



**MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS**

MUNICIPAL SERVICES IMPROVEMENT PROJECT

(Loan Agreement)

**Implemented by
ILLER BANKASI A.S.**

Financed Under World Bank Loan Agreement Numbered 9077-TR

As of December 31, 2025 and For the Year Then Ended

Prepared by

**Ali ÇALIŞKAN
Senior Treasury Controller**

**Ezel Malik ZENGİN
Treasury Controller**

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Treasury Controller**

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Treasury Controller**

Report's Number

182/3- 103/18 - 66/18 - 54/14



INDEPENDENT AUDITOR'S REPORT

June 16, 2026

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

A. Project Summary

The Loan Agreement between the İller Bankası A.Ş. (İLBANK) and International Bank for Reconstruction and Development (IBRD-World Bank) for Municipal Services Improvement Project, Loan Agreement Numbered 9077-TR was signed on 17.03.2021. Under this agreement, İLBANK obtained a loan in the amount of 135.355.000,00 Euro.

Project is implemented by Project Management Unit (PMU) under ILBANK International Relations Department.

The objective of the Project is to improve host and refugee communities' access to safely managed water supply, sanitation and solid waste services in Selected Municipalities affected by the influx of Syrians under Temporary Protection (SuTP) in Türkiye.

The Project consists of the following parts:

- Part 1. Environmental Infrastructure Investments.
- Part 2. Technical Assistance for Project Management, Supervision, Capacity Building, Communication and Citizen Engagement.
- Part 3. Monitoring and Evaluation of the Trust Fund Financed Portions of the Project.

B. Objectives of Audit

The objective of the audit is to express an opinion on the Financial Statements of the Municipal Services Improvement Project for the period ended 31 December 2025. The audit includes but not limited to the following tasks.

In evidencing compliance with agreed project financing arrangements, we are expected to carry out tests to confirm that:

- (a) All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include Loan Agreement.
- (b) Goods, works, and services financed have been procured in accordance with relevant financing agreements, including specific provisions of the World Bank Procurement Guidelines.



- (c) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE).
- (d) Respective reports issued during the period were in agreement with the underlying books of account.

C. Scope of Audit

The audit was conducted in accordance with International Standards on Auditing. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There was no limitation in our scope for the Project's audit.

D. Audit Methodology

Financial Statements

Verified that the financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Audited all SOE submitted to the World Bank in support of requests for periodic replenishment of the project special account(s).

Examined expenditures for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. In addition, we have examined whether;

- (a) the SOEs have been prepared in accordance with the provisions of the relevant financing agreement;
- (b) expenditures have been made wholly and necessarily for the realization of project objectives;
- (c) information and explanation necessary for the purpose of the audit have been obtained;
- (d) supporting records and documents necessary for the purpose of the audit have been retained, and
- (e) the SOEs can be relied upon to support the related withdrawal applications.



Review of special accounts

During the audit of the project financial statements, we reviewed the activities of the project's special account(s) such as deposits received, payments made and reconciliation of period-end balances.

Internal controls

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

Compliance with agreement terms and applicable laws and regulations

Reviewed, assessed and reported on compliance with the terms and conditions of the Loan agreement.

Representations by implementing agency

Obtained specific written representations from management.

E. Audit Results

For the financial statements of the project; our audit resulted with an unmodified opinion. In addition, other reporting responsibilities about the project are included under the "Report on Other Legal and Regulatory Requirements" heading of the report.

F. Management Recommendation

A management letter containing comments and recommendations related to internal control deficiencies and other matters dated 16.06.2026 has been prepared and shared with ILBANK. We believe these matters warrant management's attention.

**INDEPENDENT AUDITOR'S REPORT &
FINANCIAL STATEMENTS OF THE PROJECT**



INDEPENDENT AUDITOR'S REPORT

TO İLLER BANKASI A.Ş.

Opinion

We have audited the Statement of Sources and Uses of Funds, Statement of the Comparison of Budget and Actual Amount, Statement of Withdrawal Application Summary, and Statement of Special Account of the Municipal Services Improvement Project as of December 31, 2025, and for the period then ended, and notes to the financial statements including a summary of significant accounting policies. The financial statements have been prepared by İLBANK in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9077-TR.

In our opinion;

a) The accompanying financial statements present fairly, in all material respects, the financial position and cash flows of the Municipal Services Improvement Project as of December 31, 2025 and for the period then ended in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9077-TR.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent of the İLBANK within the meaning of "IFAC Code of Ethics for Professional Accountants" and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter in the Financial Statement

Without modifying our opinion, we draw attention to Note "2" to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Municipal Services Improvement Project Management Unit to comply with the financial reporting provisions of the Loan agreement referred to above. As a result, the financial statements may not be suitable for another purpose.

Going Concern

The Project's financial statements have not been prepared using the going concern basis of accounting. The project will end on December 31, 2026.



Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements

ILBANK is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 9077-TR, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the ILBANK's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

a) ILBANK, as of December 31, 2025 has complied with, in all material respects, the requirements of the Loan Agreement Numbered 9077-TR.

b) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Loan Agreement Numbered 9077-TR.

Okan SÜLER
Chairman of
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Ali ÇALIŞKAN
Senior Treasury Controller

Ezel Malik ZENGİN
Treasury Controller

Ogulcan ÇOLAK
Treasury Controller

Rumeysa İZGİ
Treasury Controller

Date: 16.06.2026

Address: Ministry of Treasury and Finance

The Board of Treasury Controllers, 06420, Devlet Mh, ANKARA/TÜRKİYE

ANNEX I: Financial Statements of the Project

ILLER BANKASI A.S.
MUNICIPAL SERVICES IMPROVEMENT PROJECT
LOAN NO: 9077-TR
STATEMENT of COMPARISON BUDGET AND ACTUAL AMOUNT
For the year ended December 31, 2025
(In EURO)

	NOTES	Actual	Final Budget	Original Budget	Variance %	Actual	Planned	Variance %
		1	2		3=1/2	4	5	6=4/5
Sources of Funds								
		64.500.000,00	93.055.000,00	93.055.000,00	69,31%	98.800.000,00	135.016.612,50	73,18%
		-	-	-	-	338.387,50	338.387,50	100%
Total Sources of Funds		64.500.000,00	93.055.000,00	93.055.000,00	69,31%	99.138.387,50	135.355.000,00	73,24%
Uses of Funds								
1 By components								
Component 1. Environmental Infrastructure Investments		5	59.451.050,23	92.370.753,10	92.370.753,10	80.609.252,10	123.311.612,50	65,37%
Component 2. Technical Assistance for Project Management and Supervision, Capacity Building, Communication and Citizen Engagement		5	4.015.479,99	6.238.963,13	6.238.963,13	9.425.512,92	11.705.000,00	80,53%
Total			63.466.530,22	98.609.716,23	98.609.716,23	90.034.765,02	135.016.612,50	66,68%
2 By expenditure category								
Category 1 - Loan-Financed Contracts under Part 1 of the Project		5	59.451.050,23	45.073.511,49	92.370.753,10	80.609.252,10	123.311.612,50	65,37%
Category 2 - Loan-Financed Contracts under Part 2 of the Project, Training, and Operating Costs under Part 2 of the Project		5	4.015.479,99	4.669.049,85	6.238.963,13	9.425.512,92	11.705.000,00	80,53%
Total			63.466.530,22	49.742.561,34	98.609.716,23	90.034.765,02	135.016.612,50	66,68%



Approved by
Gamze ASLAN
Head of Department
16.06.2026

Controlled by
Funda ÇETİN
Acting Manager
16.06.2026

Prepared by
Gökhan ARTUN
Finance Expert
16.06.2026

ILLER BANKASI A.S.
MUNICIPAL SERVICES IMPROVEMENT PROJECT

LOAN NO: 9077-TR

SPECIAL ACCOUNT STATEMENT
ACCOUNT NO: 00158048019550147

For the year ended December 31, 2025

(In EURO)

Notes

Opening Balance (01.01.2025)			7.731.765,20
Reimbursements to SA			64.500.000,00
Refunds to SA	7		2.118.895,32
Available Funds			74.350.660,52
Payments Made for Expenditures	7	65.585.425,54	
Service charges for the account		0,00	
Total Project Investments		65.585.425,54	
Closing Balance (31.12.2025)	6		8.765.234,98



Approved by
Gamze ASLAN
Head of Department
16.06.2026

Prepared by
Gökhan ARTUN
Finance Expert
16.06.2026

Controlled by
Funda ÇETİN
Acting Manager
16.06.2026

İLLER BANKASI A.Ş.
MUNICIPAL SERVICES IMPROVEMENT PROJECT (9077-TR)
STATEMENT OF SOURCES AND USES OF FUNDS
LOAN NO: 9077-TR
For the year ended December 31, 2025
(In EURO)

	Notes	Current Period (2025)	Previous Period (2024)	Cumulative
I-SOURCES OF FUNDS				
A- IBRD Loan	2	64.500.000,00	23.000.000,00	98.800.000,00
I- Special Account		64.500.000,00	23.000.000,00	98.800.000,00
B- Front-End-Fee		0,00	0,00	338.387,50
Total Funds Received		64.500.000,00	23.000.000,00	99.138.387,50
II-A USES OF FUNDS by COMPONENT				
I-Investment Costs				
Component 1. Environmental Infrastructure Investments		61.565.653,71	16.179.348,87	80.609.252,10
Component 2. Technical Assistance for Project Management and Supervision, Capacity Building, Communication and Citizen Engagement		4.015.479,99	3.034.943,52	9.425.512,92
Total Investment Costs	7	65.581.133,70	19.214.292,39	90.034.765,02
II-Recurring Costs				
A- Front-End-Fee		0,00	0,00	338.387,50
Total Recurring Costs		0,00	0,00	338.387,50
Total Uses of Funds by Component	7,8	65.581.133,70	19.214.292,39	90.373.152,52
II-B USES OF FUNDS by CATEGORY				
Category 1-Loan-Financed Contracts under Part 1		61.565.653,71	16.179.348,87	80.609.252,10
Category 3- Loan-Financed Contracts under Part 2, Training, and Operating Costs		4.015.479,99	3.034.943,52	9.425.512,92
Category 6- Front-End-Fee		0,00	0,00	338.387,50
Total Uses of Funds by Component	7,8	65.581.133,70	19.214.292,39	90.373.152,52

Cash at the beginning of the period 01.01.2025
Refunds to Special Account from Previous Periods
Cash at the end of the period 31.12.2025

Prepared by
Gökhan ARTUN
Finance Expert
16.06.2026

Controlled by
Funda CETİN
Acting Manager
16.06.2026

Approved by
Gamze ASLAN
Head of Department
16.06.2026



İLLER BANKASI A.Ş.
MUNICIPAL SERVICES IMPROVEMENT PROJECT
LOAN NO: 9077-TR
WITHDRAWAL APPLICATION SUMMARY
For the year ended December 31, 2025

Withdrawal application number	Date	Category 1 Loan Financed Contracts under part 1	Category 3 Loan Financed Contracts under Part 2 of the project training and operating cost under Part 2 of the project	Total	Requested Advance Amount	Value date	Rejection / Deduction	Net reimbursed
In Designated Account currency - Euro								
In Designated Account currency - Euro								
Section A: Payment method - Advance/Replenishment								
Approved withdrawals								
9 (Documentation and Advance)	14.01.2025	3.568.073,22	407.209,34	3.975.282,56	13.000.000,00	21.01.2025	-	13.000.000,00
10 (Documentation and Advance)	21.02.2025	10.268.861,21	482.962,77	10.751.823,98	12.000.000,00	27.02.2025	-	12.000.000,00
11 (Documentation and Advance)	28.05.2025	8.640.082,85	998.115,28	9.638.199,13	10.000.000,00	4.06.2025	-	10.000.000,00
12 (Documentation and Advance)	18.08.2025	9.668.086,64	891.525,02	10.559.611,66	15.000.000,00	25.08.2025	-	15.000.000,00
13 (Documentation and Advance)	23.10.2025	13.319.294,87	865.776,63	14.185.071,50	14.500.000,00	30.10.2025	-	14.500.000,00
Pending Submission	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Sub-Total (A)		45.464.398,79	3.645.589,04	49.109.987,83	64.500.000,00			64.500.000,00
Section B: Payment method - Reimbursement								
Approved withdrawals								
-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Pending Submission	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Sub-Total (B)		0,00	0,00	0,00	0,00			0,00
Section C: Payment method - Direct Payment								
Approved withdrawals								
-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Pending submission	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Sub-Total (c)		0,00	0,00	0,00	0,00			-
TOTAL (A+B+C)		45.464.398,79	3.645.589,04	49.109.987,83	64.500.000,00			64.500.000,00

Prepared by
Gökhan ARTUN
Finance Expert
16.06.2025

Controlled by
Funda ÇETİN
Acting Manager
16.06.2025

Approved by
Gamze ASLAN
Head of Department
16.06.2025



ILLER BANKASI A.S.

Municipal Services Improvement Project - No: 9077-TR

NOTES TO THE PROJECT FINANCIAL TABLES

For The Year Ended December 31, 2025

1. THE OBJECTIVES AND STRUCTURE OF THE PROJECT

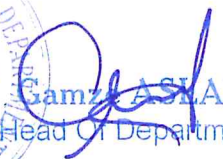
Loan Agreement (9077-TR) was signed between the International Bank for Reconstruction and Development (the World Bank) and Iller Bank A.S. (ILBANK) under the guarantorship of the Ministry of Treasury and Finance on 17 March 2021. The objective of Municipal Services Improvement Project (MSIP); is to improve host and refugee communities' access to safely managed water supply, sanitation, and solid waste services in Selected Municipalities affected by the influx of Syrians under Temporary Protection ("SuTP") in Türkiye. The Project consists of Environmental Infrastructure Investments such as; water supply investments, sanitation investments, solid waste investments and Technical Assistance for Project Management, Supervision, Capacity Building, Communication and Citizen Engagement.

Bank extended sub-loans and sub-grants to the Municipalities and/or Administrations for their infrastructure investments through Sub-Loan and Sub Grants Agreements on the basis of an appraisal, carried out in accordance with the eligibility criteria and procedures set forth in the Operational Manual, the Environmental and Social Commitment Plan ("ESCP").

Bank is responsible from preparation of Environmental Assessment documents which are prepared within the scope of Environmental Framework and World Bank Environmental Policies.

ILBANK is responsible for the preparation and dissemination of the data related to the loan usage regularly and in a format to be agreed with the World Bank.


Funda ÇETİN
Acting Manager


Gamze ASLAN
Head Of Department


ILLER BANKASI ANONİM ŞİRKETİ
ILBANK

The project will be managed under the coordination of Project Management Unit (PMU) that has been established in ILBANK International Relations Group. The Operational Manual that guides PMU to carry out the activities properly was become effective with the ILBANK's board resolution, dated May 27, 2021 and 23/918 numbered.

PMU is established under a Head of Group and consists of two Departments, namely International Operations Department and Financial Institutions and Investor Relations Department.

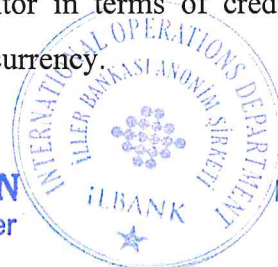
PMU is responsible for coordination between the team responsible for MSIP in World Bank and ILBANK, execution of the preparatory work, cooperation with the assigned units of ILBANK, the selection of the Municipalities and/or Administrations, relations with the Presidency of Strategy and Budget and other public institutions. PMU executes the works related to procurement within the scope of projects, technical coordination of the sub-projects, and disbursement of loan proceeds and also repayment of the loan.

2. ACCOUNTING POLICIES

PMU which is currently organized within the ILBANK International Relations Group and established as per the provisions of the Loan Agreement recorded the amounts withdrawn from the Loan and the amounts paid to the municipalities/administrations on "cash basis" in the ILBANK accounting system. On the other hand, PMU:

- The amount of World Bank loan,
- The amount withdrawn from the loan,
- The amount paid to the suppliers/contractors/consultants and to the Municipalities/Administrations to be paid to the tax offices on behalf of them as per the provisions of the Sub-Loan Agreements,
- Accrued amounts such as credit fees and interest.
- ILBANK Accounting and Financial Affairs Department maintains records in accounting software in order to monitor in terms of credit categories and expenditure items in euro and contract currency.


Funda ÇETİN
Acting Manager

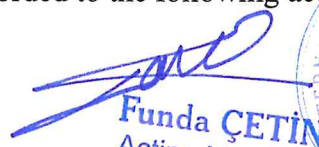


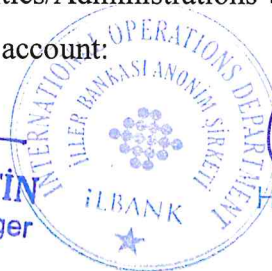

Gamze ASLAN
Head of Department

The MSIP bookkeeping is done within ILBANK accounting system by Accounting and Financial Affairs Department. By the current software, the data of the progress payment are entered to the software by International Relations Department Staff and the system controls the calculations automatically. If the calculations are right, the staff enter the value dates and send the progress payment to the Accounting department for recognition.

