of the project; and
- (ii) That the borrower or executing agency was in compliance with the financial covenants of the legal agreement(s), where applicable.

The auditor will outline the degree of compliance for each of the financial covenants in the loan agreement.

**c) Management Letter**

The auditor will provide a management letter containing, at a minimum, the following:

- (i) Any weaknesses in the accounting and internal control systems that were identified during the audit, including any irregularity in the use of the advance fund and statement of expenditures (SOE) procedures;
- (ii) Any identified internal control weaknesses related to the procurement process such as, over the bidding, evaluation, and contract management domains;
- (iii) Recommendations to rectify identified weaknesses;
- (iv) Management’s comments on the audit recommendations along with the timeframe for implementation;
- (v) The status of significant matters raised in previous management letters;
- (vi) Any other matters that the auditor considers should be brought to the attention of the project’s management; and
- (vii) Details of any ineligible expenditure<sup>3</sup> identified during the audit. Expenditure is considered ineligible if it refers to (i) expenditures incurred for purposes other than the ones intended under the legal agreement(s); (ii) expenditures not allowed under the terms of the legal/financing agreements; and (iii) expenditures incurred in violation of applicable government regulations.

**d) Specific Considerations**

The auditor will, during the course of the audit, pay particular attention to the following:

- (i) The use of external funds in accordance with the relevant legal and financing agreements;
- (ii) The provision of counterpart funds in accordance with the relevant agreements and their use only for the purposes intended;
- (iii) The maintenance of proper books and records;
- (iv) The existence of project fixed assets and internal controls related thereto;
- (v) Where the audit report has been issued under ISA 800, it shall include the mandatory Emphasis of Matter paragraph alerting users of the audit report that the project financial statements are prepared in accordance with a special purpose

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<sup>3</sup> If the auditor reports any ineligible expenditure in the management letter, the details of the findings should include the funding source to which the observation relates.

framework and that, as a result, the project financial statements may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading;

- (vi) Where reasonable assurance has been provided using ISAE 3000, the assurance report must contain, among others:
  - (a) A statement that the engagement was performed in accordance with ISAE 3000;
  - (b) Subject matter;
  - (c) Criteria for measurement;
  - (d) A summary of the work performed; and
  - (e) The auditor's conclusion.
- (vii) On the advance fund procedure, audit procedures are planned and performed to ensure (a) the advance account (and any sub-accounts) has been managed in accordance with ADB's *Loan Disbursement Handbook* (2022, as amended from time to time), (b) the cash balance of the advance account (and any sub-accounts) is supported by evidence, (c) the expenditures paid from the advance account (and any sub-accounts) comply with the approved project purpose and cost categories stipulated in the loan agreement, and (d) the amount of expenditures paid from the advance account (and any sub-accounts) comply with disbursement percentages stipulated in the loan agreement;
- (viii) Adequate supporting documentation has been maintained to authenticate claims stated in the SOE for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account;
- (ix) On the SOE procedure (where applicable), audit procedures are planned and performed to ensure that (a) the SOEs have been prepared in accordance with ADB's *Loan Disbursement Handbook* (2022, as amended from time to time), (b) the individual payments for expenditures stated in the SOE are supported by evidence, (c) the expenditures stated in the SOEs comply with the approved project purpose and cost categories stipulated in loan agreement, and (d) the amount of expenditures stated in the SOEs comply with disbursement percentages stipulated in the loan agreement; and
- (x) Any weaknesses in internal controls over the procurement process.

All reports must be presented in the English language and must be provided to ADB within 6 months following the end of the fiscal year.

Public disclosure of the project financial statements, including the auditor's opinion on the audited project financial statements, will be guided by ADB's Access to Information Policy (2018). After review, ADB will disclose the audited project financial statements and the opinion of the auditor on the audited project financial statements no later than 14 calendar days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter and the additional auditor's opinions will not be disclosed.

## **VIII. OTHER MATTERS**

### **a) Statement of Access**

The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreement(s), bank records, invoices and any other information associated with the project and deemed necessary by the auditor.

The auditor will be provided with full cooperation by all employees of the Executing Agency and the project implementing units, whose activities involve, or may be reflected in, the annual project financial statements. The auditor will be assured rights of access to banks and depositories, consultants, contractors and other persons or firms hired by the employer.

### **b) Independence**

The auditor will be impartial and independent from any aspects of management or financial interest in the entity or project under audit. In particular, the auditor should be independent of the control of the entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

### **c) Auditor Experience**

The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of projects or entities comparable in nature, size and complexity to the project or entity whose audit they are to undertake. To this end, the auditor is required to provide curriculum vitae (CV) of the personnel who will provide the opinions and reports, together with the CVs of managers, supervisors, and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.