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PROJECT
"TAJIKISTAN MILLATI SOLIM PROJECT"

GRANT No. E2450-TJ;
GRANT No. TF C2563-TJ;
GRANT No. TF C2356-TJ;
GRANT No. TF C2344-TJ;

LETTER TO MANAGEMENT
BASED ON THE RESULTS OF THE AUDIT OF THE SPECIAL PURPOSE PROJECT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

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LETTER TO MANAGEMENT
BASED ON THE RESULTS OF THE AUDIT OF THE SPECIAL PURPOSE PROJECT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

To the Management of Project Implementation Unit "Tajikistan Millati Solim Project" under the Ministry of Health and Social Protection of the Republic of Tajikistan and the State Committee on Investments and Government Property Management of the Republic of Tajikistan

Dear Ladies and Gentlemen,

Pursuant to audit engagement agreement dated March 28, 2022, we have audited the Special Purpose Financial Statements prepared by the Management of Project Implementation Unit "Tajikistan Millati Solim Project" under the Ministry of Health and Social Protection of the Republic of Tajikistan (hereinafter- PIU) of the "Tajikistan Millati Solim Project" (hereinafter-Project) financed against the financial proceeds of the International Development Association (hereinafter-IDA) according to the Grant Agreement No. E2450-TJ, Grant Agreement No. TF C2563-TJ, Grant Agreement No. TF C2356-TJ, Grant Agreement No. TF C2344-TJ (hereinafter – Grant Agreements) for the year ended December 31, 2025.

The Special Purpose Financial Statements have been prepared by the Management of PIU according to the International Public Sector Accounting Standards (hereinafter – IPSAS), based on the cash flow method. The financial statements are the responsibility of the PIU Management.

We conducted our audit in accordance with the International Standards on Auditing (ISA).

In connection therewith, we submit this report 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's project financial statements for the year ended December 31, 2025, as well as the status of audit observations for the year ended December 31, 2024. The concept of the term 'internal control structure' used in this letter is given in Appendix A

In the course of planning and conducting the audit of the Project Financial Statements, we took into consideration structure of accounting and reporting internal controls in the aim of selection of audit procedures necessary to develop the audit opinion on the financial statements, but not in the aim of determination of accounting and reporting internal controls' adequacy extent.

In order to substantiate their conclusions, the auditors used a number of tests and procedures to verify the accuracy and adequacy of accounting information. The audit was carried out by methods of interviewing personnel, documentary verification, analysis of information provided by the Project. Based on the results of the audit procedures performed, we believe that sufficient data has been obtained to form an independent opinion on the reliability of the financial statements attached to the Audit Report.

As the aim of our audit is to express an opinion on the Project's financial statements, we did not intend to reveal all significant problems pertaining to the Project. and not related to the reliability of specialized financial statements, the presence of assets and the functioning of the internal control system in the field of accounting and reporting.

This Management Letter was prepared exclusively for internal use. Therefore, we bear no responsibility should you decide to disclose the information contained in this letter. We avail ourselves to use this opportunity to express our sincere thanks to you and your staff for cooperation and support during the audit.

Sincerely,

Andrey Pak
General Director
KRESTON-TASHKENT LLC

Tashkent, May 12, 2026



"TAJIKISTAN MILLATI SOLIM PROJECT"
GRANT No. E2450-TJ, GRANT No. TF C2563-TJ, GRANT No. TF C2356-TJ,
GRANT NO. TF C2344-TJ

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"TAJIKISTAN MILLATI SOLIM PROJECT"
GRANT No. E2450-TJ, GRANT No. TF C2563-TJ, GRANT No. TF C2356-TJ, GRANT No. TF C2344-TJ

INTRODUCTION

This letter highlights our observations and recommendations we believe warrant the Project "Tajikistan Millati Solim Project" Grant No. E2450-TJ, Grant No. TF C2563-TJ, Grant No. TF C2356-TJ, Grant No. TF C2344-TJ (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.

I. RECOMMENDATIONS FOR THE REPORTING YEAR

1.1 Discrepancies between the exchange rates applied in the 1C Accounting System and the Official Exchange Rate of (NBT)

Priority: **Medium**

Observation	Recommendations
During the audit of the Project's expenditures, it was identified that, for certain transactions, the exchange rates applied in the 1C accounting system differed from the official exchange rate of the National Bank of Tajikistan (NBT) effective on the transaction dates. This is inconsistent with the requirements of the Law of the Republic of Tajikistan No. 702 "On Accounting and Financial Reporting" dated 25 March 2011, which requires accounting records and financial statements to be prepared in accordance with uniform accounting principles, including the proper recognition of foreign currency transactions using the official exchange rate effective on the transaction date. Non-compliance with these requirements may result in inaccuracies in the Project's interim financial reports prepared in U.S. dollars and may raise concerns on the part of the donor regarding the reliability and accuracy of the reported financial information.	We recommend that the Project Management review all Project transactions to ensure that the official exchange rate of the National Bank of Tajikistan (NBT) effective on the date of each transaction is applied and strengthen internal controls over the application of the official exchange rate when preparing future financial reports for the donor.

Management response

Taken into account.

1.2 Recording Certain Expenditures Under a Subcategory Inconsistent with Their Nature

Priority: **High**

Observation

During the audit of the Project's expenditures, it was identified that in the Interim Financial Report (IFR), under the category **"(1) Expenditures incurred for the achievement of DLIs under Part 2.1(a) of the Project, excluding the salaries of PMU staff,"** expenditures amounting to **USD 1,225,393** were recorded under the **Consulting Services** subcategory. However, these expenditures actually relate to the procurement of goods and are not associated with the provision of consulting services. Accordingly, the classification of these expenditures in the financial reporting was incorrect.

This approach is inconsistent with the requirements for the fair and accurate presentation of financial information set out in the Financing Agreement and the World Bank guidelines for the preparation of Interim Financial Reports, which require expenditures to be reported under the appropriate categories and subcategories according to their economic substance.

This issue may result in a misstatement of the Project's expenditure structure in the Interim Financial Report, reduce the reliability of the financial information presented, hinder the analysis of actual budget execution by expenditure category, and give rise to questions from the World Bank and other stakeholders.

Recommendations

We recommend that the Project Management ensure the proper classification of expenditures in the preparation of the Interim Financial Reports (IFRs) in accordance with their economic substance. In addition, the Project should implement additional review procedures to verify the correct allocation of expenditures to the appropriate categories and subcategories and strengthen internal control procedures over the preparation of financial reporting to prevent similar occurrences in the future.

Management response

Taken into account.

1.3 Discrepancy between actual expenditures and expenditures documented under the SOE procedure

Priority: **High**

Observation

During the audit of the Project's expenditures, a discrepancy was identified between the Project's actual expenditures and the amount documented under the **Statement of Expenditures (SOE)** procedure by financing source. The discrepancy amounts to **USD 609,147**, meaning that the amount claimed and reimbursed was lower than the actual eligible expenditures by this amount.

This situation is inconsistent with the provisions of the **World Bank Financial Management Manual for Borrowers**, which requires that all expenditures eligible for reimbursement under the SOE procedure be accurately recorded and submitted in a timely manner.

The identified discrepancy may result in misstatements in the Project's financial statements, create difficulties during the World Bank's expenditure verification process, and cause delays in the reimbursement of funds. If such discrepancies become systematic, there is a risk that the donor may disallow a portion of the expenditures, which could adversely affect the overall financing of the Project.

Recommendations

We recommend that the Project Management update and complete the payroll records by including the missing signatures and dates. This measure is necessary to address the identified deficiencies and ensure that the supporting documentation complies with the applicable regulatory requirements and established standards.

Management response

Taken into account.

II. RECOMMENDATIONS FOR LAST YEAR

2.1. Inconsistency of cash data in the interim financial report and in the bank

Priority: **High**

Observation

During the course of the Project's audit procedures regarding the accuracy of the cash balances in local currency as of December 31, 2024, a discrepancy was identified between the Interim Financial Report (IFR) and the bank confirmation from OJSC "Alif Bank" for settlement account No. 20202972200061230001.

This discrepancy arose because, in calculating the cash balance at the end of the reporting period, the Project used the exchange rate of OJSC "Bank Eskhata" as of December 31, 2024 (10.9269 TJS per USD), instead of the official exchange rate of the National Bank of Tajikistan, which was 10.9325 TJS per USD on the same date.

As a result, the cash balance in the IFR differs by 10 USD.

Although the amount is insignificant, this practice may lead to a misstatement in the Project's interim financial report.

Recommendations

We recommend that the Project Management strengthen controls over the correct completion of cash balances in the Interim Financial Report to avoid misstatement of the Project's financial statements.

Status

No such comment was found during the reporting period.

