Audit ToR Annex 1

# Terms of Reference

**Assurance Engagement - Funds disbursed in Tranches.**

**Introduction**

1. The present assurance engagement shall cover all funds disbursed in tranches by KfW in favour of Danish Refugee Council (the "Entity") under the financial conditions of KfW loan/grant no. 2017 40 653 for financing of Economic Participation, Housing and Social Infrastructure for IDPs and Host Communities (the "Project")

# Objective

1. The objective of the assurance engagement ("subject matter") is to permit the auditor/practitioner to
   * express an opinion on the Project financial reports (the "Financial Reports"), statements of expenditures and withdrawal applications as far as disbursement in tranches is concerned and
   * to assure that the proceeds of the KfW's grant have been utilized according to contractual provisions.
2. The preparation of the financial reports and the statements of expenditures as basis of accounting is the responsibility of the Danish Refugee Council (The Entity).
3. The financial information has to be established in accordance with consistently applied accounting standards and the underlying Grant Agreement and the corresponding Separate Agreement.
4. The assurance engagement will be effected at the end of the Project and the signed original of the respective assurance engagement report ("Report") should be presented not later than 3 months after the end of the period covered.
5. The assurance engagement shall cover in one single Report all transactions in connection with the disbursement in tranches as mentioned under section 1 above.
6. During the present Project Implementation Period 2022 total amount of EUR 3,241645.903 (Three million two hundred forty-one thousand six hundred forty-five and nine hundred three cent) will presumably be disbursed by KfW.

# Scope

1. This assignment is a reasonable assurance engagement in accordance with International Standards on Assurance Engagements as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISAE 3000 revised and will include such procedures as the auditor/practitioner considers necessary (including on-site visits).
2. In conducting the assurance engagement the auditor will express his conclusion on the following items ("criteria") and other matters that the auditor/practitioner considers pertinent:
3. Goods and services paid by KfW are eligible for financing under the Grant Agreement and the corresponding Separate Agreement. Where ineligible expenditures are identified, these should be noted separately.
4. The statements of expenditures can be relied upon to support the related withdrawal applications. Clear linkage should exist between the statements of expenditures, the withdrawal applications presented to KfW and accounting records.
5. Expenditures are supported by relevant and reliable evidence.
6. Goods and services financed by KfW have been procured in accordance with the Grant Agreement and the corresponding Separate Agreement.

(a) There are no specific deficiencies and areas of weakness in the internal systems and controls of The Entity.

1. The auditor's conclusion will explicitly state whether the financial reports of the Entity, the statements of expenditures and the withdrawal applications presented to KfW for the Reporting Period are prepared, in all material respects, in accordance with the criteria mentioned above (section 9 a-e).

# Reports

1. The audit report(s) shall
2. be issued by the auditor in the Engilsh language.
3. provide a schedule showing receipts and disbursements during the Reporting Period. Receipts from KfW-funds and from other donors - if any - as well as credit interest or other receipts should be shown separately.
4. include at a minimum the following elements: the Subject Matter
   * applied criteria to evaluate the Subject Matter
   * identification of the level of assurance obtained description of significant limitations
   * informative summary of the work performed (extent, locations ...)
   * auditor's conclusion expressed as required under the reasonable assurance engagement according to ISAE 3000 revised.
5. comprise the auditor's statement on the seriousness of observations noted including the consequences of specific deficiencies, if any.
6. state whether a separate Statement on Internal Control has been issued or not.
7. contain these Terms of Reference as Annex.

12.

1. give comments and observations on the accounting records systems and controls examined during the course of the assurance engagement.
2. identify specific deficiencies and areas of weakness in systems and controls that have come to the auditor's attention, especially with regard to withdrawal, procurement, storage and payment transactions, and make recommendations for their improvement;
3. report on actions taken by the management to make improvements with respect to deficiencies and areas of weakness reported in the past;
4. bring to the management's attention any other matters that the auditor considers pertinent.

**Liability**

1. The auditor will provide KfW with evidence of professional liability insurance. The amount of the insurance shall be based on local/regional standards for audit companies.

# Review

1. The auditor 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.