

## **TERMS OF REFERENCE**

### **FOR**

### **Partner Company - Audit of Financial Statements (pre-issuance)**

#### **Background**

The International Bank for Reconstruction and Development has granted a USD 30 million loan to the Republic of Serbia (hereinafter: RoS) to support the reform of capital markets through the implementation of the Catalyzing long term finance through capital market project (hereinafter: The Project).

The Financial System Department of the Ministry of Finance (hereinafter: MoFFS) is the entity responsible for all technical aspects of the Project implementation. The Project will be built upon the MoFFS's successful experience in implementing previous World Bank Group projects.

Given the specific nature of the Project, the MoFFS will be closely working with the Republic of Serbia Securities Commission (hereinafter: SSC), Central Security Depository and Clearing House (hereinafter: CSD), Belgrade Stock Exchange (hereinafter: BELEX), and other relevant institutions on the implementation of this Project in order to properly align it with regulatory requirements prescribed by the law.

The Project will be governed by a Stakeholder Committee with the operational activities performed by a dedicated Taskforce appointed by the MoFFS.

In order to efficiently implement all planned activities additional professional support will be required and engaged throughout the Project lifecycle.

#### **Objectives of the Project**

The Project's overall objectives are the development of the legal, regulatory and economic environment under which the capital markets operate, and to deepen the corporate bond market, including green and other thematic bond issuances. The Project is structured around two main components: Component 1 - Institutional, Legal and Regulatory Reforms and Component 2 - Corporate Bond Issuance.

Strengthening the capital market institutions, particularly the SSC, CSD, and BELEX by aligning them with the relevant international standards is the focus of Component 1.

Component 2 will be focused on expanding the supply side and the corporate bond issuer base (issuing more corporate bonds and/or other non-government securities instruments) starting from the identification of potential issuers and supporting the process that will lead to the final issuance. Specific focus will be on green and other thematic issuances (with an explicit emphasis on climate financing). Additionally, deepening the demand side (attracting more investors) by simplifying the taxation regime for capital markets will also be an important part of the Component 2 activities.

MoFFS, will select a group of companies, such as law firms, audit firms, financial advisory firms, brokerage firms, EMSA-registered credit rating agencies, and other critical service providers, that will provide full support and guidance to companies participating in the Project.

### **Objective of the Assignment**

The Taskforce will identify domestic companies that are potential corporate bond issuers (hereinafter: CBIs), and engage Partner Companies to conduct company Audit in order to prepare the CBIs for the issuance process.

In the Primary procurement stage, MoFFS will enter into a Framework Agreement (hereinafter: FA) with several Partner Companies, setting out terms and conditions under which specific Services (call-off contracts) will be provided directly or competitively throughout the term of the agreement. Once the particular CBI is determined, a Partner Company shall be selected from the panel using the secondary procurement process, which shall be described in the FA in details. Finally, the Partner Company will enter into a three-party contract with the CBI Candidate and the Ministry of Finance in accordance with Call-Off contract template that will be provided in respective Framework Agreement.

### **Scope of Work**

- i. Full company audit:
  - Conducting an audit of the CBI's official financial statements for the last three years in compliance with International Auditing Standards, for those CBI's not possessing recent audited financials
  - Ensuring compliance with international accounting standards (e.g. IFRS), and any applicable regulatory requirements

### **Deliverables**

- Audit reports, review reports and reports of management controls and financial health for the CBI Candidate

### **Timeline**

- The estimated period for the preparation of an Audit report is 90 days after signing the contract with the CBI candidate and Ministry of Finance. However, the exact period will be defined for a particular CBI in a respective Call-off Contract.

### **Reporting requirements and other provisions**

- Upon request, the Partner Company shall submit progress reports on the implementation of the assignment, to the Taskforce
- If the Partner Company conducts the pre bond issuance audit of Financial Statements of the selected corporate bond issuance candidate, it cannot be engaged for the post bond issuance audit of proper bond emission fund usage

### **High level profile of the Partner Company**

In order to be shortlisted, the Partner Company shall:

- Be a reputable company licensed to audit in Serbia with minimum 5 years of relevant experience
- Be on the latest Serbia Securities Commission list of Companies authorized to audit financial statements of public companies whose securities are admitted to the Listing, Open market or MTF
- Have experience in auditing large companies - preferably listed companies also
- Be a part of international network on which a company can draw additional knowledge and experience will be considered as an advantage
- Have previous audit experience and expertise in conducting audit for corporate bond issuance - will be considered as an advantage

**Key experts:**

The Partner Company shall establish his Team in accordance with the needs and requirements of this ToR. The Team shall consist of a core team made of key experts with the qualifications and skills defined below and non-key experts, if needed.

- Audit expert 1:
  - a) University degree in economics, finance, or accounting. Master's degree or relevant certificates will be considered as a distinct advantage
  - b) Minimum 7 years of relevant work experience in audit
  - c) Audit license
  - d) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Audit expert 2:
  - a) University degree in economics, finance, or accounting. Master's degree or relevant certificates will be considered as a distinct advantage
  - b) Minimum 5 years of relevant work experience in audit
  - c) Audit license
  - d) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Project Team:
  - a) Additional project team members will be defined in line with specific needs of each corporate bond issuance candidate

The Consultant shall include CVs for all proposed team members, together with a commitment letter executed by each proposed team member certifying their availability to work on this assignment during the period estimated, committing to remain available, and committing to travel and work within Serbia as needed during the project

**Length of assignment**

The assignment will be for a period ending with May 2027 conclusively and subject to extension based on Project needs and satisfactory performance verified by the Taskforce

**Confidentiality**

The Partner Company undertakes to maintain confidentiality on all information that is not in the public domain and shall not be involved in another assignment that represents a conflict of interest to the prevailing assignment

**Selection of Partner Company**

The Taskforce, intends to shortlist up to 10 eligible firms to whom a subsequent Request for Proposals (RFP), shall be sent.

A Partner Company will be selected under Quality - based selection method procedures, in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (July 2016, revised November 2017, August 2018 and November 2020) ("Procurement Regulations"), which can be found at the following website: [www.worldbank.org](http://www.worldbank.org). (<https://thedocs.worldbank.org/en/doc/178331533065871195-0290022020/original/ProcurementRegulations.pdf>)

The Framework Agreement to be concluded will be "Single-User." A Framework Agreement will be concluded with several Partner Companies ("Multi-Consultant Framework Agreement").

The selection of an Audit Partner Company to be awarded a Call-off Contract will be done through a Secondary Procurement as defined in the Framework Agreement. However, the conclusion of a Framework Agreement shall not impose any obligation on the Procuring Agency, including participating Clients, to procure the consulting services under a Call-off Contract. The conclusion of Framework Agreement does not guarantee that a Partner Company in the Framework Agreement will be awarded a Call-off Contract.