

TERMS OF REFERENCE

FOR

Partner Company - Audit of proper bond emission fund usage (post 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 is built upon the MoFFS's successful experience in implementing previous World Bank Group projects.

Given the specific nature of the Project, the MoFFS is 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 is 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 is also 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 objective of this assignment is to conduct an Agreed-Upon Procedures (AUP) audit to verify the use of proceeds from corporate bond issuances supported under the Capital Market Development Project (CMDP).

The AUP engagement will provide independent assurance that the funds raised through the bond issuance have been used in accordance with the intended purposes as defined in the bond documentation and the company's commitment to investors and project partners.

Specifically, the objective is to confirm that the proceeds from the bond issuance have been allocated and utilized in line with the investment plan and prospectus, prepared at the issuance, and identify any deviations or inconsistencies in the use of funds relative to declared objectives.

Scope of Work

Verification of Funds Raised and Sources

- Confirm the total amount of funds raised through the bond issuance and reconcile with bank statements and issuance documentation.

Review of Use of Proceeds

- Examine the company's records to verify that expenditures financed from bond proceeds align with the declared purposes and categories of eligible investments (e.g. capital investments, working capital, debt refinancing, etc.).
- Review supporting documentation such as invoices, contracts, payment orders, and management approvals related to the use of bond proceeds.
- Identify any expenditures that are inconsistent with the intended use of funds.

Verification of Remaining Balance

- Confirm whether any unutilized funds remain and review how these funds are managed, invested, or held pending allocation.

Compliance and Control Framework

- Assess whether internal controls and governance procedures over the allocation and monitoring of bond proceeds are adequate and properly implemented.
- Review the company's reporting practices related to the use of proceeds, including disclosures made to investors or regulators.

Deliverables

- Report on usage of funds collected through bond emission, presenting all findings in accordance with the agreed-upon procedures, including compliance with the stated use of proceeds.
- The initial report will be prepared one year after bond issuance, followed by annual reports for the following two years, depending on the nature and timeline of funds use.
- The estimated period for the preparation per each report is 45 calendar days. However, the exact period will be defined for particular CBI in a respective Call-off Contract.

Reporting requirements and other provisions

- The Partner Company will report to the Project Manager and Assistant Minister in charge,
- One Partner Company may work with maximum two CBI candidates at the same time. In a specific case that there is lack of available Partner Companies to support the CBI candidates in the bond issuance process this rule can be waived.

High-level profile of the Partner Company

The Partner Company shall:

- Hold a valid license to perform assurance and related services, including Agreed-Upon Procedures engagements, in line with ISRS 4400 with minimum 5 years of relevant experience – being a part of international network on which a company can draw additional knowledge and experience will be considered as an advantage,
- Have previous Agreed-Upon Procedures (AUP) engagements experience,
- Have experience in auditing large companies – experience with companies listed on the stock market companies is a plus,
- Have proven track record in engagements involving:
 - a) Verification of the use of proceeds from debt instruments,
 - b) Corporate bonds, green/social/sustainability bonds, or similar capital market instruments,
 - c) Financial due diligence, compliance testing, or transaction-level verification,
- Have In-depth understanding of the regulatory environment governing:
 - a) Corporate bond issuance
 - b) Capital markets and disclosure obligations
 - c) Requirements related to allocation and tracking of bond proceeds
- Have sufficient resources to cover multiple project assignments and necessary activities.

Key experts:

- 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) Experience in Agreed-Upon Procedures or financial verification assignments,
 - d) Audit license,
 - e) 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) Experience in Agreed-Upon Procedures or financial verification assignments will be considered as an advantage,
 - d) Audit license,
 - e) 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 August 2028 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.

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.