

## **PROFONANPE**

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Project “Peruvian Amazon Eco Bio Business Facility  
(Amazon EBBF)” funded for Green Climate Fund ,  
Funded Activity: FP193  
Audit of financial statements for the period from  
March 10 to December 31, 2023

**AUDIT OF FINANCIAL STATEMENTS  
FOR THE PERIOD FROM MARCH 10 TO DECEMBER 31,2023**

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Mr.  
Antón Willems Delanoy  
Executive Director  
PROFONANPE  
Lima - Peru.-

Dear Sirs:

This document represents the "**Executive Summary**" of the financial audit report for the period from March 10 to December 31, 2023, of the project "*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*" funded by the agreement signed between The Green Climate Fund (Funded Activity: FP193) and PROFONANPE. The content of this executive summary is as follows:

## 1. ANTECEDENTES

### a) The Green Climate Fund

The **Green Climate Fund** is a fund created in the context of the United Nations Framework Convention on Climate Change and was established as a mechanism to assist developing countries in climate change adaptation and mitigation practices. It is a unique global initiative to respond to climate change by investing in low-emission, climate-resilient development. This Fund was established by 194 governments to limit or reduce greenhouse gas emissions in developing countries and to help vulnerable societies adapt to the inevitable impacts of climate change. It therefore supports thematic funding windows, projects, programs, policies, and other activities in developing countries.

### b) De Project executive agency.

PROFONANPE is a non-profit private institution established by Decree Law N° 26154 of December 29, 1992, to manage the National Fund for Natural Areas Protected by the Government and has its own legal existence and legal personality. In accordance with Article 181.1 of the Regulations of the Natural Protected Areas approved by Supreme Decree N° 038-2001-AG, PROFONANPE's mission is to capture, channel, and assign complementary resources required to contribute to the conservation of biological diversity, protection, and management of the Natural Protected Areas included in the Regulation.

### c) Of the project

The Agreement between the Green Climate Fund and PROFONANPE was signed on December 16, 2022, with the purpose of financing the "*Financial Facility Project for Amazonian Eco and Bio Businesses (EBBF)*", with the objective of obtaining effective results of climate change mitigation by investing in Eco and Bio Businesses that support the sustainable management and conservation of Peruvian forests. The budget financed by the Green Climate Fund amounted to US\$8,972,400 US dollars and US\$1,027,600 are contributed by PROFONANPE and the Ministry of the Environment.

## 2. OBJECTIVES AND AUDIT SCOPE

The external audit professional services contract signed with PROFONANPE to conduct the audit of the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*” funded by the agreement signed between The Green Climate Fund (Funded Activity: FP193) and PROFONANPE established the following objectives:

- Issue an opinion on whether the statement of source and uses of funds and the statement of accumulated investments of the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*”, reasonably presents the sources and uses of funds for the period from March 10 to December 31, 2023, as well as the investments at the latest date, in accordance with the accounting policies applied and the terms of the Agreement (Grant).
- Issue an opinion on whether the supplementary financial information as of December 31, 2023, has been fairly presented in all its material respects.
- Issue an opinion on the reasonableness of PROFONANPE’ internal control system for the management of the funds transferred by the Green Climate Fund in the period under review, identifying significant deficiencies in design and operation, if any.

We conducted our audit in accordance with International Standards on Auditing issued by the *International Auditing and Assurance Standards Board – IIASB*, approved for application in Peru by the Board of Deans of Public Accountants Colleges of Peru. Therefore, our examination covered income and expense transactions made with funds from the Agreement for the period March 10 to December 31, 2023. A summary of the audit procedures applied is presented in Annex N° 3 of this report.

## 3. AUDIT RESULTS

As a result of the audit of financial statements of the Project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*,” funded by agreement signed between the Green Climate Fund and PROFONANPE for the period from March 10 to December 31, 2023, we issued our audit report on April 05, 2024. A summary of this report is presented below:

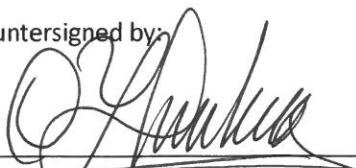
- Unqualified opinion on the statement of sources and uses of funds and the statement of accumulated investments of the project for the period from March 01 to December 31, 2023.
- Unqualified opinion on the supplementary information as of December 31, 2023.
- The internal control report established by PROFONANPE for the period from March 10 to December 31, 2023, does not report any significant deficiencies in the design and operation of the internal controls established by the executing entity for project management.

## 4. ENTITY’S COMMENTS

The Executive Direction of PROFONANPE has taken cognizance of this audit report and has expressed its agreement with its content.

Lima, Peru  
April 05, 2024

Countersigned by:



Oswaldo Fonseca Luna  
Certified Public Accountant  
Registration N° 8095

*Fonseca, Camargo y Asociados*

## INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

To the members of the Directive Board and Executive Director  
PROFONANPE  
Lima – Peru

April 05, 2024

### Opinion

1. We have audited the statement of sources and use of funds for the period from March 10 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*”, funded by the donation agreement, signed between The Green Climate Fund (Funded Activity: FP193) and PROFONANPE as well as the summary of significant accounting policies and other explanatory notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the sources and use of funds for the period from March 10 to December 31, 2023, and the cumulative investments of the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*” for the period then ended, in accordance with the accounting policies described in Note 2 to the accompanying financial statements and the terms of the agreement.

### Basis for opinion

2. We conducted our audit in accordance with International Standards on Auditing – ISA formalized in Peru by the Board of Deans of the Peruvian Institute of Public Accountants. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section. We are independent of PROFONANPE in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements of the Code of Professional Ethics issued by the Board of Deans of Peruvian Institute of Public Accountants that are relevant to our audit of financial statements. We have complied with our ethical responsibilities under the IESBA Code of Ethics.

believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Management’ Responsibility for the financial statements

3. Management is responsible for the preparation and fair presentation of the accompanying financial statements in *accordance* with accounting standards applicable to not-for-profit organizations 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.

In preparing the financial statements, Management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as appropriate, matters related to this accounting principle and its use, unless Management intends to liquidate the entity or cease operations, unless it has no realistic alternative but to do so. Those charged with governance of the entity are responsible for overseeing the process of preparing its financial information, in accordance with the accounting standards applicable to non-profit institutions described in note 3 to the financial statements.

#### **Auditor's Responsibilities for the audit of the financial statements**

4. Our objectives are to obtain reasonable assurance about whether the financial statements of the project "*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*" as a whole are free from material misstatement, whether due to fraud or error, and to issue the audit 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 International Standards on Auditing, 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 based on the financial statements.

As part of an audit in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of the Peruvian Institute of Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit:

Also:

- a) We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks and applied audit procedures to respond to those risks and obtained sufficient appropriate evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) We 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.
- c) We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- d) We conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to disclosures related to the financial statements or, if these disclosures are inadequate, to modify our opinion. The conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the entity to cease to operate as a going concern.
- e) We evaluate the overall presentation, structure, content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate to those charged with administration of PROFONANPE a statement that we have complied with ethical requirements, including the planned scope and timing of the audit, as well as any deficiencies in internal control identified during the audit.

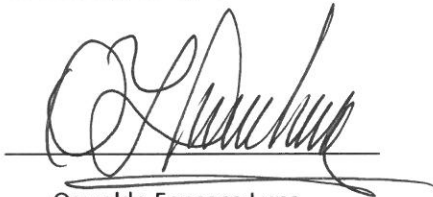
**Other matters**

5. Without modifying our opinion, we refer to note 2 to the financial statements describing the basis of accounting. The financial statements of the project "Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)", for the period from March 10 to December 31, 2023, have been prepared in accordance with the cash basis of accounting. According to this basis of accounting, revenues are recognized when received and expenses are recognized when paid and not when accrued, which results in a method different from that based on accepted accounting principles in Peru, which include the International Financial Reporting Standards – IFRS.
6. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund and should not be used by others or for purposes other than those indicated herein.

Lima, Peru  
April 05, 2024

Countersigned by:

*Fonseca, Camargo y Asociados*



Oswaldo Fonseca Luna  
Certified Public Accountant  
Registration N° 8095

**STATEMENT OF SOURCES AND USES OF FUNDS**  
 FOR THE PERIOD FROM MARCH 10 TO DECEMBER 31, 2023  
 (Expressed in US Dollars)  
 (Notes 1 y 2)

	<u>Notes</u>	<u>From March 10 to December 31,2023</u>	<u>Accumulated as of 31.12.2023</u>
<b>INCOME OF FUNDS</b>			
Income for Project activity	3	679,131	679,131
Financial management – PROFONANPE	3	48,897	48,897
Earned interest	3	722	722
<b>Total funds received</b>		<b>728,750</b>	<b>728,750</b>
<b>USES OF FUNDS</b>			
00 Accredited entity fee	4	48,897	48,897
01 Strengthen technical and institutional capacities to Design, implement and monitor EBBs towards nesting the EBBF under Peru’s national REDD+ Framework		-	-
02 Amazon Eco Bio business Facility	5	82,998	82,998
03 Project management component	6	7,900	7,900
<b>Total use of funds</b>		<b>139,795</b>	<b>139,795</b>
<b>Increase (decrease) in cash</b>		<b>588,955</b>	<b>588,955</b>
<b>Cash at beginning of period</b>		-	-
<b>Cash at end of period</b>	7	<b>588,955</b>	<b>588,955</b>

The accompanying notes are part of this statement.



**STATEMENT OF ACCUMULATED INVESTMENTS**  
 FOR THE PERIOD FROM MARCH 10 TO DECEMBER 31, 2023  
 (Expressed in U.S. Dollars)

Components	Budget Project			Period from March 10 to December 31, 2023				Accumulated as of December 31, 2023				
	Green Climate Fund	PROFONANPE	Ministry of Environment	Total Budget	Green Climate Fund	PROFONANPE	Ministry of Environment	Total	Green Climate Fund	PROFONANPE	Ministry of Environment	Total Accumulated
	1. Strengthen technical and institutional capacities to design, implement and monitor EBBs towards nesting the EBBF under Peru' national REDD+ Framework	852,750	-	27,600	880,350	-	-	-	-	-	-	-
2. Amazon Eco Bio Business Facility (EBBF-I)	7,728,199	941,451	-	8,669,650	82,998	-	-	82,998	82,998	-	-	82,998
3. Project management component	391,451	58,459	-	450,000	7,900	-	-	7,900	7,900	-	-	7,900
4. Accredited entity fee	717,792	-	-	717,792	48,897	-	-	48,897	48,897	-	-	48,897
<b>Total investments</b>	<b>9,690,192</b>	<b>1,000,000</b>	<b>27,600</b>	<b>10,717,792</b>	<b>139,795</b>	<b>-</b>	<b>-</b>	<b>139,795</b>	<b>139,795</b>	<b>-</b>	<b>-</b>	<b>139,795</b>

The accompanying notes are part of this statement.

## NOTES TO THE STATEMENT OF FUNDS AND STATEMENT OF ACCUMULATED INVESTMENTS FOR THE PERIOD FROM MARCH 01 TO DECEMBER 31, 2023

### 1. PURPOSE AND PROJECT'S BUSINESS ACTIVITIES

#### a. The Project executing agency

PROFONANPE, is a non-profit private law institution of public and social interest, established by Decree Law 26154 of December 29, 1992, to administer the National Fund for Natural Areas Protected by the State. According to the regulations of the aforementioned law approved by Supreme Decree 024-93-AG, PROFONANPE's purposes are: a) to contribute to the conservation, protection and management of Natural Areas Protected by the State; b) strengthen the operational capacity of the General Directorate of Protected Natural Areas and Wildlife (formerly, INRENA); c) contribute to strengthening the technical capacity of the personnel who work in the Natural Areas Protected by the State; and, d) finance projects, programs and/or activities related to the conservation and management of protected natural areas, developed by the State or non-governmental organizations.

PROFONANPE manages the trust fund established in Article 1 of Decree Law 26154, as well as the resources from the International Technical Cooperation Agreements. In its capacity as administrator of the National Fund for Natural Areas Protected by the State, it captures, channels, and allocates the complementary resources required to contribute to the conservation, protection and management of the Protected Natural Areas included in its regulations. It is governed by its Statutes and, in addition, by the rules of the Civil Code.

#### b. The Project

The Project "Peruvian Amazon Eco and Bio businesses Facility" (EBBF) has as purpose establish an eco and bio business financial facility that provides technical assistance and financing with partially reimbursable grants, to support sustainable management and conservation of forests Peruvians; and strengthen REDD+ infrastructure in Peru by piloting the "nesting" of small-scale interventions under the national framework." To this end, EBBF will provide technical assistance services and partially reimbursable grants to eco and bio businesses that meet certain eligibility and prioritization criteria and will establish an investor roundtable as a platform to connect them with eco and bio businesses. Likewise, it will address the strengthening of technical and institutional capacities to design, implement and monitor the EBBs with a view to nesting the Amazon EBBF facility in the national REDD+ framework of Peru, which includes the strengthening and implementation of 3 REDD+ pillars: ( 1) the Forest Cover Monitoring Module, (2) Reference Levels for Forest Emissions, and (3) Safeguard Mechanisms.

The total budget of the project according to the Global Operational Plan amounts to US\$10,717,792, which is financed by the Green Climate Fund, PROFONANPE and the Ministry of the Environment. The disaggregated budget is shown in the statement of accumulated investments.

The project's areas of intervention are the Amazon biome of the regions: Amazonas, San Martín, Cusco, Puno, Loreto and Madre de Dios.

The execution period of the project is ten years and began on March 10, 2023, and will end on March 10, 2033. In accordance with Clause 7. "Effectiveness, section 7.01, the Agreement will be effective from the date on that the Green Climate Fund sends PROFONANPE notification of its acceptance of the tests indicated in the clause.

### Annual Operating Plan -POA and budget

The Annual Operational Plan of the project corresponding to the first year (2023) was approved by the corresponding bodies of PROFONANPE and amounted to US\$ 179,787.52, including the execution of the following activities:

<u>Component</u>	<u>Activity</u>	<u>Result</u>	<u>In US\$</u>
1.2		<b>Improving the capacity and access of the population to report and monitor the Cancun safeguards</b>	
	1.2.1	Develop and/or review frameworks, tools and templates to support environmental and social detection, assessment, monitoring and reporting to ensure EBB compliance with REDD+ safeguards and criteria.	15,700.00
	1.2.4	GCO and dissemination of lessons learned on environmental and social integrity and sustainability.	10,000.00
2.1		<b>Facility for eco bio businesses of the Amazon established and operational.</b>	
	2.1.1	Establishment of facility for Eco Bio Business	20,000.00
	2.1.1	Establishment of facility for Eco Bio Business	57,083.56
	2.1.1	Establishment of facility for Eco Bio Business	36,664
2.2		<b>Window 1 technical assistance</b>	
	2.2.2	Granting and implementation of subsidies under investment window 2: Eco Bio Business.	4,340.00
	2.2.2	Granting and implementation of subsidies under investment window 2: Eco Bio Business.	
			<u>36,000.00</u>
			<b><u>179,787.56</u></b>

## 2. ACCOUNTING POLICIES

The most important accounting policies used for the recording of transactions and the preparation of project's financial statements are as follows:

a) Presentation of financial statements

The project's financial statements were prepared by PROFONANPE based on the accounting records kept in accordance with the accounting standards applicable in Peru to nonprofit organizations and procedures established for that purpose.

b) Accounting basis

The statement of funds and the statement of accumulated investments are prepared on a cash accounting basis. On this basis, income is recognized when it is received and expenses when it is paid and not when it is earned. The adoption of this accounting basis gives rise to a method different from that based on accounting principles generally accepted in Peru.

c) Monetary unit

For presentation purposes, the financial statements of the Agreement signed for the Green Climate Fund and PROFONANPE that are presented are expressed in U.S. Dollars.

d) Exchange rate

Transactions are recorded in Soles and U.S. Dollars as appropriate in each case. For the preparation and presentation of the project's financial statements (statement of funds and statement of accumulated investments), the funds in Soles are converted to U.S. Dollars at the exchange rate in effect on the date of each transaction.

e) Statement of funds

This financial statement shows the cash transactions carried out by the executing entity classified under Source of Funds (Income); Use of Funds (Expenses) and Cash available at the end of the period.

f) Statement of accumulated investments

This statement records the disbursements made against funds transferred by the Green Climate Fund and classified under the appropriate budget line items.

### 3. SOURCE OF FUNDS

It comprises:

Year	Description	Expressed in US Dollars
07-13-2023	Transfer of the Green Climate Fund	48,897
07-13-2023	Transfer of the Green Climate Fund	679,131
	Interest earned on savings account	722
		<u>728,750</u>

### 4. USE OF FUNDS – ACCREDETED ENTITY FEE

As of December 31, 2023, this item amounted to US\$ 48,897, which in accordance with paragraph 4.01 of the fourth clause of the Donation Agreement, the quota of the accredited entity – PROFONANPE – for the activity financed by the Green Climate Fund represents eight percent of the total amount of donation funds used.



## 5. USE OF FUNDS – AMAZON ECO BIO BUSINESS FACILITY

It comprises:

Description	Expressed in US Dollars
003 Local Consultant	29,187
008 Staff cost	53,811
	<u>82,998</u>

## 6. USE OF FUNDS – PROJECT MANAGEMENT COMPONENT

It comprises:

Description	Expressed in US Dollars
002 IT equipment	7,754
004 Office Supplies	146
	<u>7,900</u>

## 7. AVAILABLE AT DECEMBER 31, 2023

It comprises:

<u>Detail</u>	In Soles	Expressed in US Dollars
Savings account in Soles N° 191-915484406-0-35	51,882.86	13,891
Savings account in US Dollars N° 191-79388469-1-70	-	575,085
Less: payment pending in national currency	( 79)	( 21)
Available on December 31, 2023		<u>588,955</u>

## 8. SUBSEQUENT EVENTS

There are no significant events that occurred between the closing date of the project's financial statements and the date of this report that could materially affect them.

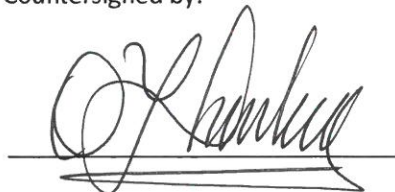
## INDEPENDENT AUDITOR'S OPINION ON THE SUPPLEMENTARY INFORMATION

To the members of the Directive Board and Executive Director  
PROFONANPE  
Lima – Peru

1. We have audited the statement of sources and uses of funds for the period from March 10 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*”, funded by the agreement signed between The Green Climate Fund (Funded Activity: FP193) and PROFONANPE, and have issued our unqualified opinion thereof on April 05, 2024.
2. Our review was intended to provide an opinion on the statement of source and uses funds and the statement of accumulated investments for the period from March 10 to December 31, 2023 of the project “*Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)*” funded by Agreement signed between the Green Climate Fund and PROFONANPE taken as a whole, was conducted in accordance with the International Standards on Auditing disclosed by the *International Auditing and Assurance Standards Board* and approved for application in Peru by the Board of Deans of Peruvian Colleges of Public Accountants; therefore, it included selective accounting tests and the application of other audit procedures as we considered necessary in the circumstances.
3. The supplementary financial information included as Annex N° 1 and 2 is presented for additional analysis purposes and is not considered necessary for the presentation of the project's financial statements. This supplementary financial information has been the subject of the audit procedures applied to the project's financial statements and is fairly presented in all material respects in relation to those statements taken as a whole.
4. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund and should not be used by others or for purposes other than those indicated herein.

Lima, Peru  
April 05, 2024

Countersigned by:



Oswaldo Fonseca Luna (Partner)  
Certified Public Accountant  
Registration N° 8095

*Fonseca, Camargo y Asociados*

**Annex 1**

PURCHASE OF GOODS  
FOR THE PERIOD FROM APRIL 10 TO DECEMBER 31, 2023  
(Expressed in US Dollars)

<u>Date</u>	<u>Description</u>	<u>Supplier</u>	<u>Total</u>
10/20/2023	(01) - Laptop	Computadoras y Telecomunicaciones S.A.	1,889
10/20/2023	Software license Microsoft Office	Computadoras y Telecomunicaciones S.A.	177
10/20/2023	Software license antivirus	Computadoras y Telecomunicaciones S.A.	18
10/20/2023	(03) - Laptop	Computadoras y Telecomunicaciones S.A.	4,900
10/20/2023	Software licence Microsoft Office	Computadoras y Telecomunicaciones S.A.	531
10/20/2023	Software license antivirus	Computadoras y Telecomunicaciones S.A.	55
12/06/2023	Software license ARC GIS	Telematica S.A.	184
			<u>7,754</u>

**Annex 2**

**CONSULTING SERVICES**  
FOR THE PERIOD FROM APRIL 10 TO DECEMBER 31, 2023  
(Expressed in US Dollars)

<u>Contract</u>	<u>Description</u>	<u>Business name</u>	<u>Beginning</u>	<u>End</u>	<u>Total</u>
145C- 2023000001	Update of the operations manual of the EBBF Amazonia financial facility and design of instruments for its operation.	Carrizales Infraestructura & Servicios Publicos S.A.C.	11/09/2023	03/08/2024	45,057
145C- 2023000002	Preparation of a prospective baseline of eco and bio business in the Amazon	Instituto Interamericano de Cooperación para la Agricultura – IICA	11/14/2023	04/02/2024	36,059
					81,116



## INDEPENDENT AUDITOR'S OPINION ON THE INTERNAL CONTROL STRUCTURE

To the members of the Directive Board and Executive Director  
PROFONANPE  
Lima - Peru. -

April 05, 2024

5. We have audited the statement of sources and uses of funds for the period from March 10 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the project "Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)", funded by the donation agreement, signed between The Green Climate Fund (Funded Activity: FP193) and PROFONANPE, and have issued our unqualified opinion thereof on April 05, 2024.
6. Our review was conducted in accordance with the International Standards on Auditing disclosed by the International Auditing and Assurance Standards Board and approved for application in Peru by the Board of Deans of Peruvian Colleges of Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements audited do not include material misstatements. In planning and performing our audit of financial statements of the project, we considered the related internal control structure in order to determine our audit procedures for expressing an opinion on the financial statements referred to above and not for expressing an opinion on the internal control structure.
7. PROFONANPE's management is responsible for establishing and maintaining an internal control structure. To fulfill this responsibility, the implementer must make estimates and judgments to evaluate the expected benefits and costs related to the policies and procedures of such structure. The objectives of an internal control system are to provide reasonable, but not absolute, assurance that assets are protected from loss through unauthorized use or disposition, that transactions are conducted in accordance with the authorizations of PROFONANPE and the terms of the agreement, in accordance with the basis of accounting described in Note 2 to the financial statements.
8. Due to the inherent limitations of any internal control system, errors and irregularities may occur that are not detected. In addition, projections of any evaluation of the internal control structure into future periods are subject to the risk that procedures may become inadequate due to changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate. There is also the possibility that when control procedures are applied, errors may arise due to inappropriate understanding of the instructions, errors in judgment, lack of attention from staff, human failure, among other factors. Also, procedures whose effectiveness is based on segregation of duties could be circumvented in the event of collusion between employees involved in internal accounting and financial control, as well as procedures aimed at ensuring that transactions are conducted on terms authorized by management, may become ineffective if decisions are made erroneously or irregularly. Therefore, we cannot assure you that all processing errors, deficiencies in the internal control system or non-compliance with applicable regulations were disclosed in the course of our audit and we do not express an opinion as to whether all internal accounting and compliance procedures in place were applied correctly during the year.

9. Our consideration of the internal control structure does not necessarily reveal all aspects of that structure that could be considered material weaknesses. A material deficiency is one in which the design or operation of one or more specific elements of the internal control structure does not reduce to a relatively low level the risk that errors or irregularities in amounts that could be material to the project's financial statements may occur and not be detected by employees in the normal course of their duties. We did not observe any issues with the internal control structure and its operation that we consider to be a significant deficiency as defined above.
10. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund and should not be used by others or for purposes other than those indicated herein.

Lima, Peru  
April 05, 2024

Countersigned by:

*Fonseca, Camargo y Abogados*

A handwritten signature in black ink, appearing to read 'Oswaldo Fonseca Luna', is written over a horizontal line. The signature is stylized and cursive.

Oswaldo Fonseca Luna (Partner)  
Certified Public Accountant  
Registration N° 8095

### **SUMMARY OF AUDIT PROCEDURES APPLIED**

The following is a summary of the procedures applied in the review of the project's basic financial statements:

#### **Objectives**

##### Objective N° 1

Issue an opinion on the project's statement of funds; statement of accumulated investments, notes to the financial statements and supplementary information.

##### Specific procedures

1. Obtaining the project's basic financial statements for the period under review, as follows:
  - a) Statement of sources and uses of funds.
  - b) Statement of accumulated investments.
  - c) Notes to the financial statements.
  - d) Supplementary information.
2. Review of documentation related to project's background and other aspects of resource management that included:
  - Understanding the organizational structure of the Agreement-executing agency, its financial internal control system, internal rules, and regulations applicable to the implementation of funds in the project.
  - Grant Agreement, applicable regulations, Annual Operative Plan, budget, and other related documents.
  - Internal rules and procedures established by PROFONANPE for the selection and hiring of consultants and the acquisition of goods.
3. Obtaining the documents that support the expenses executed with funds from the donation to find out if the documentation of the executing entity is kept in an orderly manner in the files through procedures that ensure the integrity of the information and its easy location.

#### **Audit of financial statements**

4. The following audit procedures were included in the examination of the statement of funds and the statement of accumulated investments:

- a) Understanding the internal control system and its components: control environment, risk assessment, control activities, information and communication system and monitoring, from which the material error risk assessment was carried out.
- b) Understanding the accounting policies used for the preparation of the project's financial statements, to establish their application during the reporting period.

#### Source of funds

- 5. We reviewed the project's financial statements which are presented by the project-executing agency in US dollars, in accordance with the following procedures:
  - a) We verified that the project's financial statements were prepared on a cash accounting basis, recognizing income when funds are received and expenses when executed and representing disbursements of funds.
  - b) We verified that transactions in local currency were recorded in the entity's accounting books at the date they occurred and translated into U.S. dollars at the exchange rate prevailing at the date of each transaction.
- 6. We obtained from the project-executing agency's management the details of the funds received during the audited period and checked them against the credits in the relevant bank account.
- 7. We verified the accounting process followed by the project-executing agency for the recording of revenues received and issuance of financial statements in order to establish if they are adequate and are properly documented.

#### Uses of funds

- 8. We obtained from the project-executing agency's management the accounting records of disbursements made and selected certain items to review the documentation of expenses made for the purpose of determining whether they were properly classified, properly documented, and applied for the purposes of the project, taking into account the following:
  - a) Eligibility of expenses incurred in accordance with the stipulations of the Agreement (Grant).
  - b) Reliable documentary support, duly authorized and approved, verifying that it includes the conformity of reception of the contracted service.
  - c) Correct accounting and budgetary allocation considering the budget items approved by the donor.
  - d) Application of the current exchange rate for the conversion of local currency transactions into US dollars.
  - e) In regard to the justification of expenses, we verified the compliance with the procedures established internally in the executing entity for the granting, use, presentation and control of funds.
- 9. We reconciled the use of funds according to the statement of funds with the balances of the statement of accumulated investments.



#### Statement of accumulated investments

10. We obtained from the executing entity's management the statement of accumulated investments at the end of the audited period, verifying their accumulation through reports from the institutional accounting system.
11. Taking into account the selection criteria for the selected sample of expenses included in the statement of accumulated investments over the audited period, the following was carried out:
  - a) Determine whether the budget items established were applied to the corresponding lines in the financial statement.
  - b) Reconciliation of the cumulative totals of the period with the relevant accounting records.
12. If differences were established as indicated above, we made the appropriate comparisons.

#### Objective N° 2

Issue an opinion on the notes to the financial statements and supplementary information and whether they have been fairly presented in all material respects.

#### Specific procedures

1. We obtained from the executing agency's management the notes to the financial statements and supplementary information for the period audited.
2. We verified that the notes to the project's financial statements and supplementary information prepared by the project-executing agency describe and/or explain in an appropriate manner the objectives of the Agreement, the accounting policies, composition of available cash and other items that require it.

#### Objective N° 3

Issue a report regarding the adequacy of the executing entity's internal control system in relation to the contractual agreement.

#### Specific procedures

1. The evaluation of the project's internal control system will be carried out on the basis of the elements and their functioning during the period under review, in accordance with the structure of the COSO Report. For this purpose, aspects relating to organizational structure, information systems, procurement and/or contracting management and financial management will be included.
2. In assessing the control environment of the project-executing agency, consideration shall be given to its organizational structure, line of authority, segregation of duties, policy and procedures for selection and hiring of staff, in particular the following:
  - a. Administrative procedures governing the activities and responsibilities of the resources' financial administration.
  - b. Levels of authority, job descriptions, number, and adequacy of skills of the staff working in the various areas of execution.

- c. Segregation of functions in financial administration (treasury activities, accounting, and preparation of financial statements).
- 3. In assessing the aspects relating to control activities, consideration will be given to those relating to the design and implementation of control procedures established by PROFONANPE for the receipt, custody, and payment of funds in order to establish their suitability for the purposes of the Agreement. Likewise, the evaluation of control procedures for the selection and hiring of consultants required by the project will be aimed at determining whether they were appropriate practices for this purpose.
- 4. In evaluating the aspects related to the information system, the policies and procedures established by PROFONANPE to record, process, summarize and present financial information were taken into account, especially the following:
  - a. Adequacy of data processing systems to produce timely and reliable financial and accounting information.
  - b. Ability of the accounting system to verify, control and monitor all sources and uses of project-related funds, including advance transactions received.
  - c. Ability of the accounting system used by the executor to record financial transactions.
- 5. Evaluation of the monitoring activities performed by PROFONANPE to determine whether they were adequately performed in terms of providing adequate information on the functioning of internal controls and whether appropriate corrective actions were taken to correct the deficiencies identified by the management of the Agreement funds.