

## **Turkmenenergo-Transition toward IFRS**

### **I. Background:**

1. Turkmenenergo (TE) is a holding company and has number of subsidiaries, including twelve generation companies, six regional electricity transmission and distribution companies, and five maintenance companies. It employs close to 12,000 in the field and an estimated 170 staff in the Head Office.
2. Starting from 1 January 2019, TE is required to move to the international accounting and financial reporting standards (IFRS) under the Presidential Decree issued in December 2017
3. ADB provides a technical assistance including capacity building and planning for TE's transition to IFRS. At present TE produces annual financial accounts following Turkmenistan national accounting standards.
4. For the purpose of this assignment, TE means a holding company and its subsidiaries.

### **II. Objectives**

5. The objective of this Terms of Reference (TOR) is to conduct a comprehensive and thorough diagnostic study of TE that will be used:
  - (i) To understand the gaps between the Turkmenistan national accounting standards currently applied to TE's financial statements and IFRS;
  - (ii) Establish a review of the Information Technology (IT) system of TE as well as recommendations on the technical changes and/or investments necessary to produce TE's IFRS financial statements from 2020;
  - (iii) To build a comprehensive action plan of the steps required for TE's IFRS independent implementation from 2022;
  - (iv) To launch the capacity building of TE's accounting staff to prepare and train staff for the transition to IFRS;
  - (v) To provide support to TE in the preparation of IFRS annual accounts and financial statements for financial year 2020 and 2021.

### **III. Scope of Work**

6. The Consultant will perform the following tasks in parallel:

#### **Task 1. Gap analysis between Turkmenistan accounting standards and IFRS**

7. The Consultant will prepare a diagnostic study analyzing the gaps between the Turkmenistan national accounting standards currently applied in TE's financial statements and IFRS. The Consultant will analyze TE's current financial statements (income statement, balance

sheet, and cash flow statement) to fully understand the scope of changes that are needed to prepare financial accounts that comply with IFRS.

### **Task 2. Review of the IT system of TE to ensure the preparation of IFRS accounts from 2021**

8. In addition to Task 1, the Consultant will prepare a diagnostic analysis of the IT system of TE enabling TE to produce annual statements in IFRS. It will also provide recommendations on the different technical changes and/or investments necessary for the IT system to enable TE to produce annual financial statements in IFRS starting from 2021.

### **Task 3. Preparation of an action plan to guide TE implementing IFRS**

9. Based on the outcome of Tasks 1 and 2, the Consultant will prepare an action plan outlining the steps necessary for TE to implement IFRS. This schedule is expected to be detailed and comprehensive, identifying all the steps necessary for the conversion to IFRS, including the expected time for each and the ideal sequence. Task 3 will serve as the guide for the execution of TE's transition to IFRS. The action plan will also address the needs for the update and integration of the information technology systems of TE as well as an estimation of the costs associated to this update.

### **Task 4. Training of TE personnel**

10. For the transition to be successfully, efficiently and sustainably implemented, TE's accounting staff must be trained about what the transition to IFRS is expected to entail and on the potential new IT tools introduced in Task 2 and how their roles and responsibilities may change. The Consultant will introduce the major differences in accounting methods and IT system to TE management and, in more detail, to the TE accounting teams. The aim is to ensure management's awareness of what the change will entail and to prepare the accounting personnel for the implementation of the transition.

11. At the beginning of the Assignment, an initial training will be organized with the TE team, and, after the draft reports are issued, the Consultant will run an in-depth training for all involved in the implementation of the IFRS transition.

### **Task 5. Assistance in the preparation of IFRS annual accounts for 2020 and 2021**

12. In parallel with Task 4, the Consultant will assist TE to produce annual financial accounts in 2020, which will be converted from the Turkmenistan standards into the IFRS. The Consultant will therefore support the TE team identified in Task 4 for TE to prepare and produce its financial accounts in both Turkmenistan standards and IFRS for 2020; and financial accounts in IFRS for 2021.

