**TERMS OF REFERENCE**

***for auditing of expenses and the financial statements of the* "Energy Efficient Regions: Introducing Mechanisms to Increase Energy Saving in Public Buildings and Promoting “Green Energy" Grant Project *for the period 03.08.2022-31.12.2023 (the First reporting period) and for the period of the project 01.01.2024-30.07.2024 (the Second reporting period).***

|  |  |
| --- | --- |
| **Project title:** | **"Energy Efficient Regions: Introducing Mechanisms to Increase Energy Saving in Public Buildings and Promoting “Green Energy"** |
| **Client:** | **Armenia Renewable Resources and Energy Efficiency Fund** |
| **Source of financing:** | Eurasian Fund for Stabilization and Development (EFSD) Grant |
| **Audit type:** | Auditing of expenses and the financial statements of the Project for the specified periods |
| **Duration of services:** | 9 months |
| **Place of providing services:** | Armenia Renewable Resources and Energy Efficiency Fund |
| **Scope of work:** | The amount under the audit is about US$ **2 071 277 (two million seventy one thousand two hundred seventy seven)**  (EFSD grant funds US$ **1 719 200 (one million seven hundred nineteen thousand two hundred)** and RA Government co-financing is approximately US$ 352,077).The breakdown of the amount by years is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Actual 2022****US$** | **Planned 2023****US$** | **Planned 2024****US$** | **Total****US$** |
| 15 827 | 700 000 | 1 355 450 | **2 071 277**  |

Under the scope of the Project in 2022 were implemented:* Energy audits of potential beneficiary public buildings (implemented by R2E2 Fund staff).
* Operational expenses.

Under the scope of the Project in 2023 will be implemented:1. Design -construction works implemented in the following buildings of project beneficiaries (four Contracts)
* Polyclinic N8, EFSD-W-1/2022
* Polyclinic named after Enrico Matteo in Gyumri, EFSD-W/3/2023
* Polyclinic named after Grigor Narekaci, EFSD-W/4/2023
1. Technical supervision of construction works performed in the buildings of project beneficiaries (2 contracts) – EFSD-CS/1/2023, EFSD-CS/2/2023-1
2. Expertize on ecological issues under construction works in the buildings of Beneficiaries, EFSD-CS/2/2023
3. Operational expenses.

Under the scope of the Project in 2024 will be implemented:1. Design -construction works implemented in the following buildings of project beneficiaries (about 8 Contracts)
* Yerevan Figure-Skating and Hockey Sports School SNPO, EFSD -W/2/2023
* Medical Center in Alaverdi, EFSD-W/7/2023
* Candle Synchrotron Research Institute EFSD -W/11/2023
* “Yerevan metro name after Karen Demirchyan” CJSC of Yerevan Municipality EFSD -W/10/2023.
* Lori Municipality EFSD -W/8/2023,
* Erqaghluys CJSC of Yerevan Municipality EFSD -W/9/2023
* National Polytechnic University, building 9 of the Republic Armenia EFSD -W/12/2023 National,
* National Polytechnic University of the Republic Armenia EFSD -W/13/2023.
1. Technical supervision of construction works performed in the buildings of project beneficiaries ( 2 contracts- continuation, 1 new contract) – EFSD-CS/1/2023, EFSD-CS/2/2023-1, EFSD-CS/2/2023-2.
2. Expertize on ecological issues under construction works in the buildings of Beneficiaries, EFSD-CS/2/2023 (continuation)
3. Organization of training at educational institutions in Armenia and development of methodological and analytical materials, organization of information events on energy efficiency, EFSD-CS-4/2023
4. Organization of an expert meeting in Yerevan with the participation of representatives from the EFSD member states, EFSD-CS-3/2023
5. Operational expenses.

The number of employees under the Project is 10 people. |
|  **Audit stages:** | The task is carried out in 2 stages:Audit of expenses and financial statements for the period 03.08.2022 - 31.12.2023 (the First reporting period) and for the period 01.01.2024-30.07.2024 (the Second reporting period).The first stage of audit shall begin on June 1, 2024 and complete on June 30, 2024.The second stage of audit shall begin on August 15, 2024 and complete on October 15, 2024. |
| **Basic requirements to 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 200 «Overall objectives of the independent auditor and the conduct of an audit in accordance with international standarts of auditing», the auditor must comply to ethical requirements (including independence requirement) according to International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code).
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. In accordance with ISA requirement **402** «Features of the enterprise audit, using the services of the service organization», when the certain enterprise activities are implemented by third party (the supplier), auditor must evaluate the internal control management of the supplier.
8. 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.
9. In accordance with International Standard on Quality Control (ISQC) 1, the auditor must establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and reports issued by the firm or engagement partners are appropriate in the circumstances.
 |
| **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 (Financial agreement);
2. review and evaluation of financial statements, submitted to Eurasian Development Bank (EFSD’s fund manager) (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 first stage 03.08, 2022 to December 31, 2023; and the second stage from 01.01.2024 to 30.07.2024.
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 Public Sector Accounting Standards (IPSAS), IPSAS – Financial Reporting Under the Cash Basis of Accounting, Financial agreement provisions, requirements of applicable guidelines, policies, and procedures, and submission of the compliance report to the Client;
9. review of legality and validity of funds movements on Special Account of the Project N 900000910803 and N 900000910811 for the Current expenses and N 900000910829 and N 900000910830037 for capital expenses;
10. 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. investigation of the correctness of financial transactions during the evaluated period, balances in special accounts at the end of the evaluated period, using of special accounts in accordance with the Financial agreement, as well as internal control system adequacy, applied in case of using such spending 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. random check of supporting documents that confurm correct registration and economic justification of the expenses incurred;
5. include in the Audit report tables or other forms showing the calculation, confirming or refuting legality and validity of funds movement.
 |
| **Financial reports subject to audit review:** | The Project financial documentation must be prepared by Client and submitted to the Consultant and should include:1. Project sources and Uses of Funds;
2. Uses of Funds by Project Components;
3. Project balance sheet;
4. Designated Accounts (DA) Statements;
5. Statements from the Special Accounts;
6. Withdrawal Schedules.
 |
| **Reporting:** | At the end of each stage the auditor must submit the following documents:1. Audit report;
2. «Letter to the management», which includes:
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 Armenian, 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 2 (two) copies in Armenian, English and Russian languages in printed and electronic forms. |
| **Requirements to the Consultant and key personnel qualification:** |
| **№** | **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 to government-funded and international donor-funded projects. | 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 |  Involvement in the World Bank’s list of eligible audit firms (2020) will be considered as an advantage |  |
| 4 | **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. |

#