The following policies shall be followed in accounting records of ILBANK:

- a) ILBANK will use cash-based accounting related to the Project. According to cash basis accounting the withdrawals form the Loan to the Special Account are recorded as a “loan liability” in Euro.
- b) The amount of payments to the suppliers/contractors/consultants upon the demand of the Municipalities/Administrations” as per the Sub-Loan Agreements will be debited to the loan account opened for each one of the Municipalities/Administrations, i.e. as a “receivable”.
- c) The amount determined after the required deductions for tax, stamp duty, decision tax, VAT withholding, etc., as per the local regulations and the conditions of the contract will be transferred directly to the account of the supplier/consultant/contractor providing the services/goods/works from the Special Account by International Operations Department. The total amount of the deductions will be paid to the related account of the Municipality/Administrations who are responsible to pay to the tax offices on behalf of the contractor.
- d) The payments by ILBANK PMU for the objectives of the Project will be recorded as “non-interest expenses” account in the ILBANK’s accounts in local currency.
- e) The amount of exchange rate gain or loss arising from the revaluation of the Euro dominated receivables and payables revalued using the Euro/TL exchange rate prevailing at the date of the balance sheet will be recorded as foreign exchange gain or loss.
- f) The amount sub-loan used by the Municipalities/Administrations based on Sub-Loan Agreements will be recorded to the following account:


Funda ÇETİN
Acting Manager



Gamze ASLAN
Head Of Department

1 - Loans

143 – Mid-Term and Long -Term Special Area Loan (Foreign Currency)

1430015- World Bank Municipal Services Improvement Project

The total amount of expenses for the MSIP is € 90.373.152,52 at the end of the year of 2025. (Front-end-fee included)

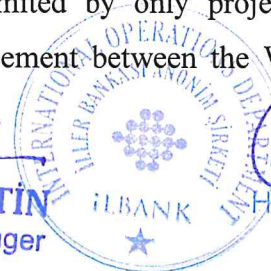
- g) The disbursements related to the sub projects will be recorded into the legal books of ILBANK and the Municipality/Administrations which are using the loan proceeds. A copy of the disbursement is received and reviewed by ILBANK upon submission by the Municipality/Administrations. Because the disbursements/expenses belong to the agency (ie., Municipality/Administrations) they will be recorded as “loan receivable” in ILBANK’s books by Municipality/Administrations.
- h) The Special Account with T. Vakıflar Bank Turkish Joint Stock Company. The prevailing selling exchange rate for Euro/TL of T. Vakıflar Bank Turkish Joint Stock Company will be applied for the above-mentioned payments from the Special Account.
- i) Accounting transactions will be recorded in Euro as the currency of Loan Agreement. The collection in local currency is converted into Euro at the rate of T. Vakıflar Bank Turkish Joint Stock Company prevailing at the date of collection for preparation of the source and use of the funds and cumulative investment table. The payments in Euro are recorded using the exchange rate of Euro/TL prevailing at the date of payment.

3. STATEMENT OF FINANCE

The use of the funds in Special Account is limited by only project objectives in conformity with the provisions of the Loan Agreement between the World Bank and


Funda ÇETİN
Acting Manager


Garip ASLAN
Head Of Department


ILBANK

ILBANK. The unused project funds at the end of the project may be cancelled in accordance with the provisions of the related Loan Agreement. The assets obtained by using the Project funds are belong to the Municipality/Administrations and the usage of the assets limited by the project objectives until the project completion. The loan-user agencies keep the necessary records in accordance with the requirements of the Law no. 5018 to monitor/control the assets during period of the project and Sub-Projects.

4. WORLD BANK LOAN

The debt service (principal, interest, front-end-fee) will be made by ILBANK in accordance with the provisions of the Loan Agreement that concluded on 17 March 2021 between World Bank and ILBANK.

ILBANK required from all the Municipality/Administrations to open an "Escrow Account" to fulfill the debt service liability according to the provisions of the Sub Loan Agreements. The Municipality/Administrations are required to deposit the amounts determined by applying the rates as indicated in the Sub-Loan Agreements to the amount of the water bills collected by both their own collection offices and/or via the banks. The balance of the Escrow Accounts cannot be withdrawn by the Municipality/Administrations without a written permission of ILBANK yet the Municipality/Administrations can use the account balances to earn revenues from the investment areas as specified in the Sub-Loan Agreement.

The required debt service shall be made by purchasing Euro with the amounts accumulated in the Escrow accounts and transferred to ILBANK before the due date of the debt service. In other words, in essence the revenues from the water bills of the Municipality/Administrations constitute the security of the loan. In the case in which the amount transferred to the Escrow Account is not sufficient to pay for the debt service ILBANK has the right to appeal to the Municipality/Administrations' general budget tax shares, rent incomes, etc. respectively.

5. EXPLANATION on BUDGET REALIZATION


Funda ÇETİN
Acting Manager


Gazze ASLAN
Head Of Department

The original budget and final budget sections under the title “Statement of Comparison Budget and Actual Amount” are the estimated expenditure and withdrawal amounts for the fiscal year stated in the Progress Report prepared for the last quarter of the year preceding the fiscal year.

6. CASH POSITION AT THE END OF THE FISCAL YEAR

The cash position on 31st of December 2025 indicates the balance between the withdrawals from the loan to the Special Account and the amount of disbursement from Special Account and it is 8.765.234,98 Euro. Project funds are held only in the T. Vakıflar Bank Turkish Joint Stock Company’s Special Account, no other accounts or cash other than the Special Account is used.

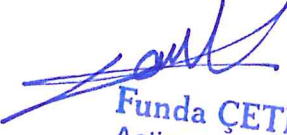
T. VAKIFBANK T.A.O. SPECIAL ACCOUNT	
31.12.2025 Balance	8.765.234,98 EURO

7. EXPLANATION on REFUNDS TO SA

Two refunds totalling EUR 2.118.895,32 were made to the Special Account during 2025.

- The first refund, dated 01.10.2025 and amounting to EUR 4.291,84, was related to an excess transfer identified after the completion of the related payment transactions.
- The second refund, amounting to EUR 2.114.603,48, relates to the refund of the outstanding balance of an advance payment made on 17.11.2022 following the termination of the related contract in current period.

The total refund amount in 2025 (EUR 2.118.895,32) is shown on the refunds line in the “Special Account Statement”. On the other hand, the "Refunds to DA from Previous Periods" section in the “Statement of Sources and Uses of Funds” does not include the amount of EUR 4.291,84 that was both paid and refunded within the same year. For this reason, the relevant section is shown as EUR 2.114.603,48.


Funda ÇETİN
Acting Manager



Gamze AŞLAN
Head Of Department

The expenditure reported in the Statement of Sources and Uses of Funds is EUR 65.581.133,70. However, the total expenditure made from the Special Account amounted to EUR 65.585.425,54. The difference of EUR 4.291,84 between these two figures results from the refund amount made during 2025, as explained above.

8. RESTATEMENT

Due to the refund of EUR 2.114.603,48 relating to advance payment made in 2022, a restatement has been made to the cumulative figures presented in the financial statements.

The refund resulted in reduction of the cumulative expenditures reported under *Component 1 Environmental Infrastructure Investments* and *Category 1-Loan-Financed Contracts*.

Accordingly, under the Uses of Funds section, the cumulative amount reported for "*Component 1 Environmental Infrastructure Investments* and *Category 1-Loan-Financed Contracts*" was reduced by EUR 2.114.603,48.

The details of the restatement are presented below.


Funda ÇETİN
Acting Manager




Gamze ASLAN
Head of Department

II- USES OF FUNDS by COMPONENT

I-Investment Cost

Component 1. Environmental Infrastructure Investments
Component 2. Technical Assistance for Project Management and Supervision, Capacity Building, Communication and Citizen Engagement
Total Investment Costs

II-Recurring Cost

A-Front-End-Fee

Total Recurring Costs

Total Uses of Funds by Component

II- USES OF FUNDS by CATEGORY

Category 1-Loan-Financed Contracts under Part 1

Category 3- Loan-Financed Contracts under Part 2, Training, and Operating Costs

Category 6- Front-End-Fee

Total Uses of Funds by Component

Pre-Restatement Amounts	Restated Amounts
Cumulative	Cumulative
82.723.855,58	80.609.252,10
9.425.512,92	9.425.512,92
92.149.368,50	90.034.765,02
338.387,50	338.387,50
338.387,50	338.387,50
92.487.756,00	90.373.152,52
82.723.855,58	80.609.252,10
9.425.512,92	9.425.512,92
338.387,50	338.387,50
92.487.756,00	90.373.152,52


Funda ÇETİN
Acting Manager





**MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS**

**MUNICIPAL SERVICES IMPROVEMENT PROJECT
(Loan Agreement)**

**Implemented by
İLLER BANKASI A.Ş.**

Financed Under World Bank Loan Agreement Numbered 9077-TR

As of December 31, 2025 and For the Year Then Ended

Prepared by

**Ali ÇALIŞKAN
Senior Treasury Controller**

**Ezel Malik ZENGİN
Treasury Controller**

**Oğulcan ÇOLAK
Treasury Controller**

**Rumeysa İZGİ
Treasury Controller**



MANAGEMENT LETTER

Ref: Independent Auditor Report's dated June 16, 2026



MANAGEMENT LETTER

TO ILLER BANKASI A.S.

We have audited the financial statements of "Municipal Services Improvement Project" (Loan Agreement Numbered 9077-TR) as of December 31, 2025, and for the year then ended.

According to International Standards on Auditing the auditors are required to obtain an understanding of internal control relevant to the audit when identifying and assessing the risk of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

We have prepared this Management Letter in order to communicate appropriately to those charged with governance and management deficiencies in internal control that we have identified during the audit and that, in our professional judgement, are of sufficient importance to merit their respective attentions. For this purpose, our recommendations in order of priorities are attached to this Letter.

Our letter is intended solely for Iller Bankası A.S., Ministry of Treasury and Finance, and World Bank, and should not be distributed or used by other parties.

Okan SÜLER
Chairman of
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Ali ÇALIŞKAN
Senior Treasury Controller

Ezel Malik ZENGİN
Treasury Controller

Oğulcan ÇOLAK
Treasury Controller

Rumeysa İZGİ
Treasury Controller

Date: June 16, 2026

Address: Ministry of Treasury and Finance

The Board of Treasury Controllers

Devlet Mh, 06420, Çankaya, ANKARA/TÜRKİYE



AUDIT FINDINGS OF THE CURRENT YEAR

FINDING NUMBER :1	Auditee (ILLER BANKASI A.Ş.)
FINDING	Commencement of Variation Works Prior to Formal Approval
CONDITION During the review of Interim Payment Certificate No. 2 (IPC 2) under the Construction of Eastern Region 1st Stage Water Supply Project (KASKI2-W2), it was observed that Bill Item YBF-İ.2 was formally introduced into the contract through Variation Order No. 2 (VO2), approved on 16.04.2025. The same item was subsequently measured and certified in IPC 2 dated 17.04.2025, with a reported executed quantity of 1.794,13 meters. Considering the magnitude of the certified quantity, it does not appear reasonable that the relevant works could have been completed within one day following the approval of the variation. According to the explanations provided by the PIU, the route was revised in late 2024 due to conflicts with another municipal infrastructure project. Following discussions with the contractor and the achievement of a preliminary agreement, the related works were physically carried out during March and April 2025, while the formal approval process for the variation was only completed on 16.04.2025. Based on the information and documents reviewed, it was determined that the works related to Variation Order No. 2 had commenced prior to the formal approval of the variation.	
CRITERIA – CAUSE – IMPACT	
Criteria:	
General Conditions of Contract	
42.1 All Variations shall be incorporated into updated Programs prepared by the Contractor.	
42.2 When requested by the Project Manager, the Contractor shall submit to the Project Manager a proposal for carrying out the Variation, together with the impact of the proposed Variation on the Contract Price and the Time for Completion. The Project Manager shall assess the proposal before issuing a Variation instruction. The Contractor shall submit the proposal within seven (7) days of the request, or within such longer period as may be specified by the Project Manager.	
Cause:	
The works were commenced prior to the formal approval of the variation in order to avoid delays to the ongoing infrastructure works carried out by the Municipality and to maintain the overall project implementation schedule. As a result, the execution of the works proceeded based on preliminary agreement with the contractor before the completion of the formal variation approval process.	
Impact:	
Commencing variation works prior to formal approval weakens the contract change management process and reduces assurance that the scope, quantities, cost implications, and contractual conditions were properly assessed and approved before implementation. This practice may increase the risk of disputes and undermine the transparency and auditability of contract administration.	



RECOMMENDATION

Although no adverse financial or operational consequences arising from this practice were identified during the audit, the commencement of variation works prior to formal approval is not fully consistent with the established contract management procedures. In order to mitigate similar risks in the future, it is recommended that ILBANK issue a formal reminder to the Implementing Agency emphasizing the importance of completing and documenting all required variation approval procedures before the execution of the related works, except in duly justified exceptional circumstances.

RESPONSE OF THE AUDITEE IN 2026

As previously communicated to the relevant parties and available in the records, the Competent Authority Approval dated 15.04.2025 and numbered 65111 indicates that the project alignment specified in the contract documents conflicted with the routes planned under the "Construction of Kartal Interchange and Connection Roads" project implemented by Kayseri Metropolitan Municipality (KBB) with World Bank financing.

In order to resolve this conflict and ensure the technical feasibility and continuity of the project, the alignment was revised upon KBB's request dated 05.11.2024. Following the necessary technical assessments, the required permits and approvals from the relevant municipalities, institutions, and authorities were obtained by the end of November 2024.

Following the revision, technical evaluations were carried out regarding the most appropriate implementation method. As a result, it was determined that the sections of the revised alignment located outside traffic-loaded areas could be constructed by using excavated material as backfilling material, providing a technically and economically efficient solution.

Considering the importance of the relevant road as a main transportation connection serving important activity areas of the city, and the potential adverse impacts of prolonged traffic restrictions, the timely completion of the works was considered necessary. Accordingly, the relevant section was temporarily closed to traffic and the works were executed during March and April 2025. The records, photographs, and technical documents evidencing the implementation of the works were maintained and submitted during the audit process.

It should be noted that variation requests involving technical, contractual, and financial assessments require review by multiple parties, including the Employer, relevant authorities, and international financing institutions. Such approval processes may require a certain period of time due to the necessary evaluations and coordination procedures. In this specific case, while the formal approval process was ongoing, the implementation schedule was managed in coordination with the relevant parties in order to prevent disruption to the project objectives and public services.

The formal approval process was subsequently completed, and Variation Order No. 2 was approved on 16.04.2025. The quantities included in IPC No. 2 correspond to the actual works performed on site and recorded through the relevant site documentation.

Accordingly, the works were carried out due to the necessity arising from the revised project conditions, with consideration given to public interest, continuity of transportation services, and timely completion of the project. The process was completed without any contractual dispute with the Contractor, and the project was placed into operation following the Provisional Acceptance performed on 30.12.2025.

Nevertheless, in order to avoid similar situations in future projects, necessary measures will be taken to ensure closer coordination between site implementation requirements and contractual approval procedures, and full compliance with established contract management practices will be maintained.



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

FINAL OPINION OF THE AUDITORS IN 2026

OPEN

Although the response of ILBANK is noted, we consider it appropriate for ILBANK to formally remind the relevant implementing agencies of the requirement to complete all necessary approval procedures before commencing variation works, except in duly justified circumstances. This finding will be followed up in the next audit period.



AUDIT FINDINGS OF THE PREVIOUS YEAR

FINDING NUMBER : 1	Auditee (İLLER BANKASI A.S.)
FINDING	Deficiency in Programming
CONDITION The closing date for both the Loan Agreement numbered 90770-TR and the Grant Agreement numbered TF-B4957 is determined as 31.12.2024 (TF-B4957 was previously extended). As of 2024, it has been observed that the program is far from completion, and an extension request was submitted to the World Bank on 11.01.2024 due to this delay. Upon examination of the program schedule prepared by the PMU, it was detected that: • Out of the 26 projects, 1 has been cancelled and 11 contracts have been signed, resulting in a Contracting Rate of 44%. • Of the 11 signed contracts, physical and financial progress is below 20% in 6 of them. • Progress is also below 35% in the remaining 5 projects. As an example of the above mentioned situation, during the on-site audit on 21.05.2024, we have been informed that the physical and financial progress of the 'KOSKI/KON W1 Akşehir Potable Water Network and Transmission Lines Construction Work' is 31.90% as of April 2024. In addition to the findings from desk reviews and on-site inspections, significant deviations are detected in the "Statement of Comparison Budget and Actual Amount" table of the project financial statements. Furthermore, from the financial statements and notes, it appears that annual budgeting and planning were not realistically done.	
CRITERIA - CAUSE - IMPACT Criteria: European Commission Development Fund Grant Agreement - Municipal Services Improvement Project - Facility for Refugees in Turkey) - Grant Number TF0B4957 "SCHEDULE 2, Project Execution, Section III. Withdrawal of Grant Proceeds, B. Withdrawal Conditions; Withdrawal Period 1. ... 2. The Closing Date is December 31,2022" Disbursement and Financial Information Letter "SCHEDULE 1-Disbursement Provisions Disbursement Deadline Date: Four (4) months after the closing date" Extension of Closing Date Letter "I am pleased to inform you that the World Bank agrees to your request and has therefore established December 31, 2024, as the later date for purposes of Section III.B.2 of Schedule 2 to the Grant Agreement. Accordingly, this is to advise you that, in accordance with the World Bank's current practice,	



further disbursements from the above-referred Grant will be made for withdrawal applications received by the World Bank by close of business on April 30, 2025 in respect of eligible expenditures made before the Closing Date (i.e. payments made or payments due for goods, works and services or other eligible expenditures that have been provided prior to the Closing Date). Proceeds of the Grant remaining unwithdrawn after disbursements have been made in respect of these withdrawal applications will be cancelled."

Cause and Impact:

The events such as the pandemic that occurred in 2020, the Russia-Ukraine conflict, and the destructive earthquake that affected the project areas in 2023 have led to an increase in raw material and labor costs and shortages in resources. However, especially considering the diminishing effects of the pandemic, the stabilization of the Russia-Ukraine conflict, and the time since the earthquake, it could be expected that the PMU would adapt more quickly to the situation.

If the World Bank grants no extension, a significant loss of funds will occur. Even if the World Bank grants an extension, a risk of significant fund loss remains.

RECOMMENDATION

In case the IBRD grants a second project extension, contractors and municipalities should be informed about the importance of timely completion of sub-projects and the consequences of non-completion.