2.2. Documentation at the time of employment

Priority: **High**

Observation

During the course of audit procedures related to testing salary expenditures, the absence of certain required documents was noted. For example, the employee holding the position of Health Financing Reform Specialist in Dushanbe city, Odinazoda Nazokat, does not have a certificate of criminal record or a medical certificate, both of which are required for employment in accordance with Part 4 of Article 26 of the Labor Code of the Republic of Tajikistan, which states:

"A certificate on the presence or absence of a criminal record is required when concluding an employment contract for a position where such information is mandated by the legislation of the Republic of Tajikistan."

"A document confirming a preliminary medical examination is required for individuals who are obliged to undergo such an examination in accordance with this Code and other legislation of the Republic of Tajikistan."

The absence of these documents may result in penalties imposed by the inspection authorities of the Republic of Tajikistan.

Recommendations

We recommend that the Project Management strengthen the control over the documentation of hiring of workers and follow the requirements of the Labor Code of the Republic of Tajikistan.

Status

No such comment was found during the reporting period.

2.3. Budget Execution

Priority: **High**

Observation

During our audit procedures related to the analysis of budget execution, we identified numerous significant variances between the approved budget and actual expenditures, which indicates weaknesses in the budgeting process.

Budget preparation is a key component of an effective internal control system in any Project. It is essential not only for ensuring the appropriate use of Project funds, but also for the timely achievement of financial targets.

Recommendations

We recommend that the Project Management develop effective budgeting procedures and ensure that Project funds are expended within the approved budget allocations. In addition, regular monitoring of budget execution should be implemented to identify and address deviations in a timely manner, thereby ensuring efficient and prudent use of Project resources.

Status

Not corrected.

Management Response

Taken into consideration.

2.4. Settlement statement

Priority: **High**

Observation

During the course of the payroll testing audit procedures, it was discovered that the approved payrolls for the months of February, March, August and November was missing a signature date. This discrepancy may indicate a breach of documentation standards, which in turn may affect the legal validity of the data and its recognition by relevant stakeholders.

The absence of a signature date on official documents poses risks to the audit process due to the following reasons:

The exact date of data approval is not established;

It becomes difficult to confirm that the documentation was reviewed and agreed upon in a timely manner;

The likelihood of disputes during inspections increases.

Recommendations

We recommend that the Project Management clarify and complete the billing statements to include the missing signatures and dates. This action is necessary to address the identified discrepancies and bring the documentation in line with regulatory requirements and standards.

Status

No such comment was found during the reporting period.

2.5. Interim financial statements (IFR)

Priority: **High**

Observation

During the audit procedures related to testing funds received, we identified incorrect completion of the Project's Interim Financial Report (IFR). Specifically, when "documenting" expenditures, the Project reflects these amounts under the "funds received" section, which may lead to a misunderstanding of the actual funds received by the donor.

It should also be noted that the project will not introduce a detailed categorization of all grants in the interim financial report. (IFR).

Such practices may lead to a misrepresentation of the interim financial report, which, in turn, could result in penalties imposed by the inspection authorities of the Republic of Tajikistan and a violation of the World Bank's reporting rules and procedures.

Recommendations

We recommend that Project Management strengthen controls over the correct completion of the interim financial report to avoid misstatement of the Project's financial statements and add a tab for detailed category analysis.

Status

Not corrected.

Management Response

Taken into consideration.

2.6. Introduction of two grants in one special and transit account

Priority: **High**

Observation

During the course of the Project's audit procedures regarding the correctness of cash balances, we found that the Project under Grant No. TF C2356-TJ and Grant No. TF C2563-TJ will record cash in the same Special and Transit account.

This can lead to several serious consequences, namely:

- **Difficulty in tracking expenditures**: Pooling funds in one account makes it difficult to monitor and record expenditures related to specific grants, which can lead to confusion and reporting errors.
- **Misstatement of financial reports:** Pooling of funds may result in misstatement of financial reports, making it difficult to analyze and evaluate the performance of funds for each grant.
- **Increased accounting workload:** Maintaining records in one account may result in additional workload for accounting staff by requiring more time to separate and analyze data for each grant.
- Audits may have difficulty in confirming the correct use of funds, which may delay the audit process and increase audit costs.

Recommendations

We recommend that Project Management review the cash accounting system and ensure that separate accounts are maintained for each grant to avoid problems and ensure the reliability of financial transactions.

Status

Not corrected.

Management Response

Taken into consideration.

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 the project special purpose 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 project special purpose financial statements under International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants 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.