

PROFONANPE

Audit of financial statements Project
“Securing the Future of Peru’s Natural
Protected Areas” funded for The Global
Environment Facility - GEF, through of World
Wildlife Fund – WWF, Grant Agreement #
GD67 for the year ended December 31, 2023

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

**AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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Mr.
Anton Willems Delanoy
Executive director
PROFONANPE
Lima - Peru.-

Dear Sirs:

This document represents the "**Executive Summary**" of the financial audit report for the period January 01 to December 31, 2023 of the project "*Securing the Future of Peru's Natural Protected Areas*" funded by The Global Environment Facility – GEF, through of Worldlife Fund - WWF by the Agreement # GD67. The content of this executive summary is as follows:

1. BACKGROUND

a) The Global Environment Facility - GEF y World Wildlife Fund - WWF.

The Global Environment Facility - GEF, is an association for international cooperation whose mission is to offer donations and financing under concessionary conditions to face "incremental" or additional costs in initiatives that provide environmental benefits. World Wildlife Fund, is a non-governmental organization founded in 1961 that is responsible for environmental conservation, whose mission is to stop the degradation of the planet's natural environment and build a future in which human beings live in harmony with nature, conserving the world's biological diversity; guaranteeing the sustainable use of renewable natural resources; and promote the reduction of pollution and excessive consumption.

b) The project-executing 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 Agreement

On April 16, 2018, WWF and PROFONANPE signed Agreement # GD67, in the context of financing approved by GEF, with the purpose of promoting long-term financial sustainability for the effective management of the National System of Protected Natural Areas of Peru, for the protection of biodiversity and ecosystem services of global importance in the Amazon Biome.

According to the Agreement, the amount assigned to the project was US\$ 9,007,528 and it runs from March 30, 2018 to September 30, 2024.

2. OBJECTIVES AND AUDIT SCOPE

The contract for professional external audit services signed with PROFONANPE to conduct the audit of the project established the following objectives:

- Issue an opinion on whether the statement of sources and use of funds and the statement of accumulated investments of the project “*Securing the Future of Peru’s Natural Protected Areas*” funded by The Global Environment Facility – GEF, through of Worldlife Fund - WWF, fairly presents the sources and uses of funds in the period from January 01 to December 31, 2023, as well as the investments as of the last date, in accordance with the accounting policies applied and the terms of the Agreement.
- Issue an opinion on whether the supplementary financial information as of December 31, 2023 has been fairly presented in all material respects.
- Issue an opinion regarding compliance with the clauses provided for in the Agreement in the period under review.
- Issue an opinion on: whether expenses included in requests for funds submitted to WWF are eligible, and thus whether the information presented in such requests is reasonably reliable; whether the accounting and internal control procedures used in the preparation of the request are adequate; and whether grant funds have been used solely for the purpose of the project in accordance with the requirements set out in the Agreement.
- Issue an opinion on the reasonableness of the internal control system at PROFONANPE for the management of funds transferred by the donor in the period examined for project implementation, identifying significant deficiencies in design and operation, if any.

Our audit was conducted in accordance with International Standards on Auditing issued by the *International Auditing and Assurance Standards Board* – IASB approved for application in Peru by the Board of Deans of the Peruvian Institute of Public Accountants, therefore, our audit included the transactions carried out with the funds of the aforementioned Agreement during the period from January 01 to December 31, 2023.

A summary of the audit procedures applied is presented in annex 2 of this report.

3. AUDIT RESULT

As a result of the audit of financial statements of the Project “*Securing the Future of Peru’s Natural Protected Areas*” for the period from January 01 to December 31, 2023, we issued our audit report on April 15, 2024. A summary of this report is presented below:

- Unqualified opinion on the statement of funds and the statement of accumulated investments of the project for the period from January 01 to December 31, 2023.
- Unqualified opinion on the supplementary information as of December 31, 2023.
- We believe that PROFONANPE reasonably complied with the terms of the Agreement during the period from January 01 to December 31, 2023.
- We are of the opinion that the expenses executed with funds from the GEF- WWF-financed project, included in the requests for funds submitted in the period under review, are valid and eligible. Likewise, we are of the opinion that the funds were used solely for project purposes.

- The internal control report established by PROFONANPE for the period from January 01 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.

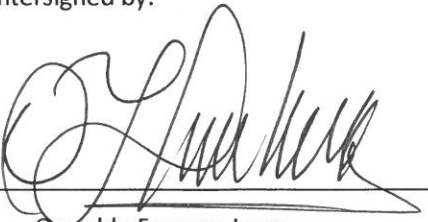
4. ENTITY'S COMMENTS

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

Lima, Peru
April 15, 2024

Countersigned by:

Fonseca, Camargo y Asociados



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

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

April 15, 2024

Opinion

1. We have audited the statement of sources and uses of funds for the period from January 01 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the project “*Securing the Future of Peru’s Natural Protected Areas*” funded by The Global Environment Facility – GEF, through of Worldlife Fund - WWF, 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 uses of funds for the period from January 01 to December 31, 2023, and the cumulative investments of the project “*Securing the Future of Peru’s Natural Protected Areas*” 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 aforementioned 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 even the requirements established in the project “*Securing the Future of Peru’s Natural Protected Areas*” funded by Global Environment Facility – GEF, through of Worldlife Fund - WWF. 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) that are relevant to our audit of financial statements. We have complied with our ethical responsibilities under the IESBA Code of Ethics. We 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. The administration of PROFONANPE is responsible for overseeing the process of preparing its financial information.

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 *"Securing the Future of Peru's Natural Protected Areas"* 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 - ISA, 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.

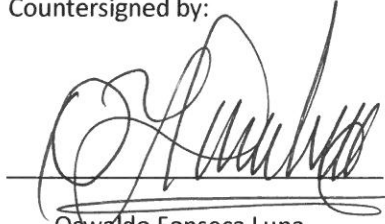
We communicate to those charged with governance of PROFONANPE a statement that we have complied with ethical requirements, including the planned scope and timing of the audit, as well as any deficiencies in internal control identified during the audit.

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 “*Securing the Future of Peru’s Natural Protected Areas*”, for the period from January 01 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 generally 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, The Global Environment Fund – GEF and Worldlife Fund, and should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 15, 2024

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Camargo y Asociados

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

STATEMENT OF SOURCES AND USE OF FUNDS
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2023
 (Expressed in U.S. Dollars)
 (Notes 1 and 2)

| | <u>Notes</u> | <u>Acumulated as of 31.12.2022</u> | <u>From January 1 to December 31,2023</u> | <u>Acumulated as of 31.12.2023</u> |
|--|--------------|--|---|--|
| INCOME OF FUNDS | | | | |
| Transfers, WWF-GEF | 3 | 2,513,830 | 792,810 | 3,306,640 |
| Transfers, PDP | | 5,000,000 | - | 5,000,000 |
| Total funds received | | <u>7,513,830</u> | <u>792,810</u> | <u>8,306,640</u> |
| USE OF FUNDS BY COMPONENTS | | | | |
| 02 Equipment | 4 | 16,061 | - | 16,061 |
| 03 Third Party Fees & Expenses | 5 | 627,332 | 189,988 | 817,320 |
| 04 Other direct costs | 6 | 276,689 | 180,346 | 457,035 |
| 05 Travel, Meetings and Workshops | 7 | 246,502 | 5,945 | 252,447 |
| 06 Grants & Agreements | | 5,000,000 | - | 5,000,000 |
| 08 Personnel | 8 | 1,301,596 | 353,113 | 1,654,709 |
| 00 Administrative costs | 9 | 20,650 | (551) | 20,099 |
| Total use of funds by component | | <u>7,488,830</u> | <u>728,841</u> | <u>8,217,671</u> |
| Exchange difference | | 9,150 | (2,772) | 6,378 |
| Accounts to be regularized | | 3,764 | (2,490) | 1,274 |
| Increase (decrease) in cash | | <u>37,914</u> | <u>58,707</u> | <u>96,621</u> |
| Cash at beginning of period | | - | 37,914 | - |
| Cash at end of period | 10 | <u><u>37,914</u></u> | <u><u>96,621</u></u> | <u><u>96,621</u></u> |

The accompanying notes are part of this statement.

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

STATEMENT OF ACCUMULATED INVESTMENTS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2023
(Expressed in U.S. Dollars)

| <u>Categorías</u> | <u>Acumulated as of 31/12/2022</u> | <u>From January 1 to December 31, 2023</u> | <u>Acumulated as of 31/12/2023</u> | <u>Total budget</u> |
|--------------------------------|--|--|--|-------------------------|
| Equipment | 16,061 | - | 16,061 | 15,000 |
| Third Party Fees & Expenses | 627,332 | 189,988 | 817,320 | 1,708,000 |
| Other direct costs | 276,689 | 180,346 | 457,035 | 168,280 |
| Travel, Meetings and Workshops | 246,502 | 5,945 | 252,447 | 554,850 |
| Grants and Agreements | 5,000,000 | - | 5,000,000 | 5,000,000 |
| Personnel | 1,301,596 | 353,113 | 1,654,709 | 1,507,400 |
| Administrative Costs | 20,650 | (551) | 20,099 | 53,998 |
| TOTAL INVESTMENTS | 7,488,830 | 728,841 | 8,217,671 | 9,007,528 |

The accompanying notes are part of this statement.

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

**NOTES TO THE STATEMENT OF FUNDS AND STATEMENT OF ACCUMULATED INVESTMENTS
FOR THE PERIOD BETWEEN JANUARY 01 AND DECEMBER 31, 2023**

1. PURPOSE AND PROJECT'S BUSINESS ACTIVITIES

a) The Global Environment Facility - GEF y World Wildlife Fund - WWF

The Global Environment Facility (GEF) is an association for international cooperation that has the mission of offering grants and concessional financing to address "incremental" or additional costs in initiatives that provide environmental benefits. Since the restructuring of the Fund approved at the Rio Summit in 1994, it operates as an independent institution of the World Bank, with the purpose of providing developing countries with the possibility of being part of the decision process in the implementation of their Projects. Part of the restructuring of the GEF was the decision to make it the financial mechanism of the United Nations Convention on Biological Diversity and the United Nations Framework Convention on Climate Change.

The World Wildlife Fund -WWF is a non-governmental organization founded in 1961 that is responsible for environmental conservation, whose mission is to stop the degradation of the planet's natural environment and build a future in which human beings live in harmony. with nature, conserving the world's biological diversity; guaranteeing the sustainable use of renewable natural resources; and promote the reduction of pollution and excessive consumption. Its international headquarters is located in Switzerland and the Secretariat for Latin America is in Ecuador.

b) The Project executing 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 (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 and their buffer zones included in the Regulation. PROFONANPE is governed by its Statutes and in a supplementary manner by the norms of the Civil Code of Peru.

On December 20, 2017, PROFONANPE and SERNANP signed an Inter-institutional Cooperation Agreement to implement the project with GEF financing. On April 30, 2018, both parties signed an Addendum to the Agreement, through which certain clauses are modified and clarified, among them, that PROFONANPE will be the recipient and responsible for the administration and supervision of the GEF funds, including the supervision and monitoring of the work plans and budget, while SERNANP will be responsible for the technical execution of the project.

Likewise, PROFONANPE will coordinate with SERNANP the presentation of reports on the counterpart to the project aimed at closing gaps in the ANPs of the Amazon Biome; execution of disbursements of funds in accordance with the Agreement and the PdP Operations Manual; hire an audit for the project; specify the functions of the Board of Directors regarding the approval of key documents; PROFONANPE's responsibilities regarding the contracting of goods and services; and, preparation of the Annual Operational Plan of the Project that will require the no objection of WWF-GEF.

c) Of the Grant Agreement

On April 16, 2018, the Grant Agreement between the World Wildlife Fund and PROFONANPE was signed to finance the project "*Securing the Future of Peru's Natural Protected Areas*", which began on March 30, 2018 and will end on March 30, 2024. The project has as its objectives promote long-term financial sustainability for the effective management of the National System of Protected Natural Areas of Peru, for the protection of biodiversity and ecosystem services of global importance in the Amazon Biome, the same which is developed through the following components:

- Component 1: its objective is to develop a multi-partner, public-private strategy for the long-term financial sustainability of natural protected areas in the Peruvian Amazon, using an adaptation of the "Financing projects for permanence" approach, adapted to the context of Protected Natural Areas and the country's regional development dynamics. Based on preliminary agreements, technical and financial support, legal advice and strategic guidelines will be provided to catalyze the design of the PdP Initiative and generate the necessary conditions for its effectiveness and efficient deployment.

Includes preparation of an integrated multi-partner conservation and financial action plan for Amazon NPAs agreed upon by all PdP partners to guide resource mobilization for the Initiative and help partners maintain a cooperative, results-oriented approach; the preparation, negotiation and signing of a Single Closing Agreement between the GoP and donors that will detail the financial commitments of each party, the closing conditions and the milestones for the disbursement of resources; the establishment of the governance and management structures of the PdP Initiative; the creation of a transition Fund; and the preparation of an Operations Manual to guide the operations of the PdP Initiative and the transition fund.

- Component 2: Includes the capacity of SERNANP to generate additional funds to improve the management of the NPA and will be key to guarantee the success of the PdP Initiative and the long-term financial sustainability of the NPA System. The diversification of SERNANP's financing portfolio will be allowed through improving existing revenue generation mechanisms that currently function sub-optimally and developing viable new options to supplement current revenue.

Component 3: Once structures are established by governance and management of the PdP Initiative, the 10-Year Action Plan for Amazon NPAs is designed and agreed, and capacity-building for proper management of the PdP Initiative. Financing from the Global Environment Facility will contribute to the capitalization of the Transition Fund to support the consolidation of a standard level of management and improve management effectiveness of a group of Amazon NPAs in the geographic scope of Phase 1 of the PdP.

- Component 4: includes integrated monitoring and evaluation will be a key component of the project to allow the generation of new information to learn, adapt and contribute to effective management. This component will facilitate the implementation of the project's Monitoring and Evaluation plan at the national and local levels. Based on the lessons learned, funding from the Global Environment Facility - GEF, will support the outsourcing of consulting services for the preparation of specific tools useful for sharing, replicating and expanding knowledge

The Grant Agreement is financed by the General Environment Fund - GEF, through the World Wildlife Fund. Its purpose is to help strengthen the capacities of SERNANP and PROFONANPE, to establish the financial sustainability initiative of the National System of Protected Natural Areas of Peru. The detail of the budget is shown in the following table:

| Description by categories | Expressed in US Dollars |
|--------------------------------|----------------------------|
| Equipment | 15,000 |
| Third Party Fees & Expenses | 1,708,000 |
| Other direct costs | 168,280 |
| Travel, Meetings and Workshops | 554,850 |
| Grants and Agreements | 5,000,000 |
| Personnel | 1,507,400 |
| Administrative Costs | 53,998 |
| | <u>9,007,528</u> |

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, which include the International Financial Reporting Standards – IFRS.

c) Monetary unit

For presentation purposes, the basic financial statements of the Agreement between Worldlife 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:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|------------------------------|--------------------------------|----------------|
| | <u>2023</u> | <u>2022</u> |
| 04-27-2023 Transfer of funds | 79,207 | - |
| 05-25-2023 Transfer of funds | 162,651 | - |
| 06-28-2023 Transfer of funds | 162,651 | - |
| 12-09-2023 Transfer of funds | 56,156 | - |
| 10-31-2023 Transfer of funds | 32,617 | - |
| 12-19-2023 Transfer of funds | 299,528 | - |
| 06-02-2022 Transfer of funds | - | 219,583 |
| 09-06-2022 Transfer of funds | - | 96,651 |
| 09-13-2022 Transfer of funds | - | 96,651 |
| 12-15-2022 Transfer of funds | - | 99,285 |
| 12-20-2022 Transfer of funds | - | 81,233 |
| | <u>792,810</u> | <u>593,403</u> |

4. USE OF FUNDS – EQUIPMENT

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|---|--------------------------------|--------------|
| | <u>2023</u> | <u>2022</u> |
| 02 Diversification of sources to increase ANP financing | - | 1,645 |
| | <u>-</u> | <u>1,645</u> |

5. USE OF FUNDS – THIRD PARTY FEES & EXPENSES

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|--|--------------------------------|----------------|
| | <u>2023</u> | <u>2022</u> |
| 01 Development of a multi-partner,public-private initiative for long-term financial sustainability of the NPAs in the Peruvian Amazon | 119,626 | 46,734 |
| 02 Diversification of sources to increase ANP financing | 67,813 | 83,344 |
| 03 Implementation of the PDP Action Plan Measures to consolidate and improve the effective management of the national ANPs of Amazonia | - | 6,415 |
| 05 Project management costs | 2,549 | 1,184 |
| | <u>189,988</u> | <u>137,677</u> |

6. USE OF FUNDS – OTHER DIRECT FUNDS

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|--|--------------------------------|----------------|
| | <u>2023</u> | <u>2022</u> |
| 01 Development of a multi-partner,public-private initiative for long-term financial sustainability of the NPAs in the Peruvian Amazon | (522) | 37,898 |
| 02 Diversification of sources to increase ANP financing | 121,118 | 63,264 |
| 03 Implementation of the PDP Action Plan Measures to consolidate and improve the effective management of the national ANPs of Amazonia | 42,315 | 21,899 |
| 04 Project coordination and M&E; monitoring and evaluation | 1,429 | 10,978 |
| 05 Project management costs | 16,006 | 7,256 |
| | <u>180,346</u> | <u>141,295</u> |

7. USE OF FUNDS – TRAVEL, MEETINGS AND WORKSHOPS

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|---|--------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| 01 Development of a multi-partner,public-private initiative for long-term financial sustainability of the NPAs in the Peruvian Amazon | (9) | - |
| 02 Diversification of sources to increase ANP financing | 5,954 | - |
| | <u>5,945</u> | <u>-</u> |

8. USE OF FUNDS - PERSONNEL

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|--|--------------------------------|----------------|
| | <u>2023</u> | <u>2022</u> |
| 01 Development of a multi-partner,public-private initiative for long-term financial sustainability of the NPAs in the Peruvian Amazon | 37,283 | 48,993 |
| 02 Diversification of sources to increase ANP financing | 127,767 | 134,846 |
| 03 Implementation of the PDP Action Plan Measures to consolidate and improve the effective management of the national ANPs of Amazonia | 51,338 | 58,208 |
| 04 Project coordination and M&E; monitoring and evaluation | 99,958 | 100,503 |
| 05 Project management costs | 36,767 | 41,598 |
| | <u>353,113</u> | <u>384,148</u> |

9. USE OF FUNDS – ADMINISTRATIVE COSTS

It comprises:

| <u>Description</u> | <u>Expressed in US Dollars</u> | |
|--|--------------------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| 04 Project coordination and M&E; monitoring and evaluation | (551) | 11,894 |
| | <u>(551)</u> | <u>11,894</u> |

10. AVAILABLE AT DECEMBER 31, 2023

It comprises:

| | <u>In Soles</u> | <u>In US Dollars</u> |
|---|---------------------|----------------------|
| Current account in foreign currency N° 191-2508813-1-54 | | 90,574 |
| Current account in Soles N° 191-2516660-0-07 | 43,573 | 11,797 |
| | <u>43,573</u> | <u>102,371</u> |
| Less: | | |
| Transfers no made | | |
| Bank transfers not collected foreign currency | 218 | 59 |
| Disbursements drawn and not paid in national currency | <u>(21,446)</u> | <u>(5,809)</u> |
| Total available balance at December 31, 2023 | | <u><u>96,621</u></u> |

11. 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 funds for the period from January 01 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023 for the project “*Securing the Future of Peru’s Natural Protected Areas*” funded by The Global Environment Facility – GEF, through of Worldlife Fund – WWF, and have issued our unqualified opinion thereof on April 15, 2024.
2. Our review was intended to provide an opinion on the statement of funds and the statement of accumulated investments for the period from January 01 to December 31, 2023 of the project “*Securing the Future of Peru’s Natural Protected Areas*”, 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 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, in our opinion, 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, The Global Environment Fund – GEF and Worldlife Fund, and should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 15, 2024

Countersigned by



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

Fonseca, Camargo y Asociados

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

Annex 1

CONSULTING SERVICES
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2023
(Expressed in US Dollars in Soles)

| <u>Description</u> | <u>Consultant</u> | <u>Total in US Dollars</u> | <u>Total in Soles</u> | <u>Beginning</u> | <u>End</u> |
|--|--------------------------------------|----------------------------|-----------------------|------------------|------------|
| Software quality analysis service for definition and implementation of the testing environment of the computer modules of the strategic and operational planning processes of SERNANP. | ENRIQUE NELSON JUAN DE DIOS VALENCIA | - | 101,250 | 17/04/2023 | 20/05/2024 |
| Analysis service of the Geographic Information System for integration of the computer modules of the strategic and operational planning processes of SERNANP. | RIVERA REYNA JEANPIER | - | 101,250 | 17/04/2023 | 20/05/2024 |
| Software Architect Service for definition and implementation of the hardware and software architecture of the computer modules of the strategic and operational planning processes of SERNANP. | LAVERIANO PORTILLA JULIO ANTONIO | - | 101,250 | 17/04/2023 | 20/05/2024 |
| Full Stack programmer service for the development of products and/or software components of the computer modules of the SERNANP strategic and operational planning processes. | GAGO EGOICHEAGA CESAR ENRIQUE | - | 101,250 | 17/04/2023 | 20/05/2024 |
| Full Stack programmer service for the development of products and/or software components of the computer modules of the SERNANP strategic and operational planning processes. | ONORI LOPEZ ANTHONY BRYAN | - | 101,250 | 17/04/2023 | 20/05/2024 |
| Financial model update service for the 76 ANP of national administration and dependencies of the SERNANP headquarters within the framework of the process of updating the financial plan of that entity. | NUÑEZ ROSALES SEGUNDO JAVIER | 20,000 | - | 21/08/2023 | 28/11/2023 |
| | | <u>20,000</u> | <u>506,250</u> | | |

INDEPENDENT AUDITOR'S OPINION ON THE STATUS OF COMPLIANCE WITH THE CLAUSES OF THE AGREEMENT (GRANT)

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

1. We have audited the statement of funds for the period from January 01 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023 for the project "*Securing the Future of Peru's Natural Protected Areas*" funded by The Global Environment Facility – GEF, through of Worldlife Fund - WWF, and have issued our unqualified opinion on April 15, 2024
2. We conducted our audit in accordance with the International Standards on Auditing disclosed by the *International Auditing and Assurance Standards Board*, 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 that PROFONANPE has complied with the terms of the above-mentioned Agreement. An audit includes the examination, based on evidence, of appropriate evidence. We believe that our examination provides a reasonable basis for our opinion.
3. In our opinion, in the period from January 01 to December 31, 2023, PROFONANPE complied in all material respects with the provisions of the Agreement (Grant) signed with The Global Environment Facility - GEF.
4. This report is issued solely for the knowledge and use of PROFONANPE, The Global Environment Facility – GEF and Worldlife Fund - WWF, so it should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 15, 2024

Countersigned by:



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

Fonseca, Camargo y Asociados

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

**STATUS OF COMPLIANCE WITH THE CLAUSES OF THE AGREEMENT
FOR THE YEAR ENDED DECEMBER 31,2023**

| <u>Reference</u> | <u>Description</u> | <u>Evaluating</u> |
|-------------------------|--|--------------------------|
| H | Deliverable | |
| | 1. Technical reports | |
| | Convenio colaborativo entre SERNANP y PROFONANPE | Status: Accomplished |
| | Annual work plan and budget, with the non-objection of WWF - GEF. | Status: Accomplished |
| | Operation Manual by PDP | Status: Accomplished |
| | Project Progress Reports (PPR), including the annual work plan | Status: Accomplished |
| | Financial reports presented in the attached format (quarterly one month following the end of the quarter). | Status: Accomplished |
| | 3. Audits carried out | |
| | Annual financial audit of the project, including a copy and letter indicating that no material errors were found.. | Status: Accomplished |
| | TERMA AND CONDITION | |
| | 1. Use of funds | |
| | 1.2 Only reasonable, approved and documented cost expenditures identified in the project budget are allowed. All expenses must be incurred during the agreement period. | Status: Accomplished |
| | 1.5. Any funds from the Agreement in US Dollars that are exchanged into local currency must be exchanged at the best exchange rate through authorized channels in application of laws and regulations. | Status: Accomplished |
| | 3.Financial records | |
| | The grantee agrees to maintain separate financial records in accordance with generally accepted accounting principles and procedures for spending, as provided in the agreement. | Status: Accomplished |
| | 6.Public recognition | |
| | 6.1 GEF Visibility. The grantee will include activity-related information and communications to identify GEF support for projects and to communicate project results to the public. | Status: Accomplished |
| | 14. Compliance with law | |
| | The grantee agrees to comply with all applicable local labor and social laws. | Status: Accomplished |

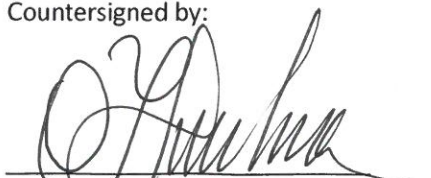
INDEPENDENT AUDITOR'S OPINION ON THE STATUS OF FUNDING REQUESTS

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

1. We have audited the statement of sources and use of funds for the period from January 01 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the project “*Securing the Future of Peru’s Natural Protected Areas*” funded by The Global Environment Facility – GEF, through of Worldlife Fund – WWF, and we have issued our unqualified opinion on April 15, 2024.
2. Our audit was conducted in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of the Peruvian Institute of Public Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. A financial audit is performed on a test basis to select the evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements as a whole. We believe that our examination provides a reasonable basis for our opinion.
3. It is PROFONANPE's policy to prepare requests for funds in accordance with the cash accounting method. Under this accounting method, income is recognized when received and expenses when paid.
4. In our opinion, the status of Funding Requests fairly presents the expenses made in the period January 01 to December 31, 2023 submitted by PROFONANPE. In addition: (a) such expenses are eligible for funding under the Agreement; (b) the accounting and internal control procedures used in their preparation are adequate and PROFONANPE has maintained appropriate documentation to support such applications; and, (c) the funds have been used solely for the purposes of the project.
5. This report is issued only for the knowledge and use of The Global Environment Facility, World Wildlife Fund – WWF and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
April 15, 2024

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Camargo y Asociados

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

PROJECT "SECURING THE FUTURE OF PERU'S NATURAL PROTECTED AREAS" FUNDED FOR THE GLOBAL ENVIRONMENT FACILITY - GEF, THROUGH OF WORLD WILDLIFE FUND – WWF, GRANT AGREEMENT # GD67

