TERMS OF REFERENCE ("ToR")
Assurance Engagement in accordance with ISAE 3000 – revised
for Funds disbursed under the Disposition Fund Procedure

The Disposition Fund ("Subject Matter")

1. The Disposition Fund is opened under the financial conditions of KfW loan/financing agreement no. … [KfW reference no.] for financing of … (part of) [project/programme] (the “Project”) as defined in the Annexes “Total Cost and Financing” and “Disbursement Procedure” to KfW’s Separate Agreement and consists of the following account(s):
   - Special Account No. … opened with … [name of bank] opened/kept by … [name of account-holder]
   - Local Special Account(s) No(s) - if any - … opened with … [name of bank] opened/kept by … [name of account-holder]
   - Petty Cash / Cash Box(es)… – if any - kept by … [name of account-holder]

2. The preparation of the Project Financial Reports ("Financial Reports"), the Summary of Bank Accounts, the Statements of Expenditures ("SOE") and the disbursement requests (overall "Subject Matter Information") is the responsibility of … [Name of Authorized/Authorized Third Party, Project-Executing Agency and/or other Project Implementation Unit(s) concerned] (the “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”) exclusively all accounts opened in connection with this Disposition Fund as mentioned under paragraph 1 above.
   - shall comprise all expenditures listed in the SOE referred to in the Report.
Objective

6. The objective of the assurance engagement ("Objective") is to permit the auditor/practitioner to express a conclusion on the Financial Reports, the SOE and disbursement requests as far as the Disposition Fund (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 as well as advance payments out of the special accounts and out of the cash boxes 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 in the Summary of Bank Accounts and the SOE.

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 out of the Disposition Fund 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) The Disposition Fund has been maintained in accordance with the provisions of the Relevant Agreements. This also comprises cash flows to and from accounts opened in connection with this Disposition Fund as mentioned under paragraph 1 above, as well as interest earned from balances.
Note: Special attention should be given that no contract value exceeds EUR 350,000,00 or equivalent balance(s) on Local Special Account(s) do not exceed a one month's requirement and balance(s) in petty cash box(es) do not exceed a one day's requirement.

(c) 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 ...) paid in former Reporting Periods have been cleared and used for project purposes, supported by relevant and reliable evidence.

(d) The SOE referred to in the Report can be relied upon to support the related disbursement requests. Clear linkage exists between the SOE and disbursement requests presented to KfW and the accounting records of the Entity.

(e) The procurement process of goods and services financed was in accordance with the Relevant Agreements.
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 the Special Account or a Local Special Account is effected or six months after the final payment out of the Special Account or a Local Special Account, 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) state in a separate paragraph any tax amounts or other project related contributions paid 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 and disbursements of all accounts mentioned under paragraph 1 above (see Annex B to these ToR), in particular showing cumulated expenditure less advances not yet cleared resulting from KfW payments since project start.
   - Summary of Bank Accounts and SOE referred to in the Report
   - 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 account(s) under this disposition fund and 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.
## Applied Criteria

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Conclusion (YES/NO)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The payments out of the Disposition Fund 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.</td>
<td></td>
</tr>
<tr>
<td>b) The Disposition Fund has been maintained in accordance with the provisions of the Relevant Agreements. This also comprises cash flows to and from accounts opened in connection with this Disposition Fund as mentioned under paragraph 1 in the Terms of Reference, as well as interest earned from balances.</td>
<td></td>
</tr>
<tr>
<td>c) 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.</td>
<td></td>
</tr>
<tr>
<td>d) The Statements of Expenditures (SOE) referred to in the Report can be relied upon to support the related disbursement requests. Clear linkage exists between the Statements of Expenditures (SOE), the disbursement requests presented to KfW and the accounting records at the Entity.</td>
<td></td>
</tr>
<tr>
<td>e) The procurement process of goods and services financed was in accordance with the Relevant Agreements.</td>
<td></td>
</tr>
<tr>
<td>f) No other important findings and observations have been disclosed during the engagement.</td>
<td></td>
</tr>
<tr>
<td>g) 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.</td>
<td></td>
</tr>
</tbody>
</table>

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

Date:

Stamp and signature of the Auditor/Practitioner:
<table>
<thead>
<tr>
<th>KfW Ref. No. ....</th>
<th>Special account no.</th>
<th>Local Special account 1 **)</th>
<th>Local Special account 2 **)</th>
<th>Petty Cash Box</th>
<th>Total/Summary</th>
</tr>
</thead>
</table>

**Reporting period from ... to ...**

Unified Currency (preferably EUR)

**) for accounts 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 (special account) plus

c) credit interest or other project related receipts– if any – plus

d) incoming transfers between accounts (only from accounts named here) plus

e) outgoing transfers between accounts (only in favour of accounts named here) less

f) expenditure (including bank charges) and advances less

g) account balance at the end of the reporting period

<table>
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<tr>
<th>Cumulated amounts from project start until end of Reporting Period-KfW funds only-</th>
</tr>
</thead>
</table>

Unified Currency (preferably EUR)

a) cumulated inflow of funds (special account)

b) cumulated expenditure less advances not yet cleared

Date: Stamp and Signature of the Auditor/Practitioner: