

PROFONANPE

**Report of Audit of financial statements, Project
"Effective implementation of the access regime and
participation in the benefits and traditional
knowledge in Peru according to the Nagoya
Protocol", financed by the Cooperation Agreement
signed between the United Nations Environment
Program and the Ministry of Environment, in
collaboration with PROFONANPE.
For the period from January 01 to December 31,
2022**

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Mr.
Anton Willems Delanoy
Executive Director
PROFONANPE
Lima – Peru

This document constitutes the **“Executive Summary”** of the financial audit report for the period from January 01 to December 31, 2022 of the project “Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”, financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE. The content of this summary is as follows:

1. BACKGROUND

a) United Nations Environment Program [PNUMA]

The United Nations Environment Program (UNEP) is an agency of the United Nations that coordinates environmental activities, helping developing countries to implement environmentally rational policies and practices. Its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their life without compromising those of future generations.

b) About the implementing agencies of the Cooperation Agreement

The Ministry of Environment is part of the Executive Branch of Peru, which was created by Legislative Decree and is the governing body of the national environmental management system. Its functions include designing, establishing, executing and supervising national and sectorial environmental policy. Its objectives are to strengthen decentralized environmental management, ensuring environmental quality and the conservation and sustainable use of the country's biological diversity and natural heritage.

PROFONANPE is a non-profit private law institution of public and social interest, constituted in Peru in 1992 to manage the National Fund for Natural Areas Protected by the Government. It is governed by its Statutes and in a supplementary manner by the rules of the Peruvian Civil Code.

c) About the Cooperation Agreement

In October 2017 and February 2018, representatives of the United Nations Environment Program (UN Environment), the Peruvian Ministry of Environment and PROFONANPE, signed a Cooperation Agreement to implement the project “Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”. The objective of the project is to strengthen national capacities for the effective implementation of the Access to Genetic Resources and Traditional Knowledge regimes in accordance with the Nagoya Protocol on access to genetic resources and the fair and equitable sharing of benefits arising out of their utilization, contributing to the conservation of biodiversity and human well-being in the country.

According to the Cooperation Agreement, the amount allocated to the project was US\$ 11'111,778, of which the Global Environment Fund finances US\$ 2'190,000 and co-financing from third parties amounts to US\$ 6'231,778. In addition, the in-kind contribution is provided by the Ministry of Environment (US\$ 2'340,000) and UN Environment (US\$ 350,000).

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 “Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”, financed by the United Nations Environment Program and other cooperating sources, fairly presents the sources and uses of funds in the period from January 01 to December 31, 2022, as well as the investments as of the last date, in accordance with the accounting policies applied and the terms of the Cooperation Agreement.
- Issue an opinion on whether the supplementary financial information as of December 31, 2022 has been fairly presented in all material respects.
- Issue an opinion regarding compliance with the clauses provided for in the Cooperation Agreement in the periods under review.
- Issue an opinion on: (a) whether expenses included in requests for funds submitted to the United Nations Environment Program are eligible, and thus whether the information presented in such requests is reasonably reliable, (b) whether the accounting and internal control procedures used in the preparation of the request are adequate, and (c) whether grant funds have been used solely for the purpose of the project in accordance with the requirements set out in the Cooperation 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 periods 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 Cooperation Agreement during the period from January 01 to December 31, 2022.

A summary of the audit procedures applied is presented in annex N° 3 of this report.

3. AUDIT RESULTS

From the audit of the financial statements of the Project “*Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol*” financed by the United Nations Environment Program for the period from January 01 to December 31, 2022, we have issued our audit report on March 24, 2023. 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 January 01 to December 31, 2022.

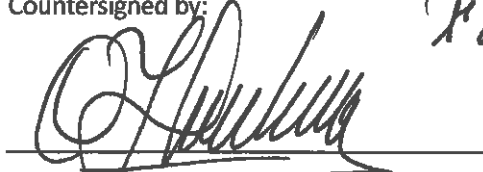
- Unqualified opinion on the supplementary information as of December 31, 2022.
- We believe that PROFONANPE reasonably complied with the clauses of the Cooperation Agreement for the periods January 01 to December 31, 2022.
- We believe that the expenses implemented with funds from the project financed by the United Nations Environment Program included in the requests for funds submitted in the period January 01 to December 31, 2022, are valid and eligible. We also believe that the funds were used solely for the purposes of the above-mentioned project.
- In the report on PROFONANPE's internal control for the period from January 01 to December 31, 2022, no significant deficiencies were reported regarding the design and operation of internal controls in the project.

4. ENTITY'S COMMENTS

The PROFONANPE's Executive Direction has taken knowledge of the present audit report and agrees with its contents.

Lima, Peru
March 24, 2023

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Comago & Associates

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

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

March 24, 2023

Opinion

1. We have audited the statement of sources and uses of funds for the period from January 01 to December 31, 2022 and the statement of accumulated investments as of December 31, 2022, corresponding to the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru”* according to the Nagoya Protocol, financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE, as implementing agencies, 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, 2022, and the cumulative investments of the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru”* according to the Nagoya Protocol financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section. We are independent of PROFONANPE in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements of the Code of Professional Ethics issued by the Board of Deans of Peruvian Institute of Public Accountants that are relevant to our audit of financial statements. We have complied with our ethical responsibilities under the IESBA Code of Ethics and the ethical requirements of the Code of Professional Ethics of the Board of Deans of the Peruvian Institute of Public Accountants. 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.

Those charged with governance of the entity are 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 "*Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru*" 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 on the basis of the financial statements.

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

Also:

- a) We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks and applied audit procedures to respond to those risks and obtained sufficient appropriate evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- c) We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- d) We conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to disclosures related to the financial statements or, if these disclosures are inadequate, to modify our opinion. The conclusions

are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the entity to cease to operate as a going concern.

- e) We evaluate the overall presentation, structure, content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate to those charged with 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 matter

- 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 "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru", for the period from January 01 to December 31, 2022, 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 only for the knowledge and use of the United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
March 24, 2023

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Comago & Associates

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2022

STATEMENT OF SOURCES AND USE OF FUNDS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022
 (Expressed in U.S. Dollars)
 (Notes 1 and 2)

	Notes	Accumulated to 12.31.2021	From 01.01.2022 to 12.31.2022	Accumulate d to 12.31.2022
SOURCE OF FUNDS				
Transfer of funds	3	1,633,242	395,305	2,028,547
Total source of funds		<u>1,633,242</u>	<u>395,305</u>	<u>2,028,547</u>
USE OF FUNDS				
10 Personnel		907,005	386,965	1,293,970
20 Sub contracts	5	105,329	81,235	186,564
30 Training	6	213,911	82,269	296,180
40 Equipment and local	7	89,933	28,782	118,715
50 Miscellaneous	8	143,610	66,992	210,602
Total use of fund by component		<u>1,459,788</u>	<u>646,243</u>	<u>2,106,031</u>
Exchange difference		14,330	(14,326)	4
Pending expenses		(909)	(78,847)	(79,756)
Advance of funds		471	679	1,150
Accounts to be regularized / ex change difference		13,892	(92,494)	(78,602)
Increase (decrease) in cash		159,562	(158,444)	1,118
Cash at beginning of period		-	159,562	-
Cash end of period	9	<u>159,562</u>	<u>1,118</u>	<u>1,118</u>

The accompanying notes are part of this financial statement.

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2022

STATEMENT OF ACCUMULATED INVESTMENTS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022
 (Expressed in U.S. Dollars)

Categories	Total budget	Budget Counterpart PNUMA	Budget Counterpart MINAM	Budget Counterpart Terceros	Budget GEF	Accumulated to 12/31/2021	From 01/01/2022 to 12/31/2022	Accumulated al 12/31/2022
Personnel	4,553,730	92,000	1,114,847	2,020,928	1,325,955	907,005	386,965	1,293,970
Sub contracts	1,154,950	-	354,694	636,456	163,800	105,329	81,235	186,564
Training	2,151,687	-	539,900	1,306,542	305,245	213,911	82,269	296,180
Equipment and local	1,728,170	-	92,758	1,546,912	88,500	89,933	28,782	118,715
Miscellaneous	1,523,241	258,000	237,801	720,940	306,500	143,610	66,992	210,602
TOTAL INVESTMENTS	11,111,778	350,000	2,340,000	6,231,778	2,190,000	1,459,788	646,243	2,106,031

The accompanying notes are part of this financial statement.

**NOTES TO THE STATEMENT OF SOURCES AND USE OF FUNDS AND TO THE STATEMENT OF
ACCUMULATED INVESTMENTS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022**

1. NATURE AND ACTIVITIES OF THE ENTITY AND THE PROJECT

a) United Nations Environment Program

The United Nations Environment Program (UNEP) is an agency of the United Nations that coordinates environmental activities, helping developing countries to implement environmentally rational policies and practices. Its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their life without compromising those of future generations as well as its activities cover a wide range of issues from the atmosphere and terrestrial ecosystems, promotion of environmental science, and dissemination of information regarding the issuance of warnings and the ability to respond to emergencies related to environmental disasters.

b) About the implementing agencies of the Cooperation Agreement

The Ministry of Environment is a legal entity of public law that is part of the Executive Branch of Peru. It was created by Legislative Decree N° 1013 of May 2008 and is the governing entity of the national environmental management system. Its functions include designing, establishing, executing and supervising national and sectorial environmental policy. Its objectives are to strengthen decentralized environmental management, ensuring environmental quality and the conservation and sustainable use of the country's biological diversity and natural heritage; to promote environmental culture, citizen participation and social equity in decision-making processes for sustainable development by guaranteeing environmental governance and to strengthen the Ministry's management within the framework of the national environmental management system.

PROFONANPE is a non-profit private law institution of public and social interest constituted in Peru by Decree Law N° 26154 of December 1992 to manage the National Fund for Natural Areas Protected by the Government. The Integrated Text of PROFONANPE's social statute was approved by the Directive Board of that institution in its session of 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 Peruvian Civil Code.

c) About the Cooperation Agreement

On October 17, 2017 and February 07 and 16, 2018, a Cooperation Agreement was signed between the representatives of the United Nations Environment Program (UN Environment), the Peruvian Ministry of Environment and PROFONANPE to implement the project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol".

The purpose of the project is to strengthen national capacities for the effective implementation of the Access to Genetic Resources and Traditional Knowledge regimes in accordance with the Nagoya Protocol on access to genetic resources and the fair and equitable sharing of benefits arising out of their utilization, contributing to the conservation of biodiversity and human well-being in the country.

The total cost of the approved project is US\$ 11'111,778 and includes the contribution of the United Nations environmental agencies, other cooperating sources and the in-kind contribution of the Peruvian Ministry of Environment, whose details are as follows:

Funding sources	In US\$
Global Environment Facility Trust Fund	2,190,000
In-kind contribution of the Ministry of Environment	2,340,000
In-kind contribution from UN Environment	350,000
Third party co-financing	6,231,778
	<u>11,111,778</u>

The Operational Plan of Activities and Procurement Plan of the project corresponding to the 2022 period, was approved by its Directive Committee on January 17, 2022, increasing its budget to US\$526,539, which was rescheduled ascending to US\$741,820.18..

The Agreement enters into force as from the date of the last signature on that instrument and remains in force until September 30, 2022. The term of the project is counted from the date on which PROFONANPE received the first disbursement of funds. According to Addendum N° 1 signed on August 13 and September 14, 2022. The agreement remains in force until June 30, 2023.

2. ACCOUNTING POLICIES AND PRACTICES

The most significant accounting policies used for recording operations and preparing the project's financial statements are the following:

a) Presentation of financial statements

The project's financial statements were prepared by PROFONANPE based on the accounting records that are maintained in accordance with applicable Peruvian accounting standards and procedures established for that purpose.

b) Accounting basis

The statement of sources and use of funds and the statement of accumulated investments are prepared in accordance with the cash basis of accounting. Under this accounting basis, revenues are recognized when received and expenses when paid and not when earned. The adoption of this basis of accounting results in a method different from that based on Peruvian generally accepted accounting principles.

c) Monetary unit

For presentation purposes, the project's financial statements are expressed in U.S. dollars.

d) Exchange rate

The transactions made are recorded in Soles and in U.S. Dollars as appropriate in each case. For the preparation and presentation of the financial statements (statement of sources and use of funds and statement of accumulated investments), funds in Soles are translated into U.S. dollars at the exchange rate in effect on the date they were monetized.

e) Statement of Sources and Use of Funds

This financial statement shows the cash transactions carried out by the executing agency, classified into Source of Funds (Income); Use of Funds (Expenses) and Available Cash at the end of the period.

f) Statement of Accumulated Investments

This statement records the disbursements made from the funds transferred by the donor and classified in the corresponding budget lines for each period.

3. SOURCE OF FUNDS

It includes:

<u>Year/month</u>	<u>Description</u>	<u>In U.S. Dollars</u>	
		<u>2022</u>	<u>2021</u>
02-08-2022	Transfer of funds	395,305	
03-11-2021	Transfer of funds	-	230,763
		<u>395,305</u>	<u>230,763</u>

4. USE OF FUNDS – PERSONNEL

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2022</u>	<u>2021</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	113,490	126,151
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	54,399	58,020
03 ABS projects and initiatives contributing to the conservation and sustainable use of biological diversity	101,013	135,828
04 Monitoring and evaluation	118,071	34,279
05 PMC project monitoring costs	(8)	2,067
	<u>386,965</u>	<u>356,345</u>

5. USE OF FUNDS – SUB CONTRACTS

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2022</u>	<u>2021</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	58,500	6,500
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	22,735	-
04 Monitoring and evaluation	-	33,575
	<u>81,235</u>	<u>40,075</u>

6. USE OF FUNDS – TRAINING

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2022</u>	<u>2021</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	15,475	19,619
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	59,230	20,453
03 ABS projects and initiatives contributing to the conservation and sustainable use of biological diversity	5,492	-
04 Monitoring and evaluation	2,072	461
	<u>82,269</u>	<u>40,533</u>

7. USE OF FUNDS – EQUIPMENT AND LOCAL

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2022</u>	<u>2021</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	27,587	-
04 Monitoring and evaluation	1,195	2,536
	<u>28,782</u>	<u>2,536</u>

8. USE OF FUNDS – MISCELLANEOUS

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2022</u>	<u>2021</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	6,709	14,371
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	9,075	4,533
03 ABS projects and initiatives contributing to the conservation and sustainable use of biological diversity	2,684	-
04 Monitoring and evaluation	14,621	1,338
05 PMC project monitoring costs	33,903	25,000
	<u>66,992</u>	<u>45,262</u>

9. AVAILABLE AT DECEMBER 31, 2022

The availability of cash is as follows:

	<u>In Soles</u>	<u>In U.S. Dollars</u>
Master current account – foreign currency N° 193-2433541-1-31	-	457
Master current account – local currency N° 191-2503459-0-63	2,534.98	664
Less:	2,534.98	1,121
Electronic transfer foreign currency note register	-	(4)
Balance at December 31, 2022	<u>2,534.98</u>	<u>1,118</u>

10. SUBSEQUENT EVENTS

No significant events are known to have occurred between the closing date of the project's financial statements and the date of this report that could significantly affect them.