All projects should be planned by considering time constraints, budget, and country conditions, and should be closely monitored. Immediate action should be taken if any deviation is observed in financial or technical progress at any point. Actions taken will be monitored through annual plans prepared in following years.

RESPONSE OF THE AUDITEE IN 2024

In finding number 1 it has been written that in FRIT program there is 26 projects, in fact there is total number of 22 projects. 17 out of 22 projects are construction contracts. And 5 out of 22 are good contracts. The status of all projects are summarised below;

Out of 17 Construction Contracts;

- 12 contracts are ongoing
- 2 contracts will be signed in June-2024.
- 1 contract in SPN now.
- 1 contract will be in SPN in June-2024.
- 1 contract will be in SPN in July-2024.

Out of 5 Good Contracts;

- 2 good contracts have been signed.
- 3 good contracts will be signed in June-2024.

For 12 ongoing contracts, projects are being monitored very closely. Team, equipment and machinery numbers are being increased continuously. In most of the 12 contracts, mobilization stages have been completed and site activities have been started. Due to summer season, there will be longer working day times. In most of the projects additional shifts are being organized too. The weather conditions also enable the the construction of projects to be done efficiently.



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

All of the precautions have been taken so that in FRIT projects we will see the positive return of these precautions in following months. It has already been observed that we get as progress payments higher monetary values in the last month which proves that these precautions will enable the success of projects. Moreover we would like to declare that physical progresses are much more above the financial progresses (in all projects the physical progresses are approximately 5-10 % above the financial progress rates).

FINAL OPINION OF THE AUDITORS IN 2024

OPEN

The statistical information in the condition section of the finding have been prepared using the documents brought to our attention by the ILBANK PMU. Within this framework, it has been understood that canceled projects are more than the previous list submitted for our attention. It is recommended to be more diligent about the accuracy of the information and documents presented to us to avoid unnecessary workload and to maintain the transparency of project.

The physical and financial progress of the project will be monitored in the following period.

RESPONSE OF THE AUDITEE IN 2025

There has been a very significant progress in all of the projects, 3 Konya KOSKİ Projects (Grant) have been completed and temporary acceptances have been done, 4 Kahramanmaraş KASKİ Projects (2 Grant, 2 Loan) are being completed and temporary acceptance procedures are ongoing. Almost % 40 of projects are being completed, other projects mostly are being executed according to the work schedules. Therefore, the FRIT program has experienced a very significant progress and evaluated as Satisfactory.

FINAL OPINION OF THE AUDITORS IN 2025

OPEN

Although remarkable improvement has been made compared to the previous period, there remains a risk that the necessary progress may not be achieved by the extended date of the Loan Agreement, 31 December 2026. Therefore, the finding will be followed up in the next audit period to verify whether the necessary actions are taken regarding the audit concern.

Additionally, key implementation issues concerning the construction of transmission line to transfer water from the Yedigoze Dam to the Water Treatment Plant (WTP), which is critical to the functionality of the Adana W2 project, remain to be resolved. This matter is covered under new finding (*Please refer to the Final Opinion issued in 2024 for Finding No. 2 under audit findings of current year*).

RESPONSE OF THE AUDITEE IN 2026

With reference to the responses provided in 2024 and 2025 regarding this finding, the implementation processes under the FRIT Program have been closely monitored, and significant progress has been achieved compared to previous audit periods.

All construction works under the FRIT World Bank Grant component have been completed. Under the FRIT World Bank Loan component, the current financial progress has reached 79.62%, while the physical progress has reached 90.45%.



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MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

The closing date of the Loan Agreement has been set as 31.12.2026. Within the Loan component, out of a total of 11 construction projects, 8 have been completed and the remaining 3 construction contracts are ongoing. The ongoing construction works are regularly monitored by ILBANK through routine meetings and have shown significant progress.

Within the goods procurement component, there are a total of 5 contracts. Two of these procurements are currently at the tender stage, while one contract is ongoing. The tender for the “Kahramanmaraş Northern Districts Mechanical Separation Facility Construction Works” has been cancelled; however, considering the remaining implementation period and project needs, the possibility of conducting a goods procurement tender in order to ensure efficient use of available resources is being evaluated.

All ongoing contracts are closely monitored by the Project Management Unit (PMU) through regular progress meetings, monitoring of work programs, site inspections, and coordination between municipalities and contractors. Necessary actions are being taken to ensure completion within the approved implementation schedules and to mitigate potential delay risks.

Considering the significant overall progress of the FRIT Program, the completion of grant-financed construction works, and the current status of loan-financed projects, it is expected that the remaining activities will be completed within the approved closing period.

With regard to the Yedigöze Transmission Line—which is funded by ASKİ’s own resources and is of vital to the operation of the Adana W2 project—the section upstream of the treatment plant is expected to be completed in August. This will enable water to be fed into the plant, allowing it to be fully tested and commissioned. According to information provided by ASKİ, the section downstream of the treatment plant is also expected to be completed by November, enabling full-scale operation.

Nevertheless, all remaining construction and procurement activities, will continue to be closely monitored by the PMU, and all necessary measures will be taken to ensure efficient use of project resources and full compliance with the approved implementation schedule.

FINAL OPINION OF THE AUDITORS IN 2026

OPEN

While substantial progress has been achieved, approximately six months remain until the Loan Agreement closing date, and several construction contracts and procurement activities are still ongoing. In addition, the full operationalization of the Adana W2 project is dependent on the completion of the Yedigöze Transmission Line, which is financed outside the project scope. Therefore, considering the remaining implementation risks and external dependency, the finding remains open.



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

FINDING NUMBER : 2	Auditee (ILLER BANKASI A.S.)
FINDING	Agreed Upon Actions on Aide Memoire
CONDITION Regarding the final status of the actions agreed upon on the support mission dated April 24-28,2023 it is understood that although various actions have been taken on most of the issues, no action has been taken regarding the "<i>Prepare a detailed analysis assessing the delays encountered in project activities</i>" part shown in the Procurement section.	
CRITERIA - CAUSE - IMPACT Criteria: PROJECT OPERATIONAL MANUAL (POM) 3.2 Duties And Responsibilities Of The Project Management Unit 3.2.1 General Framework <i>j. In order to review whether or not the terms of the Grant and Loan Agreements are fulfilled, it reviews the requests received from the World Bank and the Ministry of Treasury and Finance and coordinates the necessary studies and preparation of reports. For this purpose, it assists in the fulfilment of review, examination and inspection requests of both the World Bank and the Ministry of Treasury and Finance in accordance with the terms of the Grant and Loan Agreements.</i> <i>k. In accordance with the terms of the Grant and Loan Agreements, it provides all kinds of information and documents that may be requested by the World Bank and the Ministry of Treasury and Finance by means of ensuring coordination with the other departments of the ILBANK.</i> Cause and Impact: The failure to prepare the information and documents requested by the World Bank in a timely manner constitutes a violation of the loan/grant agreements and other relevant sub-documents. Furthermore, conducting a detailed analysis to assess the delays encountered in project progress and taking the necessary measures to minimize these delays is crucial for the overall success and efficiency of the project. Without this analysis, there is a risk that similar delays will recur in the future.	
RECOMMENDATION It is recommended that the PMU immediately undertake the agreed-upon action of preparing a detailed analysis assessing the delays encountered in project activities. This analysis should identify the root causes of the delays, assess their impact on project progress, and propose corrective measures. Following the completion of this analysis, the PMU should develop a comprehensive action plan to address the identified issues. This plan should include specific timelines, responsible parties, and clear milestones to ensure accountability and track progress.	
RESPONSE OF THE AUDITEE IN 2024 A brief report (ANNEX-I) revealing procurement status and summarizing main reasons/findings behind the delays within the scope of MSI Project was prepared and submitted to the World Bank with our e-mail dated May 18, 2023 (ANNEX-II). However, since	



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the report mainly focused on the reasons of delay without a comprehensive remedies / action to be taken most of the remedies or actions taken by executing meetings with sub-borrowers / beneficiaries and sharing the results with the World Bank by means of particular meetings. Due to the lack of official writings or e-mails, subject report was not shared with the Auditors. As recommended, PMU will take immediate action developing a comprehensive action plan to address the issues based on the above-mentioned report. Specific timelines and clear milestones will be determined in order to ensure accountability.

FINAL OPINION OF THE AUDITORS IN 2024

Partially Addressed

Considering relevant documents are submitted to World Bank officials, part of our finding is addressed. On the other hand, more structured and documented approach is essential. The PMU must finalize and implement a comprehensive action plan promptly. Ensuring thorough documentation and sharing it with relevant stakeholders (including auditors) will be crucial for transparency.

This finding will be followed up in the next audit period.

RESPONSE OF THE AUDITEE IN 2025

As recommended, PMU has taken immediate action developing a comprehensive action plan to address the issues based on the above-mentioned report. Specific timelines and clear milestones have been determined in order to ensure accountability. Moreover, FRIT Program as a whole package has been brought to a successful level with these studies.

FINAL OPINION OF THE AUDITORS IN 2025

OPEN

Sufficient audit evidence has not been provided a comprehensive action plan developed by the Project Management Unit. Furthermore, during the Aide Memorie conducted in October 2024 by World Bank officials, it was observed that the actions related to signing a contract with the Monitoring and Evaluation (M&E) firm and delivering Occupational Health and Safety (OHS) training at all construction sites had not been implemented yet.

Accordingly, the finding will remain open and will be followed up in subsequent periods until providing a satisfactory documentation confirming whether the key implementation issues have been fulfilled.

RESPONSE OF THE AUDITEE IN 2026

Provision of assistance to carry out monitoring and evaluation of activities (Procurement Plan no: ILBANK-C4)" initially tendered by Single Source / Direct Selection method following the World Bank's no-objection dated 28.03.2024. Identified Consultant invited to submit its proposal on 14.05.2024 and the Consultant submitted its proposal on 28.05.2024. After the completion of proposal evaluation conducted by the committee, contract negotiations were held. Negotiations failed since the contract price offered was not reasonable and proposals have been rejected by the evaluation committee. Consultant was notified for the cancellation of tender by the official letter submitted on 02.12.2024. Services required re-tendered by CQS method (ILBANK-C4/RB).



REPUBLIC OF TÜRKİYE
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Board of Treasury Controllers

The re-tender announcement date was 24.04.2025, and the tender was held on 25.07.2025. The contract was signed on 05.11.2025, and the assignment has been successfully mobilized since then.

Regarding the Occupational Health and Safety (OHS) trainings, OHS site training sessions have been comprehensively and continuously conducted across sub-project sites under the MSIP. Continuous OHS compliance monitoring and training activities were actively in place and have been systematically sustained throughout subsequent periods. The chronological log of the OHS site audits and training programs delivered under the project is presented in the table below:

Date	Location / Site
05-08 October 2023	Antalya
27-28 November 2023	Konya
22-24 January 2024	Ankara
03-04 July 2024	Konya
07-10 October 2024	Kahramanmaraş
11 October 2024	Elbistan
03-04 December 2024	Ankara
23-24 December 2024	Osmaniye
21-22 January 2025	Adana
28-31 January 2025	Kahramanmaraş (Center & Elbistan)
11-14 March 2025	Adana
08-11 April 2025	Kahramanmaraş
06-09 May 2025	Kahramanmaraş
12-14 May 2025	Osmaniye
11-13 August 2025	Kahramanmaraş
15 September 2025	Osmaniye
16-17 September 2025	Adana
03-05 December 2025	Kahramanmaraş
07-08 December 2025	Adana

FINAL OPINION OF THE AUDITORS IN 2026
ADDRESSED



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
Board of Treasury Controllers

It has been understood that the procurement processes have been completed and the contract for the monitoring and evaluation services has been signed. Furthermore, it was observed that Occupational Health and Safety (OHS) training sessions were delivered at various dates and locations throughout the project implementation period. In conclusion, the finding has been addressed.



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FINDING NUMBER : 3	Auditee (ILLER BANKASI A.S.)
FINDING	Tracking Method of Ceilings in the Contract
CONDITION During the examination of the expenditure for Payment No. 3 of the ASKİ/Adana C1-B Institutional Consultancy, it was observed that the reimbursable expenditures were defined in terms of unit quantities such as "month" - "trip" etc. in Section Form FIN-4B of the contract. On the other hand, it was understood that these expenditures were shown with fractional units based on monetary values in the invoices, and calculations were made accordingly. For example, while the lodging expenses should be financed for 24 months, they are shown as 3,10 months in the invoices. In this way, cumulative units cannot be tracked through the progress payment. This representation method poses the risk of exceeding the unit quantities permitted in the contract. When information was requested from the finance department about the tracking method, it was stated that their tracking is based on the maximum amounts specified for each expenditure item in the contract.	
CRITERIA – CAUSE – IMPACT Criteria: Request for Proposals Consulting Services Section 2. Instructions to Consultants 14. Financial Proposal <i>All the reimbursable costs should be authenticated and supported by the invoices, bills, payment certificates and etc.</i> Appendix D – Reimbursable Expenses Cost Estimates 2. All reimbursable expenses shall be reimbursed at <u>actual cost</u>, unless otherwise explicitly provided in this Appendix, and in no event shall reimbursement be made in excess of the Contract amount. Cause and Impact: The lack of full understanding of the contract type and the nature of expenditures made within this type results in a control deficiency. As understood from the Criteria section, reimbursable expenditures should be claimed based on actual prices. The unit prices listed in Section Form FIN-4B of the contract represent the maximum payment that can be made per unit. In some cases, it is natural for actual costs to be below these maximum prices. The quantity of reimbursable expenses is part of the Contractor's bid and is binding. Therefore, the quantities listed in Form FIN-4B should be considered as ceilings. If exceeding these quantities is necessary and essential for the project, it should be justified and agreed upon with the beneficiary organization (via addendum). In a scenario where only amounts are tracked and quantities are not monitored, there is a risk that contractors may incur unnecessary expenses to reach the maximum expenditure limits. In	



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this context, tracking expenditures solely based on price is not an example of good financial management principles.

RECOMMENDATION

It is recommended that control processes be updated to include tracking of unit quantities.

RESPONSE OF THE AUDITEE IN 2024

We, as ILBANK PMU, have been focusing on the ceiling amounts for each reimbursable item since the main concern was not to exceed the upper limit. Control processes will be updated to include the tracking of unit quantities, ensuring more accurate monitoring and verification of expenses.

FINAL OPINION OF THE AUDITORS IN 2024

OPEN

It is understood that our finding is welcomed and ILBANK PMU will take steps to further strengthen controls. This finding will be followed up in the next audit period to verify audit concerns are adequately addressed or not.

RESPONSE OF THE AUDITEE IN 2025

To be in line with the contract conditions, parties (Administrations and Contractors) have been contacted and amendments have been made to the contracts in order to eliminate the risk of exceeding the permitted unit quantities for such expenditures.

FINAL OPINION OF THE AUDITORS IN 2025

OPEN

In order to mitigate the risk of exceeding the quantity stipulated in the contract for the reimbursable expenditures, arising from the current tracking method of ceilings, contractual amendments should ensure budget allocations can be effectively monitored both in terms of financial ceilings and quantities. This finding will be followed up in the next audit period to check whether the audit concerns are adequately addressed or not.

RESPONSE OF THE AUDITEE IN 2026

Following the amendment proposal submitted by ILBANK to the Contracting Authority addressing the audit finding on the need for dual monitoring of both financial ceilings and unit quantities for reimbursable expenditures, Contract Amendment No. 3 has been executed by the Contracting Authority.

Under this amendment, it has been clarified that reimbursable expenditure items shall be monitored on the basis of both contractual financial ceilings and corresponding unit quantities, thereby establishing a dual control mechanism to ensure compliance with contract limits.

Accordingly, the expenditure tracking system has been updated to reflect both quantity-based and amount-based monitoring requirements. As of Progress Payment No. 28, the total eligible



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expenditure ceiling has not been exceeded, and no expenditures have been incurred under the relevant reimbursable items.

FINAL OPINION OF THE AUDITORS IN 2026

ADDRESSED

It was noted that Contract Amendment No. 3 introduced a dual monitoring mechanism requiring reimbursable expenditures to be tracked against both contractual financial ceilings and unit quantities. Furthermore, the expenditure tracking system has been updated accordingly. Therefore, the recommendation has been implemented and the finding is considered addressed.



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FINDING NUMBER :4	Auditee (ILLER BANKASI A.Ş.)
FINDING	Ineligible Expenditure Related to the Cancelled Tender
CONDITION During the audit of the contract titled “Consultancy Services for Design Review and Preparation of Bidding Documents for Kayseri Wastewater Treatment Plant” (reference: KAYSERİ-C1-A), it was observed that the contractor rendered the related services and submitted the tender documents to the administration as planned. The objective of the project is to provide consultancy services for the design review and preparation of bidding documents. However, the tender for Construction of Kayseri Wastewater Treatment Plant” held on 14.04.2023 received only one bid, which exceeded the estimated cost. Consequently, based on the request of the General Directorate of Kayseri Water and Sewerage Administration (KASKİ), the tender was cancelled. It was further noted that the tender has not been relaunched, and KASKİ has decided not to continue with the project. As a result, there are no plans to proceed with a new tender in the near future. Therefore, the studies, documentation, and technical specifications previously prepared for the cancelled tender have become redundant and are not expected to be utilized for any upcoming investments.	
CRITERIA - CAUSE – IMPACT Criteria: General Conditions for IBRD Financing Investment Project Financing Section 2.05. Eligible Expenditures “Expenditures eligible to be financed out of the Loan proceeds shall, except as otherwise provided in the Legal Agreements, satisfy the following requirements (“Eligible Expenditure”): (a) the payment is for the <u>reasonable cost of Project activities</u> that meet the requirements of the relevant Legal Agreements; ...” Section 5.06. Use of Goods, Works and Services; Maintenance of Facilities “ (a) Except as the Bank shall otherwise agree, the Borrower and the Project Implementing Entity shall ensure that all goods, works and services financed out of the proceeds of the Loan are used exclusively for the purposes of the Project. ...” According to Contract; “ ... <i>c) The Client has applied for a Loan from the International Bank for Reconstruction and Development (IBRD) toward the cost of the Services and intends to apply a portion of the proceeds of this loan to eligible payments under this Contract</i>	



...

Cause:

The tender was cancelled due to receiving only one bid above the estimated cost, and no alternative implementation plan or revised tendering strategy was developed thereafter.

Effect:

The consultancy services, technical studies, and documents prepared for the cancelled tender have become redundant, resulting in ineffective use of project resources.

RECOMMENDATION

The payment of €188,720.00 for consultancy services related to the cancelled tender has been deemed ineligible under the IBRD-financed project. Therefore, it is recommended that ILBANK either take the necessary action regarding this ineligible expenditure or encourage the KASKI to make use of the prepared tender documents and technical studies in future investments.

RESPONSE OF THE AUDITEE IN 2025

Although, "Phase-II capacity expansion of the Kayseri Central Advanced Biological Wastewater Treatment Plant (KAYSERİ-W1) tender was cancelled, requirement for the subject investment persists. Proposed financing under Earthquake Recovery project is planned to be utilized for the construction of wastewater treatment plant where the bidding documents previously prepared, including; drawings, technical specifications, material technical specifications, unit price analyses, special unit price analyses, estimated costs and administrative documents, will be modified and used for the future procurement/s.

FINAL OPINION OF THE AUDITORS IN 2025

It will be monitored whether the tender documents, which were initially prepared for the cancelled tender, are revised and effectively utilized in the upcoming tenders within the scope of the mentioned Project. Based on the outcome of this follow-up, the eligibility of the initial consultancy expenditures under World Bank financing will be re-evaluated.

RESPONSE OF THE AUDITEE IN 2026

The Phase-II Capacity Expansion Works of the Kayseri Central Advanced Biological Wastewater Treatment Plant (KAYSERİ-W1) included both the replacement of electromechanical components in the existing facility (Phase-I) that had reached the end of their economic life and/or lost their energy efficiency, and the increase of the plant's treatment capacity through the construction of additional units. Although the tender for these construction works was carried out, it was subsequently cancelled for the specific reasons previously communicated to you during the 2024 audit.

Thereafter, following a revision of the Procurement Strategy for Development (PPSD) and obtaining the World Bank's approval, the tender for the Electromechanical Rehabilitation Works of the Existing Kayseri Central Wastewater Treatment Plant (KASKİ-2-W1) was conducted. Within the scope of this rehabilitation contract, the mechanical and electrical designs and other related documents originally prepared for the cancelled KAYSERİ-W1 contract were utilized. The rehabilitation works were successfully completed, and the



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provisional acceptance certificate was issued on 08 August 2025.

Furthermore, the tender documents previously prepared under the KAYSERİ C1-A contract for the KAYSERİ-W1 tender, including drawings/designs, technical specifications, material specifications, unit price analyses, special unit price analyses, cost estimates, and administrative documents, were revised and subsequently used for the tender of the Kayseri Central Advanced Biological Wastewater Treatment Plant Capacity Expansion (Phase-II) and Partial Sewer Collector Line Construction Works, financed by the Islamic Development Bank (IsDB) under the protocol signed on 14 January 2026. The document package has been submitted and is currently under review and approval by İlbank and the IsDB. The tender is planned to be launched in the third quarter of 2026.

In conclusion, as explained in detail above, none of the documents produced under the KAYSERİ C1-A contract became obsolete or remained unused; rather, all were utilized in line with the Administration's needs. Accordingly, the budget allocated for this contract achieved its intended purpose. No public loss or financial damage to the public sector has occurred.

FINAL OPINION OF THE AUDITORS IN 2026

OPEN

The auditee's explanations and corrective actions are noted. However, as the relevant tender has not yet been launched and the procurement process has not been completed, the effective utilization of the consultancy outputs cannot yet be fully verified. Therefore, this finding remains open and will be subject to follow-up in the next audit period to assess whether the planned tender has been carried out and whether the prepared documents have been effectively used.



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FINDING NUMBER : 5	Auditee (ILLER BANKASI A.Ş.)	
FINDING	Potential Risk to Acceptance Due to Delays in the Transmission Line	
CONDITION During on the spot check of the Adana W2 Water Treatment Plant it was detected that neither transmission pipes of raw water to the plant nor the distribution pipes of treated water from the plant are constructed. The Construction of the Transmission Line, originally planned to commence in 2019, has not progressed to the implementation stage due to COVID-19 and other various reasons. This infrastructure is critical to the functionality of the Adana W2 project, as it includes both the transmission of raw water to the Water Treatment Plant and the distribution of treated water from the plant to the supply network. The delay in this construction directly affects the ability to perform the continuous performance tests required for the provisional acceptance of the Adana W2 Water Treatment Plant. These tests necessitate an uninterrupted water flow by gravity. Given the current progress and the scale of remaining works, it appears unlikely that the transmission line can be completed within the remaining time period. As a result, meeting the scheduled contract completion date of 01.10.2025 and conducting the acceptance procedures on time seems improbable.		
CRITERIA - CAUSE – IMPACT		
Criteria:		
English Translation: Special Conditions of the Contract Article 1.1		
The planned completion period for the entire scope of the Work is 720 days from the commencement date of the work, as specified in the Notice to Commence issued by the Project Manager. Contract Date: 05.10.2023 Commencement of Work: latest by 22.10.2023 (within 7 days) Contract End Date: 01.10.2025		
Special Conditions of the Contract Article 58.1		
The Employer shall, within 14 days from the official receipt of the Work Completion Certificate issued by the Project Manager (representative of the Consultant Firm), carry out the Provisional Acceptance by forming a commission and shall take over the site and the works.		
Contract Section 9.4 – Commissioning and Performance Testing Specifications		
Table 1 – Commissioning Trial Phases		
Phase 1 Commissioning 5 days	Phase 2 Performance Testing: 20 days	Phase 3 Defects Liability Period Testing
The test sheets for water quality and the main control panel provided under	The water quality and main control panel test sheets provided under “Article 9.4 –	The test sheets for water quality and the main control panel, provided under



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"Article 9.4 – Appendices" shall be fully completed as described under the heading "Article 9.3 – Tests," signed by both parties, and submitted to the Project Manager for approval.	Appendices" shall be duly completed in full, as described under the heading "Article 9.3 – Tests," signed by both parties, and submitted to the Project Manager for approval.	"Article 9.4 – Appendices," shall be fully and accurately completed as described under the heading "Article 9.3 – Tests," signed by both parties, and submitted to the Project Manager for approval.
Cause: The initiation and implementation of the "Yedigöze Dam Transmission Line" project were significantly delayed due to the COVID-19 pandemic, administrative and logistical challenges. Additionally, inadequate progress planning and coordination among stakeholders may have contributed to the prolonged postponement. Impact: The delay jeopardizes the timely commissioning and acceptance of the Adana W2 Water Treatment Plant, as continuous performance tests—which require a stable raw water supply from the transmission line—cannot be performed. This may lead to postponed service delivery, extended contractor obligations, and potential financial or operational inefficiencies for the overall investment. RECOMMENDATION It is recommended that the construction work of both the transmission of raw water to the Water Treatment Plant and the distribution of treated water from the plant to the supply network started immediately and that this work be completed under the close supervision of the employer and the ILBANK. RESPONSE OF THE AUDITEE IN 2025 The contractual completion date of the Yedigöze Drinking Water Treatment Plant, which is being constructed by the Contractor MİTAŞ A.Ş., is 1 October 2025. As of the current situation, it has been identified that there is a delay on the part of the Employer in supplying the raw water required for the commissioning and performance tests to the facility, and therefore the Employer has failed to deliver raw water to the plant. According to the provisions of the Contract, the Contractor is responsible for performing all hydraulic/water-tightness tests of the water structures and the dry and wet tests of mechanical equipment. The testing of the electrical and automation systems must also be completed. The Employer is responsible for supplying raw water of the specified quality only after these tests are completed, for the purpose of commissioning and performance testing. Under the current circumstances, since raw water cannot be supplied, it is not possible to conduct the performance tests at the Taking Over stage. In this context, it is recommended to proceed with a "Conditional Taking Over" of the facility, on the condition that the Contractor completes all dry and wet tests, including water-tightness tests, for which it is responsible. The performance tests, which are mandatory under the Contract but cannot be carried out due to the absence of water, are planned to be conducted between the Taking Over and Final Acceptance stages, during the Defects Liability Period, after the related project—tendered by		



the Municipality and currently under construction—is completed and water is supplied to the facility. The project which supplies water to the WTP is now in mobilization stage and the project is planned to be completed in 8 months (the part which supplies water to WTP), so that in the DLP period of Adana WTP Project the water will be supplied for required tests.

FINAL OPINION OF THE AUDITORS IN 2025

OPEN

According to the General Conditions of the Contract, the Project Manager shall issue the Completion Certificate once it has been determined that the Works have been fully completed. Additionally, the Special Conditions of the Contract stipulate that the issuance of the Taking-Over Certificate is subject to the Employer's formal receipt of the Completion Certificate.

In this regard, we would like to urge that the Completion Certificate should not be issued for the parts of the Works where performance and operational tests have not yet been completed, in order to ensure the proper fulfilment of obligations during the Defects Liability Period.

This finding will be followed up until all required tests have been conducted and the related Completion and Taking-Over Certificates have been formally issued.

RESPONSE OF THE AUDITEE IN 2026

Within the scope of the Yedigöze Drinking Water Tunnel Construction Project, pipe laying works and drinking water tunnel construction activities are ongoing.

Under the relevant contract, the drinking water transmission lines, which are planned to be completed by the end of August, will enable the conveyance of water to the W2 Yedigöze Drinking Water Treatment Plant. This will make it possible to carry out process tests at full capacity and to test all equipment under full load conditions.

Once all tests have been completed under these conditions, the Provisional Taking-Over procedures will be carried out, and upon completion of the Provisional Taking-Over process, the facility will be handed over to the Administration.

FINAL OPINION OF THE AUDITORS IN 2026

OPEN

The response indicates that the transmission line and tunnel construction works are still ongoing, while full-capacity testing, provisional acceptance, and handover have not yet been completed. It is also noted that the provisional acceptance, which was scheduled for the end of May, 2026, has not been carried out, and the end-August milestone for transmission line completion has also been delayed. Therefore, the related risks remain and the finding should remain open.



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FINDING NUMBER : 6	Auditee (ILLER BANKASI A.Ş.)
FINDING	Ineligible Expenditure and Tracking Method of Ceilings for Reimbursable Expenditures in the Contract
CONDITION A discrepancy has been identified between the reimbursable expenditures claimed under the 5th progress payment of Contract No. ADANA C1-B, and the contractual provisions governing such expenditures. The detected discrepancies are as follows: For Item No. 10 "Transportation Costs / Vehicle Rental (4 vehicles)", the contract stipulates a monthly budget of EUR 1,800.00 for this item. However, an amount of EUR 2,287.39 was claimed. This amount corresponds to the rental of only 3 vehicles, whereas the contract foresees 4 vehicles. The excess was reported as 1.27 units (2.287,39 / 1.800,00). For Item No. 12 "Vehicle Operating Costs for 4 Vehicles (fuel, maintenance, tires, etc.)", the contract stipulates a monthly budget of EUR 1,800.00 for this item. However, a total of EUR 2,001.47 was claimed, also for 3 vehicles only, whereas the contract foresees it for 4 vehicles. The excess was reported as 1.67 units (2.001,47 / 1.200,00). In summary, although supporting documentation was provided, the amounts claimed under both items exceed the contractual monthly limits and are not consistent with the number of vehicles stipulated in the contract.	
CRITERIA – CAUSE – IMPACT Request for Proposals Consulting Services Section 2. Instructions to Consultants 14. Financial Proposal <i>"All the reimbursable costs should be authenticated and supported by the invoices, bills, payment certificates and etc."</i> Appendix D – 2 Reimbursable Expenses Cost Estimates <i>"All reimbursable expenses shall be reimbursed at <u>actual cost</u>, unless otherwise explicitly provided in this Appendix, and in no event shall reimbursement be made in excess of the Contract amount."</i> Cause and Impact: Failure to comply with the contractual provisions during implementation may lead to budget overruns in both quantity and amount basis. This indicates a control deficiency stemming from an incomplete understanding of the contract type and the reimbursable expenditure structure. As stated in the criteria section, reimbursable expenses must be claimed based on actual costs. The unit prices listed in Form FIN-4B (Breakdown of Other Expenses) represent the maximum payable amounts—not fixed rates. The quantities specified in FIN-4B form is also a part of the Contractor's binding offer and serve as ceilings. Any justified need to exceed these limits must be formalized through an addendum with the beneficiary. Relying solely on monetary tracking, without	



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monitoring quantities, increases the risk of unnecessary spending and contradicts sound financial management principles.

RECOMMENDATION

Due to the expenditures exceeding the allocated monthly budgets and covering only 3 vehicles, it is recommended that the maximum payable amount for each item be calculated at 75% of the corresponding budget ceiling. And for the exceeding amounts it is recommended that ILBANK take the necessary action regarding this ineligible expenditures.

RESPONSE OF THE AUDITEE IN 2025

Below is the response provided by the Administration (Adana ASKİ) -summarized by PMU for brevity- to the related Finding:

"The amounts requested under reimbursable budget items, including vehicle rental and operating costs, have been claimed based on the actual costs incurred on site, provided that the ceiling budget specified in the contract has not been exceeded. During this process, depending on the current status of the project in the relevant month, expenditures in some items were realized below or above the unit prices defined in the contract.

To convert such variability into the progress payment format, the following type of table is used:

Sözleşme Toplam adedi / Total Number of Units in the Contract	Birim Fiyat / Unit price (€)	Bu Hakedişte Harcanan / Number Charged with this invoice (€)	Bir Önceki Hakedişle Harcanan Toplam Adet /Total number of units charged with the previous invoice	Bu Hakedişle Harcanan Adet /Number of Units Charged with this invoice	Toplam Harcanan Adet / Total Number of Units Charged	Kalan Adet /Number of Remaining Units
A	B	C	D	E=C/B	F=D+E	G=A-F
28,00	60,00	0,00	0,00	0,00	0,00	28,00

Using this table, the actual expenditure amount is divided by the unit price to calculate the corresponding number of units, and the progress payment is prepared accordingly. For example, an expense of €90 is recorded as 1.5 units by dividing it by the unit price of €60.

Similarly, for **Item No. 10** and **Item No. 12**, only one vehicle was rented during the first progress payment (IPC No.2) period since not all sites were operational at that time. Therefore:

- Item No. 10 : 0.22 units,
- Item No. 12 : 0.74 units

were reflected in the progress payment. In this context, as described above, expenses exceeding the unit prices based on the actual needs during that period were documented and claimed without exceeding the total ceiling amount. At every payment certificate, all payments were submitted with supporting documents such as invoices and contracts, and included as annexes to the progress payment.



Therefore, it is not possible to achieve the exact monthly unit quantities every time. Depending on the project's evolving needs, some items had to be invoiced at less than or more than one unit in certain periods. This method fully complies with the principle stated in the relevant provisions of the **Request for Proposals Consulting Services**, namely: “ **All reimbursable expenses shall be reimbursed at actual cost, unless otherwise explicitly provided in this Appendix, and in no event shall reimbursement be made in excess of the Contract amount.**” “

On the other hand, as PMU, our final response is that the necessary actions will be taken in light of the Auditors' recommendation and subject to their final opinion.

FINAL OPINION OF THE AUDITORS IN 2025

OPEN

Given that the expenditures exceeded the allocated monthly budgets and covered only 3 vehicles, response provided by the Administration is deemed inappropriate. Therefore, it is concluded that the amounts exceeding the allocated budget for 3 vehicles are ineligible and recovery procedures should be initiated by ILBANK for the ineligible expenditures identified.

The calculation of the ineligible amount for the 5th progress payment is as follows: Total amount claimed under the items subject to finding (2.287,39 + 2.001,47) – %75 of monthly budget for the items [%75 x. (1.800,00+1.200,00)].

This finding will be followed up in the next audit period to check whether the ineligible amount of EUR **2.038,86** is recovered by the ILBANK and audit concerns regarding the tracking method of unit quantities are adequately addressed or not (*Please refer to the Final Opinion issued in 2024 for Finding No. 3 under the previous year's audit findings concerning the tracking method.*).

RESPONSE OF THE AUDITEE IN 2026

With reference to the audit finding and the responses provided in 2024 and 2025, it is noted that the issue regarding reimbursable expenditures under Contract No. ADANA C1-B was carried forward as a follow-up finding in the previous audit period, and an ineligible amount of EUR 2,038.86 was identified in the 2025 Final Audit Opinion.

In line with the 2025 Final Audit Opinion, the necessary corrective actions have been taken by the Administration. Accordingly, the identified ineligible amount of EUR 2,038.86 has been deducted from Progress Payment Certificates No. 24 and No. 25, and the related financial adjustments have been duly reflected in the accounting and payment records.

Nevertheless, ILBANK continues to closely monitor reimbursable expenditures under ongoing contracts, and will ensure that such expenditures are implemented in full compliance with contractual limits and applicable reimbursement rules in order to prevent recurrence of similar issues.

FINAL OPINION OF THE AUDITORS IN 2026

ADDRESSED

It was noted that the necessary corrective and preventive actions have been taken by the Administration, including the adjustment of the relevant progress payment certificates and the reflection of the financial corrections in the accounting records. In addition, Contract Amendment No. 3 introduced a dual monitoring mechanism requiring reimbursable expenditures to be



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tracked against both contractual financial ceilings and unit quantities, and the expenditure tracking system has been updated accordingly. Therefore, the recommendation has been implemented and the finding is considered addressed.