## **IV. Implementation Arrangements and Deliverables**

#### **A. Duration of the Assignment**

13. The duration of the Assignment is expected to be 24 months from the kick-off meeting.

#### **B. Deliverables**

14. A kick-off meeting will take place in Turkmenistan among TE, ADB and the Consultant as soon as possible after the signing of the contract.
15. The Consultant will report to TE's Project Team Leader. In addition, the Consultant will inform the ADB Project Team Leader of key issues and copy delivery of the reports so the ADB is kept informed of the progress of the Assignment
16. All reports will be prepared in an editable electronic copy. Once the first draft is revised by TE and ADB in English, reports will be modified by the Consultant and ultimately validated by TE and ADB in English and Russian. The final versions will be submitted to TE and ADB in hard copy and electronically in English and Russian.
17. The Tasks 1 and 2 draft report in Russian will be submitted to TE 8 weeks after the kick-off meeting. Following TE's review, the Consultant will present the final versions in English and Russian no later than 2 weeks after receiving comments from TE.
18. The Task 3 draft report in Russian will be submitted to TE 14 weeks after the kick-off meeting, considering the final task 1 report. Following TE's review, the Consultant will submit the final versions in English and Russian no later than 2 weeks after receiving comments from TE.
19. Regarding Task 4, The Consultant must submit a Russian-language Training Manual and a summary of the main points in English within 24 weeks of the kick-off meeting. The Russian version will be provided to TE and ADB each, while the English summary will be provided to the ADB.
20. Regarding Task 5, the Consultant will submit within 3 weeks after the end of the 12 weeks spent with the TE team a report in Russian detailing the process of transition from Turkmenistan standards to IFRS and the different issues encountered during that process as well as the remedies to such issues to ensure the self-sufficiency of TE in this process starting from 2021. Following TE's review, the Consultant will present the final versions in English and Russian to TE no later than 2 weeks after receiving comments from TE.

#### **C. Schedule for the Assignment**

21. The following schedule is indicative and remains subject to modification depending on the progress of the Assignment:
- a. **1st Week:** Beginning of the Assignment with a kick-off meeting with TE.
  - b. **8th Week:** The Consultant submit the draft Tasks 1 and 2 reports.
  - c. **11th Week:** TE provides its comments on the Tasks 1 and 2 reports to the Consultant.
  - d. **13th Week:** The Consultant submit the final Task 1 and 2 reports.
  - e. **14th Week:** The Consultant submit the Task 3 draft report.

- f. **17th Week:** TE provides its comments on the Task 3 report to the Consultant.
- g. **19th Week:** The Consultant submit the final Task 3 report.
- h. **24th Week:** The Consultant delivers the training manual related to Task 4 to TE.
- i. **3 weeks after the end of the first 12 weeks of work in 2021 and 2022:** The Consultant submit the draft Task 5 report.
- j. **4 weeks after the end of the first 12 weeks of work in 2021 and 2022:** TE provides its comments on the draft Task 5 report to the Consultant.
- k. **5 weeks after the end of the first 12 weeks of work in 2021 and 2022:** The Consultant submit the final Task 5 report.

22. The training schedule will be agreed with the Consultant. The detailed schedule of the support to TE for task 4 will be agreed between the Consultant and TE.

#### **D. Facilities and Access to Information**

23. The Company will provide the Consultant with a suitable room dedicated to the Assignment at the TE Head Office. TE will also provide all information judged relevant and necessary for the conduct of the Assignment.

#### **V. Consultant profile**

24. It is expected that the Assignment will be led by an appropriately qualified financial accounting company with relevant experience in the power sectors, in public institutions, in Turkmenistan accounting standards, and in the implementation of IFRS, including information technology requirements.

25. The Consultant will make available to TE a team comprising preferably at least:
- a. A project manager who is a qualified accountant with an excellent knowledge of both IFRS and Turkmenistan norms as well as the main differences between them.
  - b. 7 accountants that have as well an excellent knowledge of both IFRS and Turkmenistan norms as well as the main differences between them
  - c. 2 information systems experts with a good knowledge of Enterprise Resource Planning (ERP) software – Financial Modules (Assets, Account Receivables, Account Payables, General Ledgers, and Cash Management, etc.).

26. The Consultant must provide any additional resources required for the success of the Assignment.

27. All key Experts should be fluent in written and spoken Russian and English