

TERMS OF REFERENCE ("TOR")
Assurance Engagement in accordance with ISAE 3000 – revised
for Funds disbursed in Tranches – Separate Accounting

Funds disbursed in Tranches ("Subject Matter")

1. The present assurance engagement shall cover all payments disbursed in tranches by KfW ("Disbursement in Tranches – Separate Accounting") in favour of [Name of the beneficiary entity concerned, i.e., Name of Authorized/Authorized Third Party, Project Executing Agency and/or other Project Implementation Unit concerned] (the "**Entity**") under the financial conditions of KfW loan/grant no. ... [KfW reference no.] for financing of ... [(part of) name of project/programme] (the "**Project**")
2. The preparation of the Project Financial Reports ("**Financial Reports**") and the disbursement requests presented to KfW (all together: "**Subject Matter Information**") is the responsibility of Entity.
3. The financial information has to be established in accordance with consistently applied accounting standards and the underlying agreements governing the use of funds, notably the Loan/Financing Agreement(s) including the corresponding Separate Agreement as well as other agreements channelling Funds to third parties on a grant or loan basis (together the "**Relevant Agreements**").

Scope

4. This engagement is a **reasonable assurance engagement** in accordance with International Standard on Assurance Engagements (ISAE 3000 – revised) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that the auditor/practitioner will plan and perform procedures considered necessary to obtain reasonable assurance about the Subject Matter information (including – if necessary – on-site visits).
5. The assurance engagement
 - will be effected annually ("**Reporting Period**").
 - shall cover in one single Report ("**Report**") the expenditures of the respective Reporting Period.

Objective

6. The objective of the assurance engagement ("**Objective**") is to permit the auditor/practitioner to express a conclusion on the Financial Reports and the disbursement requests as far as the Subject Matter is concerned and to obtain reasonable assurance about whether the Subject Matter Information is free from material misstatement regarding proper use of KfW funds according to the criteria mentioned below (paragraph 8).

7. The auditor/practitioner shall consider that mere account transfers, advances to any other accounts or to cash boxes as well as advances to service providers which have not been cleared until the end of the Reporting Period cannot be classified as "use of funds" and shall be shown separately.
8. In a form that conveys the auditor's/practitioner's position and based on the Subject Matter Information the auditor/practitioner shall express his conclusion with reasonable assurance on the following criteria ("**Criteria**"), and shall thus confirm whether in all material aspects:
 - (a) The payments by the Entity to the final beneficiaries out of KfW Disbursement in Tranches - Separate Accounting have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report.
 - (b) Expenditures are supported by relevant and reliable evidence. There were no indications that these expenditures had already been financed by other sources.

In addition, project receivables (such as advances, tax claims ...) paid in former Reporting Periods have been cleared and been used for project purposes, supported by relevant and reliable evidence.
 - (c) Clear linkage exists between the Financial Reports and the accounting records of the Entity.
 - (d) The procurement process of goods and services financed was in accordance with the Relevant Agreements.

Report(s)

9. The **Report(s)** shall
 - (a) be issued by a renowned auditor/practitioner in English language.
 - (b) be presented annually (signed original(s)) not later than three months after the end of the Reporting Period covered.

The final audit report shall be presented no later than three months after the end of the Reporting Period in which the final payment out of funds of the last Tranche Disbursement is effected or six months after the final payment out of funds of the last Tranche Disbursement, whichever occurs earlier.
 - (c) include at a minimum the following elements:
 - description of the Subject Matter
 - applied Criteria to evaluate the Subject Matter and to express the auditor's/practitioner's conclusion as defined under paragraph 8 above
 - identification of the level of assurance obtained
 - informative summary of work performed as to extent, locations, etc.
 - description of significant limitations

- (d) show in a separate paragraph any tax amounts or other contributions paid from the KfW funds and not refunded, if the Relevant Agreements prohibit financing of these costs.
- (e) comprise the auditor's/practitioner's statement on the seriousness of observations noted including the consequences of specific deficiencies, if any, also in connection with the internal control system.
- (f) contain the following Annexes:
 - Summary of the auditor's/practitioner's conclusions during the Reporting Period (see Annex A to these ToR)
 - Schedule showing receipts, transfers (if any) and disbursements of all accounts involved under this project - also from other donors, if applicable - (see Annex B to these ToR), in particular showing cumulated figures since project start.
 - Disbursement Requests of the Reporting Period
 - These Terms of Reference (ToR)

Management Letter / Statement on Internal Control

10. If considered pertinent, the auditor/ practitioner shall prepare a "Management Letter" or "Statement on Internal Control" in which he will
- (a) give comments, observations and recommendations on the accounting records systems and controls examined during the course of the engagement (with special focus on the handling of project receivables such as advances, tax claims, etc.).
 - (b) identify specific deficiencies and areas of weakness in relevant systems and controls that have come to the auditor's/practitioner's attention and make recommendations for their improvement.
 - (c) report on actions taken by the management to make improvements with respect to deficiencies and areas of weakness reported in the past;
 - (d) bring to the management's attention any other matters that the auditor/practitioner considers pertinent.

Liability

11. The amount of the professional liability insurance shall be based on local/regional standards for audit companies. When prompted to do so, the auditor/practitioner will provide KfW with evidence of his liability insurance.

Review

12. The auditor/practitioner shall keep documentation supporting his conclusion until at least five years after completion of the assurance engagement and shall have them accessible at all times for review by KfW or any third party commissioned by KfW.

Annex A
(to be attached to every Report)

SUMMARY [Issued on the auditor's/ practitioner's letterhead]

Name of Project / Programme:

KfW Ref. No.:

Subject Matter:

Reporting Period:

Within the scope of our reasonable assurance engagement under the above mentioned Project / Programme, performed in accordance with International Standard on Assurance Engagements (ISAE 3000 - revised), we express our conclusion on the following points:

| Applied Criteria | CONCLUSION (YES/NO)** |
|--|-----------------------|
| a) The payments by the Entity to the final beneficiaries out of KfW Disbursement in Tranches have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report. | |
| b) Expenditures are supported by relevant and reliable evidence (such as contracts, invoices, guarantees etc.). There were no indications that these expenditures had already been financed by other sources. In addition, project receivables (such as advances, tax claims etc.) paid in former Reporting Periods have been cleared and been used for project purposes, supported by relevant and reliable evidence. | |
| c) Clear linkage exists between the Financial Reports and the accounting records of the Entity. | |
| d) The procurement process of goods and services financed was in accordance with the Relevant Agreements. | |
| e) No other important findings and observations have been disclosed during the engagement. | |
| f) All observations raised in former reports have been solved by now (for details please refer to page) – not applicable in case of first report hereunder. | |

** Result "NO" requires a reference to a page/section of the Report.

Date:

Stamp / Signature Auditor / Practitioner:

TERMS OF REFERENCE ("TOR")
Assurance Engagement in accordance with ISAE 3000 – revised
for Funds disbursed in Tranches – Separate Accounting

Funds disbursed in Tranches ("Subject Matter")

1. The present assurance engagement shall cover all payments disbursed in tranches by KfW ("Disbursement in Tranches – Separate Accounting") in favour of [Name of the beneficiary entity concerned, i.e., Name of Authorized/Authorized Third Party, Project Executing Agency and/or other Project Implementation Unit concerned] (the "**Entity**") under the financial conditions of KfW loan/grant no. ... [KfW reference no.] for financing of ... [(part of) name of project/programme] (the "**Project**")
2. The preparation of the Project Financial Reports ("**Financial Reports**") and the disbursement requests presented to KfW (all together: "**Subject Matter Information**") is the responsibility of Entity.
3. The financial information has to be established in accordance with consistently applied accounting standards and the underlying agreements governing the use of funds, notably the Loan/Financing Agreement(s) including the corresponding Separate Agreement as well as other agreements channelling Funds to third parties on a grant or loan basis (together the "**Relevant Agreements**").

Scope

4. This engagement is a **reasonable assurance engagement** in accordance with International Standard on Assurance Engagements (ISAE 3000 – revised) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that the auditor/practitioner will plan and perform procedures considered necessary to obtain reasonable assurance about the Subject Matter information (including – if necessary – on-site visits).
5. The assurance engagement
 - will be effected annually ("**Reporting Period**").
 - shall cover in one single Report ("**Report**") the expenditures of the respective Reporting Period.

Objective

6. The objective of the assurance engagement ("**Objective**") is to permit the auditor/practitioner to express a conclusion on the Financial Reports and the disbursement requests as far as the Subject Matter is concerned and to obtain reasonable assurance about whether the Subject Matter Information is free from material misstatement regarding proper use of KfW funds according to the criteria mentioned below (paragraph 8).

7. The auditor/practitioner shall consider that mere account transfers, advances to any other accounts or to cash boxes as well as advances to service providers which have not been cleared until the end of the Reporting Period cannot be classified as "use of funds" and shall be shown separately.
8. In a form that conveys the auditor's/practitioner's position and based on the Subject Matter Information the auditor/practitioner shall express his conclusion with reasonable assurance on the following criteria ("**Criteria**"), and shall thus confirm whether in all material aspects:
 - (a) The payments by the Entity to the final beneficiaries out of KfW Disbursement in Tranches - Separate Accounting have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report.
 - (b) Expenditures are supported by relevant and reliable evidence. There were no indications that these expenditures had already been financed by other sources.

In addition, project receivables (such as advances, tax claims ...) paid in former Reporting Periods have been cleared and been used for project purposes, supported by relevant and reliable evidence.
 - (c) Clear linkage exists between the Financial Reports and the accounting records of the Entity.
 - (d) The procurement process of goods and services financed was in accordance with the Relevant Agreements.