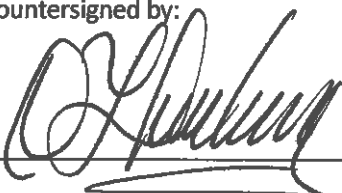
INDEPENDENT AUDITOR'S OPINION ON THE SUPPLEMENTARY INFORMATION

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

1. We have audited the statement of sources and use of funds for the period from January 01 to December 31, 2022 and the statement of accumulated investments as of December 31, 2022 corresponding to the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”*, financed through the Cooperation Agreement concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on March 24, 2023.
2. Our audit was intended to express an opinion on the statement of sources and use of funds and accumulated investments for the period from January 01 to December 31, 2022 of the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”* taken together, 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 the Peruvian Institute of Public Accountants; accordingly, it included selective accounting checks and the application of other audit procedures as we considered necessary in the circumstances.
3. The supplementary financial information included as Annexes N° 1 and 2 is presented for purposes of additional analysis and is not considered necessary for the presentation of the project's financial statements. This supplementary financial information has been subject to the audit procedures applied to the project's financial statements and, in our opinion, is fairly presented in all material respects in relation to those statements taken as a whole.
4. This report is issued only for the knowledge and use of the United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
March 24, 2023

Countersigned by:



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

Fonseca, Camargo & Associates

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2022

Annex 1

ADQUISITION OF GOODS
FROM JANUARY 01 TO DECEMBER 31, 2022
 (Expressed in U.S. Dollars)

Number	Date	Concept	Supplier	In US\$ Dollars
069B-2022000001	06/06/2022	SOFTWARE	CLARIVATE ANALYTICS	27,587
069B-2022000003	14/09/2022	COMPUTADORA PERSONAL EN TABLETA	COMPUTADORAS Y TELECOMUNICACIONES S.A.	1,172
OP 2022-00020495	14/12/2022	BISAGRA LAPTOP LENOVO (REPARACIÓN)	ALPHALAP S.A.C.	23
			TOTAL	28,782

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge In Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
Audit of financial statements for the period from January 01 to December 31, 2022

Annex 2

CONSULTING SERVICES
FROM JANUARY 01 TO DECEMBER 31, 2022
(Expressed in U.S. Dollars)

Contract	Concept	Consultant	In US\$ Dólares	Beginning	End
069C-2022000001	Acompañamiento técnico a la Autoridad Nacional y Punto Focal Nacional de ABS para la adecuada implementación del Decreto Supremo N°019-2021-MINAM	RABANAL CHE LEON MARIA FERNANDA	5,500.00	7/01/2022	10/05/2022
069C-2022000002	Acompañamiento técnico a la Autoridad Nacional Competente (INIA) para la implementación del Decreto Supremo N°019-2021-MINAM	VARGAS TORRES GINA SOFIA	5,000.00	7/01/2022	10/05/2022
069C-2022000003	Acompañamiento en la implementación del plan comunicacional del proyecto y desarrollo de materiales comunicacionales	CASTRO OCC JHOSELINY	8,400.00	11/02/2022	14/07/2022
069C-2022000004	Mejora del Sistema de Monitoreo del Proyecto	MANRIQUE BECERRA SANDRA IVON	12,000.00	26/03/2022	5/05/2022
069C-2022000005	Acompañamiento técnico a SERNANP en la implementación del Protocolo de Nagoya	ACUÑA RODRIGUEZ WENDY	8,000.00	12/04/2022	9/09/2022
069C-2022000006	Acompañamiento técnico a la Autoridad nacional Competente (SERFOR) para la adecuada implementación del ABS	DE LA CRUZ NAPAN CECILIA NOEMI	10,000.00	17/05/2022	10/10/2022
069C-2022000007	Acompañamiento legal en la implementación del Protocolo de Nagoya y el marco normativo nacional en el SERFOR	SOMOCURCIO LEON MARGARITA	11,300.00	2/06/2022	31/10/2022
069C-2022000008	Acompañamiento técnico a la Autoridad Nacional Competente (SERFOR) para la implementación del ABS	FLORES CASAVARDE ZULLY ROXANA	9,291.00	20/06/2022	29/09/2022
069C-2022000009	Actualización de manuales y buenas prácticas de Puntos de Verificación	ILKO ROGOVICH ROJAS	8,000.00	20/06/2022	29/09/2022
069C-2022000010	Acompañamiento técnico a la Autoridad Nacional y Punto Focal Nacional de ABS	RABANAL CHE LEON MARIA FERNANDA	8,495.00	30/06/2022	18/11/2022
069C-2022000011	Acompañamiento técnico a la Autoridad Nacional Competente (INIA) para la adecuada implementación del ABS	VARGAS TORRES GINA SOFIA	8,806.00	7/07/2022	10/11/2022
069C-2022000012	Acompañamiento técnico a la Autoridad Nacional Competente (PRODUCE) para la adecuada implementación del ABS	MARTINETTI ROCCA ERICK	6,440.00	3/08/2022	23/11/2022
069C-2022000013	Virtualización de módulos para el programa de capacitación sobre recursos genéticos y el conocimiento tradicional asociado	E-LEARNING SOLUCIONES S.A.C.	22,735.28	15/08/2022	14/12/2022
069C-2022000014	Elaboración de guía del proceso estandarizado de supervisión (seguimiento de cumplimiento de obligaciones) y determinación de necesidades de recursos técnicos	VIDAL VEGA YNES CAROLINA	6,500.00	26/08/2022	28/10/2022
069C-2022000015	Acompañamiento y sistematización de las actividades del Componente 2 del proyecto con énfasis en el Programa Intercultural	CONDOR MORAN ANTONIA JENNY CELESTE	7,100.00	21/10/2022	10/12/2022
		TOTAL	137,567.28		

