

Dutch Good Growth Fund

Financing Local SMEs

AUDIT PROTOCOL

DGGF Seed Capital and Business Development programme

Version 1

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1. General introduction

1.1. Purpose of the DGGF Seed Capital and Business Development programme

A healthy SME sector is considered the driving force for economic growth and employment in low- and middle-income countries. It is for this reason that the Dutch Ministry of Foreign Affairs (MFA) has set up the Dutch Good Growth Fund (DGGF), with the intention to support local SMEs in 68 low- and middle-income countries in getting access to finance for their business models. Part of the DGGF is a Seed Capital and Business Development (SCBD) programme, which is at the DGGF fund manager's disposal to perform market studies and pilot projects, and to develop the capacities of Intermediary Funds (IFs) and local entrepreneurs to enhance the impact of the DGGF's investments.

For more information on the DGGF programme, go to: www.dggf.nl.

1.2. Objective of the audit protocol

This audit protocol provides further instructions for the auditor's work and reporting and lays down the auditor's tasks and responsibilities in auditing the final report of the SCBD partner in case of SCBD funding above € 100,000 regarding business development services, technical assistance or incubation ecosystem support. However, this audit protocol does not intend to prescribe an audit approach and it is not an (exhaustive) work programme.

1.3. Definitions

In this protocol, the following words shall have the following meanings:

| | |
|-----------------|---|
| Contract | A contractual agreement between the SCBD partner and the DGGF foundation related to the SCBD programme. |
| DGGF | the Dutch Good Growth Fund, as set up by the Dutch Ministry of Foreign Affairs (MFA), with the intention to support local SMEs in 68 low- and middle-income countries in getting access to finance for their business models |
| DGGF foundation | The foundation set up by its directors Triple Jump and PwC in order to run the DGGF programme. |
| SCBD | Seed Capital & Business Development programme which is run by the consortium of Triple Jump & PwC so as to enhance the impact of the DGGF investments and under the DGGF mandate as given by the MFA to Triple Jump, PwC and foundation DGGF. |
| SCBD partner | The party that receives funding from DGGF in relation with the SCBD programme and with whom DGGF foundation has entered into a contractual agreement |
| SCBD project | The project that is run by the SCBD partner as contractually agreed upon by DGGF foundation and the SCBD partner. |

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2. Audit subject and standards

The audit subject is the final report that the SCBD partner submits to DGGF foundation in line with the contract. This final report, drawn up by the SCBD partner, includes both a qualitative description of the performance of the entire project and a detailed overview of actual and budgeted income and expenditure of the entire project.

The contract between DGGF foundation and the SCBD partner, including all annexes and amendments serve as assessment framework for the auditor.

3. Engagements of the auditor

3.1. Choice of audit firm

The audit must be conducted by an independent auditor. The external auditor is engaged by the SCBD partner and should be registered with the national, legally recognised institute of registered accountants in the country of residence, which in turn is a member of the International Federation of Accountants (IFAC).

DGGF foundation may request that a review be conducted to ascertain that the auditor has complied with this audit protocol.

3.2. Reliability

The audit engagement aims to issue an auditor's report with the final report. In forming his opinion, the auditor strives to obtain a reasonable (i.e. high) level of assurance. If this concept is to be quantified for statistical techniques, a reliability of 95% is to be assumed.

3.3. Accuracy

The auditor organises his audit in such a way that he can state with a reliability of 95% at a minimum that the financial report contains no material misstatements or uncertainties.

So as to be able to issue an unqualified assurance report, all errors and misstatements that are separately or together material are to be adjusted. Failing to make a (sufficient) adjustment has to be expressed by issuing a qualified auditor's report.

The following tolerances are decisive for the type of the auditor's report:

Type of auditor's report

| | Unqualified | Qualified | Disclaimer | Adverse |
|----------------------------|-------------|------------|------------|---------|
| Financial misstatements | < 1% | ≥ 1% < 3% | --- | ≥ 3% |
| Uncertainties in the audit | < 3% | ≥ 3% < 10% | ≥ 10% | --- |

3.4. Points of attention for the audit

The audit must be carried out in accordance with generally accepted auditing standards and in particular the auditing standards (International Standards on Auditing; ISAs) of the International Auditing and Assurance Standards Board (IAASC).

The auditor takes cognisance of the contract between DGGF foundation and the SCBD partner, including all annexes, and amendments. Based on said documents, the auditor acquires an in-depth understanding of the SCBD project. In his audit work, the auditor also takes account of the risk that the project may not be entirely performed in accordance with the said documents.

In performing the audit engagement, the auditor is to establish that at least the following has been complied with:

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- a. the final report includes a qualitative description of the performance of the entire project and a detailed overview of actual and budgeted receipts and expenditure of the entire project. Receipts and expenditure should be reported in the same format as included in or attached to the contract.

The auditor does not give an opinion on the narrative part of the final report but will carry out a limited review to establish that the narrative and financial sections of the report agree with each other and contain no contradiction.

The detailed overview of receipts and expenditure should be given for both the entire project and for the allocation related to the DGGF support. Material deviations (20%) per line item between budget and actual figures are explained in sufficient detail. In addition, deviations of more than 10% of the total budget and actual figures are explained in sufficient detail.

- b. expenditures and receipts are accurate and complete
- c. the expenditures reported are legitimate, i.e. they satisfy the criteria contained in the contract
- d. the calculations in the final report are mathematically correct
- e. the financial information in the final report reconciles with the project and financial accounts. The budgeted data are in accordance with the project plan as part of the contract
- f. the expenditures reported have actually been incurred for the project activities
- g. overhead and personnel expenses are calculated in line with the approved methodology or rates in the project plan that is part of the contract
- h. the reporting currency is identical to the currency of the contractually committed amount.

Other points of attention:

If during the performance of his audit work the auditor becomes aware of indications that parties involved have committed (or intend to commit) irregularities, such as fraud, price-fixing, forgery, bribery or other illegal activities, he will have to make mention of this in the report of findings.

4. Reporting

4.1. Auditor's report

The audit results in an auditor's report. For this purpose, the auditor uses a model of a legally recognised institute of registered accountants. It is essential that the scope of the auditor's report is unambiguous and that any (material) findings and/or uncertainties detected are adequately represented in the report. The auditor's report is to state that it has been drawn up in accordance with the further instructions of this audit protocol.

If during the performance of the audit engagement misstatements are detected in the final report, they will have to be adjusted to the extent possible. If material misstatements are not adjusted, the auditor is not permitted to issue an unqualified auditor's report.

4.2. Additional reporting

The auditor will make separate mention, in a report of findings, of any material deviation from the requirements included in this protocol. This includes information which the auditor can reasonably suspect to be relevant to DGGF foundation.