Report(s)

9. The **Report(s)** shall
 - (a) be issued by a renowned auditor/practitioner in English language.
 - (b) be presented annually (signed original(s)) not later than three months after the end of the Reporting Period covered.

The final audit report shall be presented no later than three months after the end of the Reporting Period in which the final payment out of funds of the last Tranche Disbursement is effected or six months after the final payment out of funds of the last Tranche Disbursement, whichever occurs earlier.
 - (c) include at a minimum the following elements:
 - description of the Subject Matter
 - applied Criteria to evaluate the Subject Matter and to express the auditor's/practitioner's conclusion as defined under paragraph 8 above
 - identification of the level of assurance obtained
 - informative summary of work performed as to extent, locations, etc.
 - description of significant limitations

- (d) show in a separate paragraph any tax amounts or other contributions paid from the KfW funds and not refunded, if the Relevant Agreements prohibit financing of these costs.
- (e) comprise the auditor's/practitioner's statement on the seriousness of observations noted including the consequences of specific deficiencies, if any, also in connection with the internal control system.
- (f) contain the following Annexes:
 - Summary of the auditor's/practitioner's conclusions during the Reporting Period (see Annex A to these ToR)
 - Schedule showing receipts, transfers (if any) and disbursements of all accounts involved under this project - also from other donors, if applicable - (see Annex B to these ToR), in particular showing cumulated figures since project start.
 - Disbursement Requests of the Reporting Period
 - These Terms of Reference (ToR)

Management Letter / Statement on Internal Control

10. If considered pertinent, the auditor/ practitioner shall prepare a "Management Letter" or "Statement on Internal Control" in which he will
- (a) give comments, observations and recommendations on the accounting records systems and controls examined during the course of the engagement (with special focus on the handling of project receivables such as advances, tax claims, etc.).
 - (b) identify specific deficiencies and areas of weakness in relevant systems and controls that have come to the auditor's/practitioner's attention and make recommendations for their improvement.
 - (c) report on actions taken by the management to make improvements with respect to deficiencies and areas of weakness reported in the past;
 - (d) bring to the management's attention any other matters that the auditor/practitioner considers pertinent.

Liability

11. The amount of the professional liability insurance shall be based on local/regional standards for audit companies. When prompted to do so, the auditor/practitioner will provide KfW with evidence of his liability insurance.

Review

12. The auditor/practitioner shall keep documentation supporting his conclusion until at least five years after completion of the assurance engagement and shall have them accessible at all times for review by KfW or any third party commissioned by KfW.

Annex A
(to be attached to every Report)

SUMMARY [Issued on the auditor's/ practitioner's letterhead]

Name of Project / Programme:

KfW Ref. No.:

Subject Matter:

Reporting Period:

Within the scope of our reasonable assurance engagement under the above mentioned Project / Programme, performed in accordance with International Standard on Assurance Engagements (ISAE 3000 - revised), we express our conclusion on the following points:

| Applied Criteria | CONCLUSION (YES/NO)** |
|--|-----------------------|
| a) The payments by the Entity to the final beneficiaries out of KfW Disbursement in Tranches have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report. | |
| b) Expenditures are supported by relevant and reliable evidence (such as contracts, invoices, guarantees etc.). There were no indications that these expenditures had already been financed by other sources. In addition, project receivables (such as advances, tax claims etc.) paid in former Reporting Periods have been cleared and been used for project purposes, supported by relevant and reliable evidence. | |
| c) Clear linkage exists between the Financial Reports and the accounting records of the Entity. | |
| d) The procurement process of goods and services financed was in accordance with the Relevant Agreements. | |
| e) No other important findings and observations have been disclosed during the engagement. | |
| f) All observations raised in former reports have been solved by now (for details please refer to page) – not applicable in case of first report hereunder. | |

** Result "NO" requires a reference to a page/section of the Report.

Date:

Stamp / Signature Auditor / Practitioner:

[Issued on the auditor's/practitioner's letterhead]

Annex B
(to be attached to every Report)

| KfW Ref. No. | Amount EUR | Local currency if applicable |
|--|---|------------------------------|
| Reporting Period from ... to ... | - for book-keeping in local currency, please add currency and exchange rate used - | |
| a) account balance at the beginning of the Reporting Period | | |
| b) inflow of funds from KfW | plus | |
| c) expenditure (including advances) paid in Reporting Period | less | |
| d) account balance at the end of the reporting period | | |
| Cumulated amounts from project start until end of Reporting Period - KfW funds only - | EUR | |
| a) cumulated inflow of funds (separate accounting) | | |
| b) cumulated expenditure less advances not yet cleared | | |

Date: Stamp / Signature Auditor / Practitioner: