

**“Central Asia South Asia Electricity
Transmission and Trade
(CASA-1000) project”**

**IDA Credit No. 5438-KG,
IDA Grant No. H942-KG,
EIB Credit FI No. 84.762,
IDB Loan No. 2-KYR-0051**

MANAGEMENT LETTER

Based on results of audit of the financial statements
for the year ended December 31, 2023

To the management of the Project "Central Asia South Asia Electricity Transmission and Trade (CASA-1000) project" National Electric Grid of Kyrgyzstan OJSC as Project executive agency:

Dear Sirs and Madams,

In planning and performing our audit of the project financial statements of the Project "Central Asia South Asia Electricity Transmission and Trade (CASA-1000) project", financing in accordance with the Financing agreement between the Kyrgyz Republic and International Development Association Credit No. 5438-KG, Grant No. H942-KG, the Financing agreement between the Kyrgyz Republic and European Investment Bank Credit EIB FI No. 84.762, and the Loan agreement between the Kyrgyz Republic and Islamic Development Bank Credit No. 2-KYR-0051 (the "Project"), for the year ended December 31, 2023, we considered the internal control structure in order to determine our audit procedures for the purpose of expressing an opinion on the project financial statements, but not however to provide assurance on the internal control structure.

In connection therewith, we inform that during performing our audit of the project financial statements of the Project for the year ended December 31, 2023, we did not identify any critical matters for inclusion to this letter concerning the internal control structure and certain accounting, administrative and operating matters. We updated status of the implementation of recommendations based on the audit of the project financial statements for the year ended December 31, 2022. Definition of the expression "internal control structure" used in this letter is set in Appendix A.

This letter is intended solely for the information of, and use by the management of the Project and should not be used by others. We are not responsible for providing this letter to third parties as it was not prepared and intended for their use. This letter should not be given to third parties without prior written consent.

We would like to thank the management and personnel of the Project for their assistance and co-operation during the audit. We acknowledge that the Project has applied efforts to develop and strengthen its planning processes and internal control system.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Sincerely yours,



Kubat Alymkulov



Certified accountant, FCCA
Certificate of auditor of the Kyrgyz Republic
No. A 0069 dated October 19, 2009
Audit Partner,
Director of Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC is registered in the "Register of audit organizations admitted for audit of public Interest entities and large entrepreneurship entities" of the Unified state register of auditors, audit organizations, professional audit associations.
Individual registration number 2101510 dated August 9, 2023

June 21, 2024
Bishkek, the Kyrgyz Republic

**CENTRAL ASIA SOUTH ASIA ELECTRICITY
TRANSMISSION AND TRADE (CASA-1000) PROJECT
IDA CREDIT No. 5438-KG, IDA GRANT No. H942-KG,
EIB CREDIT FI No. 84.762, IDB LOAN No. 2-KYR-0051**

CONTENT

| | |
|---|----------|
| INTRODUCTION..... | 3 |
| STATUS ON PREVIOUS YEARS AUDIT RECOMMENDATIONS | 4 |
| 1. Accounting of funds received | 4 |
| APPENDIX A..... | 5 |

**CENTRAL ASIA SOUTH ASIA ELECTRICITY
TRANSMISSION AND TRADE (CASA-1000) PROJECT
IDA CREDIT No. 5438-KG, IDA GRANT No. H942-KG,
EIB CREDIT FI No. 84.762, IDB LOAN No. 2-KYR-0051**

INTRODUCTION

This letter highlights our observations and recommendations we believe warrant the “Central Asia South Asia Electricity Transmission and Trade (CASA-1000) project” (the “Project”) management’s attention and would facilitate improved effectiveness and efficiency of the Project’s operations. Certain comments made relate to situations, which warrant immediate attention, while others relate to enhancements of policies and practices and should be addressed according to their perceived significance. The management should prioritize the observations and implementation of the recommendations accordingly.

We acknowledge that the Project has applied efforts to develop and strengthen its internal control system and procedures, and there are certain areas where additional follow-ups are necessary. Included in this letter are a summary of our recommendations.

General presentation – classification of comments and recommendations

- | | |
|------------------|---|
| High Priority: | These risks are significant for the Project, so they require immediate attention from the management to determine any effects to date, an agreed program for a prompt resolution and ensure that they will not recur in the future. |
| Medium Priority: | These risks do not necessarily require immediate attention, but must be managed in a timely manner. In addition, they relate to activities that (currently) are not material but may be material when these activities are developed. |
| Low Priority: | When there is a deficiency, but there is a compensatory control, while not perfect, provides a degree of assurance that, the Project will not have a material loss. |

STATUS ON PREVIOUS YEARS AUDIT RECOMMENDATIONS

1. Accounting of funds received

| | |
|--------------------------|---|
| Priority | High |
| Observations | During the course of our audit procedures, we have identified that, according withdrawal applications and the IDB "Project Statement" the Project received 601 Islamic dinars more than the approved finance amount in the Loan agreement between the Kyrgyz Republic and the Islamic Development Bank (the "IDB") Credit No. 2-KYR-0051 (the "Loan agreement"), which was equal to 33,300 thousand Islamic Dinars. According to the Loan agreement and the IDB "Project Statement" the total amount was divided into four tranches, each tranche was equal to 8,330 thousand Islamic Dinars, thus, total amount of four tranches was equal to 33,320 thousand Islamic Dinars, which is 20 thousand Islamic Dinars more than the total finance amount indicated in the Loan agreement. Also, as at December 31, 2023 the four tranches under the finance agreement with the IDB have been fully received, however, according to the IDB "Project Statement" the undisbursed sum of funds as at December 31, 2023 was equal to 19 thousand Islamic Dinars. |
| Risk | |
| Recommendations | We recommend management of the Project to strengthen control over the execution and implementation of financing agreements signed with donors. In case of any misstatements and misunderstandings, we recommend the management of the Project to clarify such inconsistencies with the parties, who concluded the agreement, in a timely manner. |
| Ответ руководства | Recommendation is taken into account. Discussion on this issue is currently underway with the IDB. |
| Status | On November 8, 2023 Islamic Development Bank sent letter to the Ministry of Finance (the "MoF") as a response to the letter from MoF No. 16-3/11695 dated September 21, 2023 confirming that all funds were fully utilized and final repayment schedule was sent to the MoF on November 29, 2023 for 33,300,601 Islamic Dinars. |

APPENDIX A

Responsibility of the Management, purposes and limitations inherent in the internal control structure

The following comments regarding responsibility of the management for the internal control structure, purposes and limitations inherent in the internal control structure are based on the International Standards on Auditing accepted by the International Auditing and Assurance Standards Board (IAASB).

Responsibility of the management

The management is responsible for development and ensuring operation of the internal control. Meeting this objective requires the management to make forecasts and estimates to determine the expected gain and costs relating to fulfilment of the policies and procedures of internal control.

Purposes

The purposes of internal control over financial statements consist in provision of the management with sufficient but not absolute certainty in security of assets and protection from losses as a result of unauthorized use or distribution of assets and guarantee of conduct of operations on the basis of orders of the management and their proper accounting, which will ensure preparation of financial statements under International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") and the World Bank's Financial Management Sector Board's "Guidelines: Financial Reporting and Auditing of Projects financed by the World Banks" (the "WB Guidelines").

Limitations

Due to limitations inherent in any internal control structure, there is a possibility of mistakes and inaccuracies, which can remain undetected. Besides, forecasts with regard to any assessment or structure applicable to future periods can lose their significance due to changed conditions or decreased efficiency of the structure and functionality of the policies and procedures.



Baker Tilly Bishkek LLC trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

© 2024 Baker Tilly

Contact us
103, Ibraimov str., BC "Victory",
7th floor, Bishkek, 720011,
the Kyrgyz Republic

www.bakertilly-ca.com