



Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic,

State Institution of Drinking Water Supply and Wastewater Disposal under the Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic

**“Climate Resilient Water Services Project”,
Grant No. IDA E009-KG,
Credit No. IDA 7081-KG**

MANAGEMENT LETTER

based on the results of audit of the project financial statements for the year ended December 31, 2024

To the Management of the "Climate Resilient Water Services Project"
Grant No. IDA E009-KG, Credit No. IDA 7081-KG:

Dear Sirs and Madams,

In planning and performing our audit of the project financial statements of the "Climate Resilient Water Services Project" (hereinafter – the "Project") for the year ended December 31, 2024, 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 submit this letter containing our comments, observations, and recommendations concerning the internal control structure and certain accounting, administrative and operating matters, which resulted from our audit of the project financial statements for the year ended December 31, 2024. 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.

Sincerely yours,



Kubat Alymkulov

Certified accountant, FCCA (United Kingdom)

Individual auditor registration number 11152 dated November 16, 2023.

Registered in the Unified state register of auditors, audit organizations, and professional audit associations.

Audit Partner,

Director, 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 5, 2025

Bishkek, the Kyrgyz Republic

**“CLIMATE RESILIENT WATER SERVICES PROJECT”
GRANT NO. IDA E009-KG, CREDIT NO. IDA 7081-KG**

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**“CLIMATE RESILIENT WATER SERVICES PROJECT”
GRANT NO. IDA E009-KG, CREDIT NO. IDA 7081-KG**

INTRODUCTION

This letter highlights our observations and recommendations we believe warrant the project “Climate Resilient Water Services Project”, Grant No. IDA E009-KG and Credit No. IDA 7081-KG (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. Although the Project has improved some of their internal control procedures, we still believe that 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.

1. Tender documentation

Priority	Medium
Observations	<p>During the audit procedures conducted to review the tender documentation we have identified that the Special Procurement Notice was not published in a national newspaper, which is not in compliance with paragraph 5.23(b) of the World Bank Procurement Regulations for IPF Borrowers.</p> <p>This observation was identified in the following tender documentation of the Project Implementation Unit of the “Climate Resilient Water Services Project” under the Water Resources Service (the “WRS”) of the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic:</p> <ul style="list-style-type: none"> – Procurement No. CREWSP/CW/C1.2/RFB/2 Tender for the renovation of the WRS Head Office and Water Center premises, <p>and also in the following tender documentations of the Project Implementation Unit of the State Institution "Drinking Water Supply and Sanitation" under the Water Resources Service of the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic (hereinafter – “SI DSWD”):</p> <ul style="list-style-type: none"> – Procurement No. IDA-CRWSP-CW-RFB-18-18 – Rehabilitation of the water supply system of the Kun-Chygys (Bokonbaevo) subproject, – Procurement No. IDA-CRWSP-CW-RFB-6-6 – Rehabilitation of the water supply system of the Margun subproject, – Procurement No. IDA-CRWSP-CQS-2023-2 – Selection of a consultant for the design of detailed project documentation (DPD) for rural water supply infrastructure for 5 subprojects in Batken region (Phase II), – Procurement No. IDA-CRWSP-COMP2-IC-2023-1 – Legal consultant for capacity building of the State Institution.
Risk	The absence of publication in a national newspaper indicates a violation of the established procurement procedures, which increases the risk of limiting participation of potential bidders and reduces competition among tender participants.
Recommendations	We recommend that the Project Management strengthen control over the publication of Special Procurement Notices.
Management's response	<p>The Special Procurement Notice is published in the following media outlets: the State Procurement Portal, as well as the websites www.donors.kg, www.tunuksuu.kg, www.zakupki.gov.kg, www.tenders.kg, www.procurement.kg, www.water.gov.kg, and www.crwsp.kg. Additionally, the notice is directly distributed to companies from the project's database, which includes over 100 construction firms as well as suppliers of goods and services.</p> <p>This distribution method ensures broad outreach to all interested companies and enhances competition among tender participants. With the advancement of digital technologies, more and more people are turning to and relying on digital platforms for information. The majority of the population now accesses information through digital sources.</p> <p>The observation noted by the auditor will be taken into account during future tender processes.</p>

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 Federation of Accountants through the International Auditing and Assurance Standards Board.

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 fulfillment of the policies and procedures of internal control.

Purposes

The purposes of internal control over project 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 the project 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: Annual Financial Reporting and Auditing for World Bank Financed Activities" (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.

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