

AUDIT OF FINANCIAL STATEMENTS OF PROFONANPE

Audit Report of the Financial Statements of the Agreement Grant PER-RS-006 from the GCF Preparation and Preparatory Support Program: Strengthening Capacities for NDC Implementation in Peru Improving the Knowledge Management and Reporting Strategy, for the period from August 28, 2023 to August 31 December, 2023



AUDIT OF FINANCIAL STATEMENTS PROFONANPE

Audit Report of the Financial Statements of the Grant Agreement PER-RS-006 of the GCF Preparatory Preparation and Support Program: Capacity Building for the Implementation of NDCs in Peru Improving the Knowledge Management and Reporting Strategy, for the period from August 28, 2023 to December 31, 2023

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EXECUTIVE SUMMARY

Lord:

Anton Willems Delanoy

Chief Executive Officer

PROFONANPE

This document constitutes the "Executive Summary" of the Audit Report of the Financial Statements of the Grant Agreement PER-RS-006 from August 28, 2023 to December 31, 2023 of the GCF Preparatory and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru Improving the Knowledge Management and Reporting Strategy". The content of this summary is as follows:

1. BACKGROUND

a) UNOPS

Since 1995, UNOPS has been working in Peru providing project management, infrastructure, procurement and advisory services. The UNOPS country team mainly provides technical assistance to build the capacity of the Government to improve the effectiveness of the services it provides to the population.

UNOPS supports a wide variety of projects in the areas of health, education, social justice and inclusion, governance and public policy, environment, transport, agriculture and sports and leisure.

b) Executing entity of the project

Profonanpe is a private non-profit institution, established by Decree Law No. 26154 of December 29, 1992, with the purpose of administering the National Fund for Natural Areas Protected by the State (FONANPE) and enjoys legal existence and legal personality of its own. In accordance with the provisions of Article 181.1 of the Regulations of the Law on Natural Protected Areas (Supreme Decree No. 038-2001-AG), Profonanpe is responsible for capturing, channeling and allocating the complementary resources required to contribute to the conservation, protection and management of the Natural Protected Areas included in the aforementioned Regulation.

c) From the Donation Agreement

On June 21, 2023, the Donation Agreement PER-RS-006 of the GCF Preparatory Preparation and Support Program was signed: "Strengthening Capacities for the Implementation of NDCs in Peru Improving the Knowledge Management and Reporting Strategy", in order to strengthen Profonanpe's institutional capacities, also on August 28, 2023, the Donor made the first disbursement for US\$ 142,525

This agreement establishes that the total amount of financing for the Project is US\$ 598,341 to be executed over 24 months, for the period from August 28, 2023 to August 28, 2025.

2. OBJECTIVES AND SCOPE OF THE AUDIT

The contract for external audit professional services signed with Profonanpe to carry out the audit of the GCF Preparatory and Support Program: "Capacity Building for NDCs Implementation in Peru Improving the Knowledge Management and Reporting Strategy", established the following objectives:

- To issue an opinion on whether the financial statements of the Project present fairly, in all material respects, the sources and uses made during the audited period, in accordance with accounting standards acceptable to the Donor and with the requirements of the respective agreement.
- Issue an opinion regarding compliance with the clauses provided for in the PER-RS-006 Donation Agreement.
- Issue a report regarding the adequacy of the internal control structure of the executing entity in relation to the Project.

Our audit was carried out in accordance with the International Auditing Standards issued by the International Auditing and Assurance Standards Board - IAASB approved for application in Peru by the Board of Deans of Associations of Public Accountants of Peru, so it included the transactions carried out with the funds of the aforementioned Donation Agreement, for the period from August 28, 2023 to December 31, 2023.

3. AUDIT RESULTS

From the audit of the financial statements of the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru by Improving the Knowledge Management and Reporting Strategy", for the period from August 28, 2023 to December 31, 2023, we have issued our audit report on March 08, 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 for the period from August 28, 2023 to December 31, 2023.
- Profonanpe reasonably complied with the clauses of the Donation Agreement PER-RS-006, for the period from August 28, 2023 to December 31, 2023.
- We are of the opinion that expenditures executed with UNOPS-funded project funds, included in the funding requests submitted in the periods under review, are valid and eligible. We are also of the opinion that the funds were used only for the purposes of the above-mentioned project.

- In the report on the internal control established by Profonanpe in the period from August 28, 2023 to December 31, 2023, no significant deficiencies are reported regarding the design and operation of internal controls in the project.

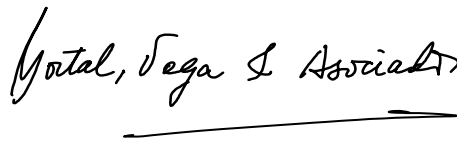
4. COMMENTS FROM THE ENTITY

The Executive Management of Profonanpe has taken cognizance of this audit report.

Lima, Perú
March 08, 2024
Endorsed by:



_____(Partner)
Johnny Mires Dávila
Collegiate Public Accountant
Registration N° 19870



Portal, Vega & Asociados

OPINION OF THE INDEPENDENT AUDITORS ABOUT THE PROJECT'S FINANCIAL STATEMENTS

To the members of the Board of Directors and Executive Director
PROFONANPE

Opinion

We have audited the financial statements of the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru by Improving the Knowledge Management Strategy and Reporting", executed by the **PROFONANPE Association**, through Donation Agreement PER-RS-006, which includes the Statement of Sources and Uses of Funds for the period from August 28, 2023 to December 31, 2023 and the Statement of Accumulated Investments as of December 31, 2023, as well as its explanatory notes to the financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru by Improving Knowledge Management Strategy and Reporting", are presented reasonably in all material respects the Statement of Sources and Uses of Funds for the period from August 28 to December 31, 2023, and the Statement of Accumulated Investments as of December 31, 2023, in accordance with the Accounting Policies described in Note 2 to the financial statements and the terms of the aforementioned Donation Agreement.

Basis of the Opinion

We have conducted our audit in accordance with International Standards on Auditing - ISAs. Our responsibility under these standards is described in the Auditor's Responsibilities section in connection with the audit of the financial statements in our report. We are independent of the GCF Preparatory Preparation and Support Program: "Capacity Building for the Implementation of NDCs in Peru by Improving the Knowledge Management Strategy and Reporting", in accordance with the provisions of the Code of Professional Ethics issued by the Board of Deans of the College of Public Accountants of Peru and provisions of the Code of Ethics for Professional Accountants issued by the Standards Council International Ethics Standards (IESBA), and we have fulfilled our other ethics responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Emphasis Issues

Without changing our view, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements have been prepared to assist the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru Improving the Knowledge Management Strategy and Reporting" through Grant Agreement PER-RS-006, for the period from August 28, 2023 to December 31, 2023, executed by PROFONANPE, have been prepared in accordance with the cash accounting base. According to this accounting basis, income is recognized when it is received, and expenses when it is paid and not when it is accrued, which gives rise to a method different from that based on accounting principles generally accepted in Peru. Accordingly, the financial statements may not be appropriate for another purpose.

Our report is intended solely for use by PROFONANPE and UNOPS, and should not be distributed or used by other users. However, this report may become a public document, in which case its distribution would not be limited. Our view has not changed on this issue.

Other Legal and Regulatory Requirements

No situations were observed that indicate non-compliance with accounting and financial clauses included in the PER-RS-006 Donation Agreement during the period of this audit.

Responsibilities of the Management of PROFONANPE, in relation to the Financial Statements of the Project

PROFONANPE's management is responsible for the preparation of the project's financial statements and explanatory notes, in accordance with the cash accounting basis and terms of the PER-RS-006 Grant Agreement, as well as for those internal controls that the Administration deems necessary to ensure that such statements are free from significant distortions due to fraud or error.

In preparing the financial statements, Management is responsible for evaluating the ability of the Project to continue as a going concern, disclosing whether applicable matters relating to such capacity and the use of the going concern basis as a fundamental assumption of accounting policies, unless the Project is intended to be liquidated. cease operations or have no alternative but to do so.

Auditor's Responsibilities in Connection with the Audit of the Project's Financial Statements

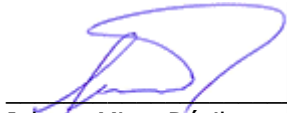
Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit opinion that includes our opinion. Reasonable security is a high degree of security, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement if it exists. Misstatements may be due to fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions that users make on the basis of the financial statements.

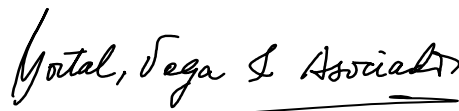
As part of our audit, in accordance with the ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the Project audit process. Additionally:

- We identify and assess risks of material misstatement in the financial statements, due to fraud or error, design and implement audit procedures to respond to such risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally misrepresentations, or the nullification or circumvention of internal control.

- We obtained an understanding of the relevant internal control system implemented by the executing agency of the Project, in relation to the execution of the actions and activities of the Project Components, in order to design audit procedures that are appropriate based on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system of the Project.
- We evaluate the adequacy of the accounting policies applied, and their corresponding information disclosed by the Project Management.
- We conclude on the proper use by Project Management of the going concern accounting principle and, based on the audit evidence obtained, whether or not there is material uncertainty related to facts or conditions that may raise significant doubts about the ability of the Project to continue as a going concern. If we conclude that there is material uncertainty, we must draw attention to disclosures related to the financial statements in our audit or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained to date from our audit opinion. However, future events or conditions may cause the Project to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the respective underlying transactions and events in a manner that achieves a fair presentation of the financial statements.
- We communicate to those responsible for the executing agency of the Project, aspects related to, among other issues, the scope and timing of the performance of the planned audit and the audit findings or observations, if any, as well as any significant deficiencies in internal control identified in the course of our audit.

Lima, Perú
March 08, 2024
Endorsed by:


_____(Partner)
Johnny Mires Dávila
Collegiate Public Accountant
Registration N° 19870



Portal Vega & Asociados

**AUDIT OF FINANCIAL STATEMENTS
PROFONANPE**

**STATUS OF SOURCES AND USES OF FUNDS
FOR THE PERIOD FROM AUGUST 28 TO DECEMBER 31, 2023**

	Note	From	Cumulative
		28.08.2023 to	as of
		31.12.2023	31.12.2023
		US\$	US\$
FUNDING SOURCES:			
Funds transferred by the donor	(3)	142,525	142,525
Interest Earned		76	76
Total Source of Funds		<u>142,601</u>	<u>142,601</u>
LESS:			
Use of Funds			
Component 1: Operating Costs by "Project Outcome"			
Outcome 5.1: Best practices are developed and disseminated with respect to institutional capacity building and coordination, direct access and channel development to strengthen the engagement of NDAs, ESDs and implementing partners with the GCF.			
a. Professional Services Business/Firm	(4)	(6,368)	(6,368)
b. Workshop & Training		(543)	(543)
Total Use of Funds		<u>(6,911)</u>	<u>(6,911)</u>
Accounts to be regularized		(25)	(25)
		<u>(25)</u>	<u>(25)</u>
Cash Increase and Decrease		<u>135,665</u>	<u>135,665</u>
Effective at the beginning of the period		-	-
Bank Book Balance		<u>135,665</u>	<u>135,665</u>

The accompanying notes form part of the financial statements.



PROFONANPE
STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE PERIOD FROM AUGUST 28, 2023 TO DECEMBER 31, 2023

Component/Category	Investment from 28.08.2023 to 31.12.2023 US\$	Cumulative as of 31.12.2023 US\$	Total Budget US\$
Component 1: Operating Costs by "Project Outcome"			
Outcome 1.2: Direct Access Applicants and Accredited Entities (DAEs) have established capacity to meet and maintain GCF accreditation standards; and accredited DAEs have the capacity to develop a portfolio of projects and effectively implement GCF-funded activities.			
Professional Services – Corporate/Firm	-	-	212,950
Workshop/Training	-	-	4,000
Total 1.2	-	-	216,950
Outcome 2.4: Strategies to transform and attract private sector investment to achieve low emissions and resilience developed and in use.			
Consultant - Individual - Local	-	-	30,000
Total 2.4	-	-	30,000
Outcome 4.1: An increase in the number of quality project concept notes developed and submitted.			
Consultor - Individual - Local	-	-	100,000
Total 4.1	-	-	100,000
Outcome 5.1: Best practices are developed and disseminated with respect to institutional capacity building and coordination, direct access and channel development to strengthen the engagement of NDAs, ESDs and implementing partners with the GCF.			
Professional Services – Corporate/Firm	6,368	6,368	92,020
Travel – Local	-	-	31,450
Workshop/Training	543	543	19,772
Total 5.1	6,911	6,911	143,242
Total Operating Cost	6,911	6,911	490,192
Component 2: Project Management Cost			
Audit Fee	-	-	10,000
Material de oficina	-	-	2,400
Profonanpe's internal services: Analysts / Specialists for Project Manager roles	-	-	23,358
Profonanpe's internal services: Financial Administration	-	-	1,007
Total Project Management Cost	-	-	36,764
Contingency	-	-	24,510
Delivery Partner Fee	-	-	46,875
TOTAL INVESTMENT	6,911	6,911	598,341

The accompanying notes form part of the financial statements.



PROFONANPE**GCF PREPARATORY AND PREPARATORY SUPPORT PROGRAMME: CAPACITY BUILDING FOR NDC IMPLEMENTATION IN PERU BY IMPROVING KNOWLEDGE MANAGEMENT AND REPORTING STRATEGY****NOTES TO THE STATEMENT OF SOURCES AND USES OF FUNDS AND THE STATEMENT OF ACCUMULATED INVESTMENTS FOR THE PERIOD FROM AUGUST 28, 2023, TO DECEMBER 31, 2023****1. NATURE AND ACTIVITIES OF THE ENTITY AND THE PROJECT****a) UNOPS**

Since 1995, UNOPS has been working in Peru, providing project management, infrastructure, procurement and advisory services. The UNOPS country team mainly provides technical assistance to build the Government's capacity to improve the effectiveness of the services it provides to the population.

UNOPS supports a wide range of projects in the areas of health, education, justice and social inclusion, governance and policy, environment, transport, agriculture, and sports and leisure.

b) OF THE PROJECT EXECUTING ENTITY

Profonanpe is a non-profit private law institution of public and social interest, established in Peru by Decree Law No. 26154 of December 1992 to administer the National Fund for Natural Areas Protected by the State. The Single Integrated Text of Profonanpe's bylaws was approved by the Board of Directors of that institution at its meeting on August 25, 2009 and registered in the Public Registry of Lima on January 15, 2010, Profonanpe, is governed by its Statutes and in a supplementary manner by the rules of the Civil Code of Peru.

c) OF THE DONATION AGREEMENT

The purpose of this Agreement is to strengthen the institutional capacities of Profonanpe as a Direct Access Entity (DAE) of Peru.

Payments to the Grantee will be made in accordance with the following schedule once the Grantee submits the appropriate milestone reports along with payment requests, subject to the Grantee's continued compliance with its obligations under this Agreement:

Tranche 1: US\$ 142,524.70 (One Hundred and Forty-Two Thousand Five Hundred and Twenty-Four United States Dollars and Seventy Cents), upon signature of this Agreement by both parties.

Tranche 2: USD 211,524.70 (Two Hundred and Eleven Thousand Five Hundred and Twenty-Four United States Dollars and Seventy Cents), will only be transferred upon certification by UNOPS of receipt and acceptance of (a) the interim progress report, including any attachments or hyperlinks to the immediate deliverables and (b) the interim audited financial report (including an audited statement of expenditure) indicating that at least 70 per cent of the first payment will be paid to the has spent or committed according to the proposal approved by the Green Climate Fund.

Tranche 3: USD 161,834.60 (One Hundred and Sixty-One Thousand Eight Hundred and Thirty-Four United States Dollars and Sixty Cents), will only be transferred upon certification by UNOPS of receipt and acceptance of (a) the interim progress report, including any attachments or hyperlinks to the immediate deliverables and (b) the interim financial report, in form and substance acceptable to the Fund, indicating that at least 70% of the first payment has been spent or committed based on the proposal approved by the Green Climate Fund.



Tranche 4: USD 82,457.00 (Eighty-Two Thousand Four Hundred and Fifty-Seven United States Dollars), upon certification by UNOPS of receipt and acceptance of (a) the project completion report, including attachments or hyperlinks to immediate deliverables and (b) the final audited financial report. (including an audited statement of expenditure) based on the proposal approved by the Green Climate Fund, on the date specified in Clause 6.2.

The total budget is US\$ 598,341

Description by Category	En US\$
Total Results Budget	490,192
Project Management Cost	36,764
Contingency	24,510
Sub Total	551,466
Delivery Partner Fee	46,875
Total	598,341

2. ACCOUNTING POLICIES AND PRACTICES

The most important accounting policies used for the recording of operations and the preparation of the project's financial statements are the following:

- a) Presentation of the financial statements
The financial statements of the project were prepared by Profonanpe based on the accounting records that are kept in accordance with the accounting standards applicable in Peru and the procedures established for that purpose.
- b) Accounting basis
The statement of sources and uses of funds and the statement of accumulated investments are prepared in accordance with the accounting basis of cash. On this basis, income is recognized when it is received, and expenses when it is paid, and not when it is accrued. The adoption of this accounting basis gives rise to a different method from that based on accounting principles generally accepted in Peru.
- c) Monetary unit
For presentation purposes, the financial statements of the Agreement 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 financial statements (statement of sources and uses of funds and statement of accumulated investments), funds in Soles are converted to U.S. Dollars at the exchange rate in effect on the date they were monetized.
- e) Statement of Sources and Uses of Funds
This financial statement shows the cash transactions carried out by the executing entity, classified into Sources of Funds (Income); Use of Funds (Expenses) and Cash on Hand at the end of the period.
- f) Statement of Cumulative Investments
This statement records disbursements made from funds transferred by the donor and classified under the appropriate budget lines for each period.



3. FUNDING SOURCES

During the period from 28 August 2023 to 31 December 2023, the funds received from UNOPS in connection with the PER-RS-006 Grant Agreement consist of advances received and direct payments managed with UNOPS.

It comprises the following (expressed in US dollars):

<u>Date</u>	<u>Description</u>	<u>Total</u>
28/08/2023	Transfer of Funds	142,525
Total		<u>142,525</u>

4. USE OF FUNDS - OPERATING COSTS

Outcome 5.1: Best practices are developed and disseminated with regard to institutional capacity building and coordination, direct access and channel development to strengthen the engagement of NDAs, DAEs and implementing partners with the GCF.

Savvies:

<u>Description</u>	<u>From August 28 to December 31, 2023</u>
Professional Services	6,368
Training Workshops	543
Total	<u>6,911</u>

5. AVAILABLE UNTIL DECEMBER 31, 2023

The availability of cash is as follows:

<u>DETAIL</u>	<u>From 28.08.2023 to 31.12.2023</u>	
	<u>S/</u>	<u>US\$</u>
Banco de Crédito Foreign Currency Savings Account No. 191-79803449-1-42		132,575
Banco de Crédito Current Account National Currency No. 193-1188608-0-39	11,404	3,089
But		
Pending Expenditures		<u>217</u>
Balance		<u>135,881</u>

6. HECHOS POSTERIORES

We are not aware of any material events that occurred between the closing date of the financial statements of the project and the date of this report that could materially affect them.



REPORT OF THE INDEPENDENT AUDITORS ON THE STATUS OF COMPLIANCE WITH THE PROVISIONS OF THE DONATION AGREEMENT

To the members of the Board of Directors and Executive Director
PROFONANPE

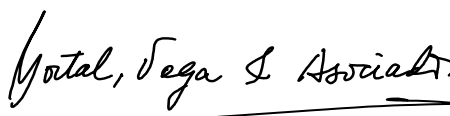
1. We have audited the Statement of Sources and Uses of Funds for the period from August 28, 2023 to December 31, 2023 and the statement of accumulated investments as of December 31, 2023, corresponding to the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru by Improving the Knowledge Management Strategy and Reporting", We have issued our unqualified opinion on them, dated March 8, 2024.
2. Our examination was conducted in accordance with the International Auditing Standards disclosed by the International Auditing and Assurance Standards Board, approved for application in Peru by the Board of Deans of the College of Public Accountants of Peru applicable to compliance auditing. Such standards require us to plan and execute the audit to obtain reasonable assurance that Profonanpe has complied with the clauses of the Donation Agreement in the aspects shown in the attached compliance status. An audit includes the examination, based on evidence, of appropriate evidence.
We consider that our review provides a reasonable basis for our opinion.
3. It is our opinion, for the period from August 28, 2023 to December 31, 2023, Profonanpe complied in all its material aspects with the clauses of the aforementioned Donation Agreement.
4. This report is issued solely for the knowledge and use of Profonanpe and UNOPS, so it should not be used by others or for purposes other than those indicated herein.

Lima, Perú
March 08, 2024
Endorsed by:



(Partner)

Johnny Mires Dávila
Collegiate Public Accountant
Registration N° 19870



**STATUS OF COMPLIANCE WITH CLAUSES OF THE AGREEMENT
FOR THE PERIOD FROM AUGUST 28, 2023 TO DECEMBER 31, 2023**

Reference	Description	Evaluation
Section 3.1	UNOPS and the beneficiary undertake to preserve the confidentiality of any document information or other material directly related to the Activity that is considered or classified as confidential, where disclosure could cause harm to the other part	Fulfilled clause
Section 7.2	The grantee must report, in writing, deviations from the budget and programme plans, and request prior approvals from UNOPS for any of the following reasons: (a) Change the scope or objectives of the programme and/or revise the funding allocated between the project objectives. (b) Change a key person when specified in the Agreement, or allow for a 25% reduction in time spent on the project. (c) Additional funding is needed, (d) Where indirect costs have been authorized, the Grantee intends to transfer budget funds for indirect costs to absorb increases in direct costs or vice versa. (e) Grantee intends to contract or award any work under this Agreement, and such contracts or grants were not included in the approved budget of the Agreement. (f) Commit any resources from the contingency line item in the budget.	Fulfilled clause
Section 7.3	The Beneficiary is restricted to transferring funds between cost categories.	
	The Grantee is required to obtain prior approval from UNOPS prior to making the budget change, which is expected to exceed 50 per cent of the total grant budget.	Fulfilled clause
Section 8.2A	The Beneficiary shall establish written procurement procedures if the acquisition of goods or services for a value exceeding US\$2,500 is anticipated under this Agreement.	Fulfilled clause
Section 10	The Beneficiary shall be solely responsible for any third-party claims arising out of the Beneficiary's acts or omissions in the course of performing this Agreement and under no circumstances shall UNOPS be liable for such third-party claims. The Beneficiary shall indemnify, defend, save and hold harmless UNOPS with respect to such claims. This indemnification shall survive the termination or expiration of the Agreement.	Fulfilled clause
Section 21	Nothing in this Agreement shall be deemed a waiver of the privileges and immunities of the United Nations and/or UNOPS.	Fulfilled clause



REPORT OF THE INDEPENDENT AUDITORS ON THE INTERNAL CONTROL STRUCTURE

To the members of the Board of Directors and Executive Director
PROFONANPE


1. We have audited the Statement of Sources and Uses of Funds for the period from August 28 to December 31, 2023 and the statement and accumulated investments as of December 31, 2023, corresponding to the GCF Preparatory Preparation and Support Program: "Strengthening Capacities for the Implementation of NDCs in Peru by Improving the Knowledge Management Strategy and Reporting", and we have issued our unqualified opinion on them, dated March 8, 2024.
2. Our examination of the project's financial statements was conducted in accordance with the International Auditing Standards disclosed by the International Auditing and Assurance Standards Board and approved for application in Peru by the Board of Deans of the College of Public Accountants of Peru. These standards require us to plan and execute the audit to obtain reasonable assurance that the financial statements under review do not include material misstatement. In planning and executing our audit of the project's financial statements, we consider the internal control structure related to the project in order to determine our audit procedures to express our opinion on the aforementioned financial statements and not to express an opinion on the internal control structure.
3. The Profonanpe administration is responsible for establishing and maintaining an internal control structure. To fulfill this responsibility, the executor must make estimates and judgments to evaluate the expected benefits and costs related to the policies and procedures of such a structure. The objectives of an internal control system are to provide reasonable, but not absolute, assurance that assets are protected against loss due to unauthorized use or disposal, that transactions are carried out in accordance with Profonanpe's authorizations and the terms of the aforementioned Agreement, in accordance with the accounting basis described in Note 2 to the project's financial statements.
4. Due to inherent limitations in any internal control system, errors and irregularities may occur that go undetected. In addition, the 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 errors may arise when applying control procedures due to inappropriate understanding of instructions, errors in judgment, lack of attention by personnel, human errors, among other factors. Likewise, those procedures whose effectiveness is based on the segregation of duties could be circumvented in the event of collusion between employees involved in internal accounting and financial control, as well as procedures whose objective is to ensure that transactions are carried out according to the terms authorized by management, may be rendered ineffective if decisions are taken in an erroneous or irregular manner. Therefore, we cannot ensure that all processing errors, deficiencies in the internal control system or non-compliance with applicable regulations have been revealed in the course of our audit, and therefore we do not express an opinion as to whether all of the internal accounting control and compliance procedures established were correctly applied in the year.
5. A significant 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 in relation to the project's financial statements, they may occur and not be detected in a timely manner by employees in the normal course of their duties. We do not see any issues regarding 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 and UNOPS, so it should not be used by others for purposes other than those indicated herein.

Lima, Perú
March 08, 2024
Refrendado por:

Portal, Vega & Asociados


_____(Socio)
Johnny Mires Dávila
Chartered Public Accountant
Registration No. 19870



Annex N°1**SUMMARY OF AUDIT PROCEDURES APPLIED**

The audit plan and programme developed for the audit describes the procedures applied in the review of the project's financial statements; compliance with clauses of the Convention; evaluation of the status of requests for funds and evaluation of the internal control system. A summary of the audit procedures applied in our review is set out below:

Objectives**Objectives N°1**

Issue an opinion on the status of sources and uses of funds; statement of cumulative investments, and notes to the financial statements and supplementary information of the project.

Specific Procedures

1. Obtaining the financial statements of the project for the period examined, these being the following:
 - a) Status of Sources and Uses of Funds.
 - b) Statement of Cumulative Investments.
 - c) Notes to the Financial Statements.
 - d) Supplementary information.
2. Review of documentation related to the background of the project and other aspects of the management of the resources that included:
 - Understanding of the organizational structure of the implementing entity of the Agreement, its internal financial control system, regulations and internal rules applicable to the execution of project funds.
 - Donation Agreement, applicable regulations, Annual Operating Plan, budget and other related documents.
3. Obtaining the documents that support the expenses executed with the funds of the donation, to know if they are kept in an orderly manner in the files of the executing entity, through procedures that ensure the integrity of the information, and its easy location.

Audit of financial statements

4. The following audit procedures were included for the review of the statement of sources and uses of funds and the statement of accumulated investments:
 - a) Understanding of the internal control system and its components: control environment, risk assessment, control activities, information and communications system, and monitoring; From this, the material error risk assessment was carried out, through the assessment of the inherent risk and the control risk.
 - b) Understanding of the accounting policies used for the preparation of the project's basic financial statements in order to establish their application in the period under review.
 - c) Review of the donor's income in the period under review, to determine whether the funds were deposited in the Convention's bank account.



Sources of Funds

5. Reviewed the financial statements of the project that are presented by the executing entity of the project in United States dollars, in accordance with the following procedures:
 - a) We verify that the project's financial statements are prepared on a cash accounting basis, recognizing income when funds are received and expenditures when they are executed and represent disbursements of funds.
 - b) We verify that the project's financial statements are prepared on a cash accounting basis, recognizing income when funds are received and expenditures when they are executed and represent disbursements of funds.
6. We obtained from the administration of the executing entity of the project, the details of the funds received in the audited period and compared them with the credits in the relevant bank account.
7. We verify the accounting process followed by the project executing entity for the recording of the income received and issuance of the financial statements, in order to establish if they are adequate and properly documented.

Uses of Funds

8. We obtained from the administration of the executing entity the accounting record of the disbursements made and selected some items to examine the documentation of the expenditures executed, in order to determine whether they were properly classified, properly documented and applied for the purposes of the Convention, taking into account the following:
 - a) Eligibility of expenditures incurred in accordance with the provisions of the Convention.
 - b) Reliable documentary support, duly authorized and approved, verifying that the acceptance of the contracted service is included.
 - c) Correct accounting and budgetary allocation, taking into account the corresponding budget items.
 - d) Application of the prevailing exchange rate in the conversion of transactions made in local currency to U.S. dollars.
 - e) Regarding the justifications of expenditures, we verify compliance with the procedures established internally in the executing entity for the granting, use, surrender and control of the funds received from the donor.
9. We reconcile the uses of funds based on the statement of sources and uses of funds, with the balances of the statement of accumulated investments.

Statement of Cumulative Investments

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



Objective N°2

Issue an opinion regarding the compliance of the project executing entity with the terms set forth in the Agreement.

Specific Procedures

1. We obtained information from the Project administration regarding the following:
 - Donation Agreement.
 - Supervisory report; description of the accounting system]; policies and procedures for the selection of consultants, as well as any other necessary documentation.
2. Based on the Convention, we extract its main clauses in order to take them into account in the evaluation.
3. We will prepare a summary schedule in relation to each of the clauses of the Contractual Agreement and other regulations, indicating the current status of each of them (fulfilled; in process or pending) as of the date of the examination.
4. The document indicated above constitutes the support of our opinion on compliance with the terms of the Agreement, as a complement to the main opinion on the financial statements of the project.

Objective N°5

Issue a report on the adequacy of the executing entity's internal control system in aspects related to the Agreement.

Specific Procedures

5. The evaluation of the internal control system of the project will be carried out based on the elements and their operation during the period under review, in accordance with the structure of the COSO report. In this sense, the purpose of the evaluation is to identify both significant strengths and weaknesses, for which purpose, aspects related to organizational structure, information systems, procurement and/or contracting management, and financial management will be included.
6. In evaluating the control environment of the executing entity, aspects related to its organizational structure, line of authority, segregation of duties, policies and procedures for the selection and hiring of consultants are considered, especially the following:
 - a) Administrative procedures governing the activities and responsibilities of the financial management of resources.
 - b) Levels of authority, job descriptions, number and sufficiency of skills of staff working in the various areas of execution.
 - c) Segregation of duties in financial administration (treasury activities, accounting and preparation of financial statements).
7. When evaluating aspects related to internal control activities, those related to the design and execution of the control procedures established by Profonanpe, for the receipt, custody and payment of funds, are considered in order to establish whether they are appropriate for the purposes of the Agreement. Likewise, the evaluation of the control procedures for the selection and hiring of consultants required by the project was aimed at determining whether appropriate practices were followed for this purpose.
8. When evaluating the aspects related to the information system, the policies and procedures established by Profonanpe for recording, processing, summarizing and presenting financial information were taken into account, especially the following:



- a) Adequacy of data procedure systems to produce timely and reliable financial and accounting information.
- b) Ability of the accounting system to verify, control, and track all project-related sources and use of funds, including advance of funds transactions received.
- c) Capacity of the accounting system used for recording financial transactions.
- d) Evaluation of the monitoring activities carried out by PROFONANPE, to determine if they were adequately complied with in terms of providing adequate information on the functioning of internal controls and if appropriate corrective actions were taken to correct the differences identified by the administration of the funds of the Agreement.