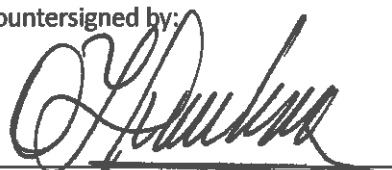
INDEPENDENT AUDITOR'S REPORT ON THE STATUS OF COMPLIANCE WITH THE CLAUSES OF THE COOPERATION AGREEMENT

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, 2022 and the statement of accumulated investments as of December 31, 2022, corresponding to the project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed through the Cooperation Agreement concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on March 24, 2023.
2. Our audit was conducted in accordance with International Standards on Auditing issued by the *International Auditing and Assurance Standards Board*, approved for application in Peru by the Board of Deans of the Peruvian Institute of Public Accountants applicable to compliance audit. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether PROFONANPE has complied with the terms of the Cooperation Agreement in the areas shown in the attached status of compliance. An audit includes examining, on a test basis, evidence relevant to the audit. 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, 2022, PROFONANPE complied in all material respects with the clauses of the above-mentioned Cooperation Agreement.
4. This report is issued only for the knowledge and use of the United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
March 24, 2023

Countersigned by:



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

Fonseca, Camargo & Associates

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
Audit of financial statements for the period from January 01 to December 31, 2022

STATUS OF COMPLIANCE WITH THE CLAUSES OF THE COOPERATION AGREEMENT FOR THE PERIOD FROM
JANUARY 01 TO DECEMBER 31, 2022

<u>Reference</u>	<u>Description</u>	<u>Evaluation</u>
16 g)	Regarding to subscribed subcontracts, PROFONANPE shall: <ul style="list-style-type: none"> • Establish all subcontracts in writing; 	Status: Fulfilled clause
	<ul style="list-style-type: none"> • Maintain primary administrative responsibility for ensuring project compliance. This responsibility cannot be transferred or delegated; 	Status: Fulfilled clause
	<ul style="list-style-type: none"> • Monitor the performance of subcontractors and ensure that they comply with the terms of the Agreement. 	Status: Fulfilled clause
20	PROFONANPE will hire high-level staff for the Project according to the Terms of Reference (Appendix 3, Project Document).	Status: Fulfilled clause
22 a)	It will ensure that the procurement of the goods and consultancy services financed are subject to PROFONANPE standards and must comply with internationally accepted standards, as well as with an internal control framework for protection against fraud, corruption and waste.	Status: Fulfilled clause
23	Before the procurement activity begins, PROFONANPE, in coordination with MINAM, will provide the project's procurement plan that will be reviewed at the project presentation meeting and authorized by UN Environment.	Status: Fulfilled clause
24	MINAM and PROFONANPE will use the funds and any supplies and equipment provided by UN Environment according to the Project Document.	Status: Fulfilled clause
25	PROFONANPE will maintain complete and accurate records of non-expendable equipment purchased with FMAM project funds, and an authorized PROFONANPE staff member will conduct physical inventories of the equipment. Each year of project implementation, PROFONANPE, with the prior approval of MINAM, will provide UN Environment with an inventory of purchased non-expendable equipment on or before January 31.	Status: Fulfilled clause
26	PROFONANPE will be responsible for the custody, conservation and care of all non-expendable equipment, as well as minor items (items costing less than \$1,500) purchased with FMAM funds. To protect the equipment and materials, PROFONANPE will arrange insurance to be incorporated into the project budget.	Status: Fulfilled clause
32 a)	MINAM and PROFONANPE shall maintain separate records and accurate and up-to-date documents in relation to all expenses incurred from the funds made available by UN Environment for the purpose of ensuring that expenses are consistent with the Project Document. Each agency will maintain adequate supporting documentation for disbursements, including original invoices.	Status: Fulfilled clause
34 b)	<u>Progress report</u> : Within 1 month after the reporting period, i.e. by January 31 or earlier, MINAM shall submit to UN Environment a semi-annual progress report for the period July and December using Annex 10.	Status: Fulfilled clause
34 c)	<u>Project implementation progress report</u> : Within 1 month after the FMAM fiscal year report period as of June 30, i.e. by July 31 or before that date, MINAM shall submit to UN Environment its contribution to the annual project implementation progress report using Annex 11;	Status: Fulfilled clause
34 e)	<u>Financial statement</u> : All financial statements shall be calculated in US dollars and any exchange differences shall be recorded in dollars in the approved project budget. Within 1 month after the quarter to which they refer, i.e. on or before April 30, July 31, October 31 and January 31, PROFONANPE, in coordination with MINAM, will submit its quarterly expenditure reports and explanatory notes on the expenditures reported.	Status: Fulfilled clause

INDEPENDENT AUDITOR'S REPORT ON THE STATUS OF THE PROJECT'S DESIGNATED ACCOUNT

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

1. We have audited the Status of the Designated Account for the period from January 01 to December 31, 2022 of the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”*, financed through the Cooperation Agreement concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE. The presentation of this status is the responsibility of PROFONANPE's Management. Our responsibility is to express an opinion on this special-purpose financial statement based on our audit.
2. Our audit was conducted in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements audited are free from material misstatement. An audit includes examining, on a test basis, 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. As described in Note 2 (a) and as required by the donor, it is the policy of PROFONANPE's Management to prepare the Status of the Designated Account for the project on a cash basis. Under this accounting method, income is recognized when received and expenses when paid.
4. In our opinion, the Status of the Designated Account of the project fairly presents the availability of U.S. dollars as of December 31, 2022, as well as the transactions made in the period from January 01 to December 31, 2022, in accordance with the provisions on the use of funds contemplated in the above-mentioned Cooperation Agreement.
5. This report is issued only for the knowledge and use of the United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
March 24, 2023

Countersigned by:



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

Fonseca, Camargo & Associates

PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge In Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2022

**STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022
 (Expressed in U.S. Dollars)**

	US \$
Balance at January 01, 2022:	<u>159,562</u>
<i>Plus:</i>	
1. Replenishment of funds:	
Funds transferred by the donor	<u>395,305</u>
	<u>554,867</u>
2. Bank interests	-
<i>Deductions:</i>	
1. Transfers to trading accounts	
Expenses report N° 16	116,299
Expenses report N° 17	89,612
Expenses report N° 18	143,968
Expenses report N° 19	<u>296,364</u>
	<u>646,243</u>
2. Other	
Loans Profonanpe	(78,847)
Advance funds	679
Exchange difference	<u>(14,326)</u>
	<u>92,494</u>
Balance at December 31, 2022	<u><u>1,118</u></u>

NOTES TO THE STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022

1. DESIGNATED ACCOUNT

The Designated Account is used for the administration of funds in the project, being the one that receives the funds transferred by the donor to be used in the execution of expenditures in the project.

The Designated Account is a current account in U.S. dollars opened at a local bank in Lima – Peru in acceptable conditions to the donor, including a set of adequate protection mechanisms against seizure and withholding. PROFONANPE opened the U.S. dollar current account N° 193-2433541-1-31 at a local bank (an account into which only funds from the donation can be deposited) and the Soles current account N° 191-2503459-0-63 to cover expenses in Soles, whose funds come from transfers made from the project's foreign currency current account.

2. ACCOUNTING POLICIES AND PRACTICES

The accounting principles and practices applied for recording operations and preparing the project's Designated Account are the following:

- a) Income to the Designated Account is recorded on a cash basis. Under this basis, funds are recognized when received and expenses when paid and the account balance is written off.
- b) The funds in the Designated Account are used to enable through monetization the local currency funds required by the current account in Soles to execute expenses on the project.
- c) The project's Designated Account shows the transactions carried out in the period from January 01 to December 31, 2022, i.e. the funds received since the beginning of the project and the expenses incurred in the period and the closing balance.
- d) For the conversion of expenses executed in local currency to US dollars, the bank exchange rate of the day of monetization is used.

3. FUNDS RECEIVED

As of December 31, 2022, PROFONANPE received the amount of US\$ 395,305 to carry out its project activities.

4. USE OF FUNDS

The funds used as of December 31, 2022, correspond to the requests for withdrawal of expenses prepared by PROFONANPE, whose details are as follows:

	<u>In</u> <u>U.S. Dollars</u>
Expenses report N° 16	116,299
Expenses report N° 17	89,612
Expenses report N° 18	143,968
Expenses report N° 19	296,364
	<u>646,243</u>

5. CLOSING BALANCE

As of December 31, 2022, the cash availability of the Designated Account is as follows:

	<u>In U.S. Dollars</u>
Master current account – foreign currency N° 193-2433541-1-31	457
Master current account – local currency N° 191-2503459-0-63	664
Less:	1,121
Electronic transfer foreign currency note register	(4)
Balance at December 31, 2022	<u>1,118</u>

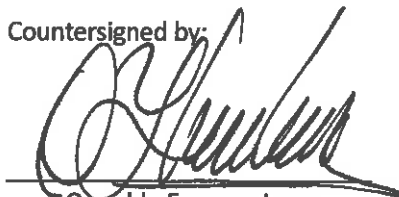
INDEPENDENT AUDITOR'S OPINION ON THE STATUS OF FUNDING REQUESTS

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, 2022 and the statement of accumulated investments as of December 31, 2022, corresponding to the project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed through the Cooperation Agreement concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on March 24, 2023.
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, 2022 submitted by PROFONANPE. In addition: (a) such expenses are eligible for funding under the Cooperation 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 United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Perú
March 24, 2023

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095



PROFONANPE

Project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
Audit of financial statements for the period from January 01 to December 31, 2022

PROJECT "EFFECTIVE IMPLEMENTATION OF THE ACCESS REGIME AND PARTICIPATION IN THE BENEFITS AND TRADITIONAL KNOWLEDGE IN PERU ACCORDING TO THE NAGOYA PROTOCOL"

**STATUS OF FUNDING REQUESTS
FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022
(Expressed in U.S. Dollars)**

Date	Period	Concept	Requested in US\$	Implemented in US\$	Total in US\$
16	From 01/01 to 03/31/2022	Expenses report	116,299	116,299	116,299
17	From 04/01 to 06/30/2022	Expenses report	89,612	89,612	89,612
18	From 07/01 to 09/30/2022	Expenses report	143,968	143,968	143,968
19	From 01/10 to 12/31/2022	Expenses report	296,364	296,364	296,364
			<u>646,243</u>	<u>646,243</u>	<u>646,243</u>

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

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

March 24, 2023

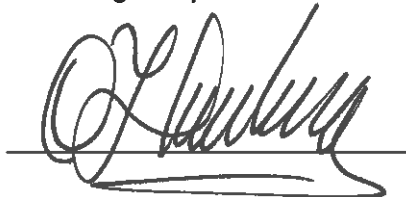
1. We have audited the statement of sources and use of funds for the period from January 01 to December 31, 2022 and the statement of accumulated investments as of December 31, 2022, corresponding to the project *“Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol”*, financed through the Cooperation Agreement concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on March 24, 2023.
2. Our audit to the project's financial statements was conducted in accordance with International Standards on Auditing issued by the *International Auditing and Assurance Standards Board* and 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. In planning and performing our audit of the project's financial statements, we considered the internal control structure related to the project in order to design our audit procedures to express an opinion on the financial statements referred to above, and not to express an opinion on the internal control structure.
3. PROFONANPE's Management is responsible for establishing and maintaining an internal control structure. In order 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 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 conducted in accordance with PROFONANPE's authorizations and the terms of the Cooperation Agreement mentioned above, in accordance with the accounting basis described in Note 2 to the project's financial statements.
4. Due to inherent limitations of any internal control system, errors and irregularities may occur that are not detected. Additionally, projections of any evaluation of the internal control structure into future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate. There is also a possibility that errors may arise in the application of control procedures due to inappropriate understanding of instructions, errors in judgment, lack of attention from personnel, human error, and other factors. Furthermore, procedures whose effectiveness is based on the segregation of duties may be circumvented in the event of collusion between employees involved in internal accounting and financial control, and procedures aimed at ensuring that transactions are carried out in accordance with the terms authorized by Management may become ineffective if decisions are made incorrectly or irregularly. Accordingly, we could not assure you that all processing errors, internal control system deficiencies or non-compliance with applicable regulations were disclosed during the course of our audit. Accordingly, we do not express an opinion on whether all internal accounting and compliance control procedures were properly implemented during the year.

PROFONANPE

5. Our consideration of the internal control structure does not necessarily disclose all aspects of that structure that could be considered as significant deficiencies. 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 to the project's financial statements will occur and not be detected in a timely manner by employees in the normal course of business. We do not observe any matters in the internal control structure and its operation that we consider to be a significant deficiency as defined above.
6. This report is issued only for the knowledge and use of the United Nations Environment Program, the Global Environment Facility, the Ministry of Environment and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
March 24, 2023

Countersigned by:



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

Fonseca, Comayo & Associates

SUMMARY OF AUDIT PROCEDURES APPLIED

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

Objectives

Objective N° 1

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

Specific procedures

1. Obtaining the project's financial statements for the period under review, which are as follows:
 - a) Statement of sources and use of funds.
 - b) Statement of accumulated investments.
 - c) Notes to the financial statements.
 - d) Supplementary information.

2. Review of documentation related to the project's background and other aspects of the administration of the resources, which included:
 - Understanding the organizational structure of the implementing entity of the Cooperation Agreement, its internal financial control system, regulations and internal rules applicable to the implementation of funds in the project.
 - Cooperation Agreement concluded with the United Nations Environment Program, applicable regulations, Annual Operational Plan, budget and other related documents.
 - Project's Annual Operating Plan for the period 2022.
 - Addendum N° 1 to the PCA signed between the United Nations Environment Program (UNEP), the Ministry of Environment, in collaboration with PROFONANPE, on August 13 and September 14, 2021.

3. Obtaining the documents that support the expenses executed with funds from 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 in the audit of the statement of sources and use 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 communication system and monitoring; from which the assessment of the risk of material misstatement through the assessment of inherent risk and control risk was carried out.
 - b) Understanding of the accounting policies used in the preparation of the project's basic financial statements to establish their application in the period under review.
 - c) Review of the income from the donor in the period under review to determine whether the funds were deposited in the project's bank account.

Source of funds

5. We examined the project's financial statements, which are presented by the project's executing entity in U.S. 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 funds are executed and represent disbursements of funds.
 - b) We verified that transactions in local currency were recorded in the entity's accounting books on the date they occurred and were translated into U.S. dollars at the appropriate exchange rate.
6. We obtained from the Management of the project's executing entity the details of the funds received in the audited period and checked them against the credits to the relevant bank account.
7. We verified the accounting process followed by the project's executing entity for recording the income received and issuing the financial statements in order to establish whether they are adequate and duly documented.

Use of funds

8. We obtained from the Management of the project's executing entity the accounting record of disbursements made and selected some items to examine the documentation of expenses executed in order to determine whether they were properly classified, properly documented and applied for the purposes of the Agreement, considering the following:
 - a) Eligibility of executed expenses in accordance with the provisions established in the Cooperation Agreement.
 - b) Reliable documentary support duly authorized and approved, verifying that the conformity of reception of the contracted service is included.
 - c) Correct accounting and budgetary allocation, considering the corresponding budgetary items.
 - d) Application of the current exchange rate in the conversion of transactions made in local currency to US dollars.

- e) Regarding the justification of expenses, we verified compliance with the procedures established internally in the executing entity for the granting, use, accountability and control of funds received from the donor.
9. We reconciled the use of funds according to the statement of sources and use of funds with the balances of the statement of accumulated investments.

Statement of accumulated investments

10. We obtained from the Management of the executing entity 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 consideration the criteria for the selection of the selected sample of expenses included in the statement of accumulated investments for the audited period, the following steps were taken:
 - a) Determine whether the items set out in the budget were applied to the corresponding lines in the financial statement.
 - b) Reconciliation of the accumulated 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 on the notes to the financial statements and supplementary information and whether they are fairly presented in all material respects.

Specific procedures

1. We obtained from the Management of the executing entity the notes to the financial statements and supplementary information for the audited period.
2. We verified that the notes to the project's basic financial statements and supplementary information prepared by the executing entity describe and/or explain in an appropriate manner the objectives of the contractual 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's executing entity with the terms set forth in the Cooperation Agreement.

Specific procedures

1. We obtained information from the Project's Management regarding the following:
 - Cooperation Agreement.
 - Monitoring reports; description of the accounting system; policies and procedures for the selection of consultants as well as any other necessary documentation.
2. Based on the Agreement, we extracted its main clauses in order to take them into account in the evaluation.

3. We will prepare a summary document in relation to each of the clauses of the Agreement and other regulations indicating the current status of each one of them (fulfilled, in process or outstanding) at the date of the examination.
4. The above-mentioned document supports our opinion on the compliance with the terms of the Cooperation Agreement as a supplement to the main opinion on the project's financial statements.

Objective N° 4

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

Specific procedures

1. Obtain the following documents from the project's management:
 - a) Funding requests submitted by PROFONANPE
 - b) Supporting documentation for funding requests
 - c) Detailed reports of disbursements and transactions
2. Based on the information obtained, we applied the following procedures for the examination of funds from the donor source:
 - a) Verify that the expense documents related to the project's financing sources were duly documented and agreed upon by the officials responsible for the Treasury and Accounting areas.
 - b) Verify that the payment vouchers are stamped "PAID".
 - c) Verify that the payment documents were properly recorded and classified in the appropriate investment category.
 - d) Verify that the supporting documentation for the payment vouchers was cancelled and properly documented.
 - e) Verify that the exchange rate used in each request for funds prepared by the project's executing agency is appropriate.
 - f) Verify whether the expenses executed are eligible and the supporting information is reliable, as well as whether the accounting and internal control procedures are appropriate.

Objective N° 5

Issue a report on the adequacy of the internal control system of the executing entity in aspects related to the Cooperation 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. In this regard, the evaluation aims at identifying both significant strengths and weaknesses, for which purpose aspects related to the organizational structure, information systems, procurement and/or contracting management and financial management will be included.

2. In assessing the control environment of the executing agency, aspects relating to its organizational structure, line of authority, segregation of duties, policy and procedures for selecting and hiring consultants shall be considered, in particular the following:
 - a. Administrative procedures governing the activities and responsibilities of the resources financial management.
 - b. Levels of authority, job descriptions, number and adequacy of skills of staff working in the various execution areas.
 - c. Segregation of duties in financial management (treasury activities, accounting and preparation of financial statements).
3. When evaluating aspects related to control activities, those related to the design and execution of control procedures established by PROFONANPE for the reception, custody and payment of funds will be considered in order to establish whether they are adequate for the purposes of the Cooperation Agreement. Likewise, the evaluation of the control procedures for the selection and contracting of consultants required by the project was aimed at determining whether appropriate practices were followed for that purpose.
4. In evaluating aspects related to the information system, the policies and procedures established by PROFONANPE for recording, processing, summarizing and presenting financial information were considered, 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 track all sources and use of funds related to the project, including advance transactions of received funds.
 - c. Ability of the accounting system used by the executor to record financial transactions.
5. Evaluation of the monitoring activities performed by PROFONAPE to determine whether they were adequately fulfilled in terms of providing adequate information on the functioning of internal controls and appropriate corrective actions were taken to correct the deficiencies identified by the management of the Cooperation Agreement' funds.