STATUS OF FUNDING REQUESTS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2023
(Expressed in U.S. Dollars)

| Fecha | Concepto | Total gastos en US \$ |
|--------------|---|------------------------------|
| 04/27/2023 | Transfer: period from January to March 2023 | 79,207 |
| 05/25/2023 | Transfer: period from May to June, 2023 | 162,651 |
| 06/28/2023 | Transfer: period from May to June, 2023 | 162,651 |
| 09/12/2023 | Transfer: periodo from July to setember, 2023 | 56,156 |
| 10/31/2023 | Transfer: period from October to December, 2023 | 32,617 |
| 12/19/2023 | Transfer: period from October to December,2023 | 299,528 |
| | | <u>792,810</u> |

INDEPENDENT AUDITOR'S OPINION ON THE INTERNAL CONTROL STRUCTURE

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

April 15, 2024

1. We have audited the statement of funds for the period from January 01 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023 for the project *"Securing the Future of Peru's Natural Protected Areas"* funded by The Global Environment Facility – GEF, through of Worldlife Fund – WWF, and have issued our unqualified opinion thereof on April 15, 2024.
2. 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.
3. 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 aforementioned agreements, in accordance with the basis of accounting described in Note 2 to the financial statements.
4. 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.

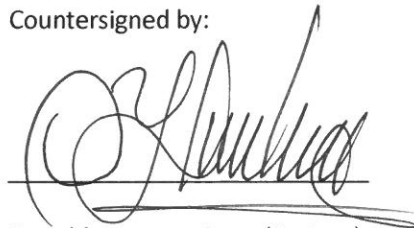
PROFONANPE

5. 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.

6. This report is issued solely for the knowledge and use of PROFONANPE, The Global Environment Fund – GEF and Worldlife Fund, and should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 15, 2024

Countersigned by:



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

Fonseca, Camargo y Asociados

PROFONANPE

Project "Securing the Future of Peru's Natural Protected Areas" funded for The Global Environment Facility - GEF, through of World Wildlife Fund – WWF, Grant Agreement # GD67

Audit of financial statements for the year ended December 31, 2023

Annex N° 2

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 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.

Use 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 set out in the Master Accreditation Agreement and the Funded Activity Agreement (Grants).
 - 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 an opinion regarding the compliance of the project-executing agency with the terms of the Agreement.

Specific procedures

1. We obtained information from the Project's management regarding the following:
 - Grant Agreement.
 - Progress reports; description of the accounting system; policies and procedures for the selection and hiring of consultants and acquisition of assets, as well as any other necessary documentation.
2. Based on the Agreement, we extracted the applicable clauses in order to take them into account in the evaluation.
3. We will prepare a summary certificate for each of the clauses of the Agreement indicating the current status of each one of them (accomplished, in process or pending) at the date of the review.
4. The above document supports our opinion on compliance with the terms of the Agreement as a supplement to the principal opinion on the project's financial statements.

Objective N 4

Issue an opinion on the status of funding requests, in order to determine if the expenses included are eligible and the information is reliable, as well as if the accounting and internal control procedures are appropriate, as well as whether the funds were used solely for of the project.

Specific procedures

5. Obtain from the project administration the following documents:
 - a) Requests for funds submitted by PROFONANPE.
 - b) Documentation supporting the requests for funds.
 - c) Detailed reports of disbursements and transactions.

6. Based on the information obtained, we apply the following procedures for the examination of funds from the cooperating source:
 - a) Verify that the expense documents related to the project financing source were duly documented and had the approval of the officials responsible for the Treasury and Accounting areas.

 - b) Verify that the payment vouchers have the "PAID" stamp.

 - c) Verify that the payment documents were properly registered and classified in the corresponding investment category.

 - d) Verify that the supporting documentation of the payment vouchers was canceled and properly documented.

 - e) Verify that the exchange rate used in each request for funds prepared by the executing entity of the project is appropriate.

 - f) Verify if the executed expenses are eligible and the supporting information is reliable, as well as if the accounting and internal control procedures are appropriate.

Objective N° 5

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.