

AUDIT OF FINANCIAL STATEMENTS PROFONANPE

Project “Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol”, for the period from January 1 to December 31, 2020



Ropert, Sarrio & Asociados SC
 Av. Emilio Cavenecia 264
 Office 701 San Isidro.
 Lima 27, Peru

T. +51 1 615 6868
info@tgs-sarrio.pe
www.tgs-sarrio.pe

EXECUTIVE SUMMARY

Mr
 Anton Willems Delanoy
 Executive Director
PROFONANPE
Lima Peru.

Dear Sirs:

This document constitutes the "Executive Summary" of the financial audit report for the period from January 1 to December 31, 2020 from project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol", financed by the Cooperation Agreement signed between the United Nations Environment Program - UN Environment and the Ministry of the Environment, in collaboration with PROFONANPE content of this summary is as follows:

1. BACKGROUND

a) United Nations Environment Program- UN Environment

The United Nations Environment Program (UNEP) is an organism of the United Nations Organization that coordinates its environmental activities, helping developing countries to apply environmentally sound policies and practices. Su mission is to provide leadership and promote joint efforts to care for the environment, encouraging, informing and empowering nations and peoples to improve their lives without compromising that of future generations.

b) Of the executing agencies of the Cooperation Agreement.

The Ministry of the Environment is part of the Executive Power of Peru that was created by Legislative Decree and is the governing body of the national environmental management system. Its functions include designing, establishing, executing and supervising the national and sectorial environmental policy, its objectives being 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, established in Peru in 1992 to administer the National Fund for Natural Areas Protected by the State. It is governed by its Statutes and in a supplementary way by the norms of the Civil Code of Peru.

c) The Cooperation Agreement

In October 2017 and February 2018, the representatives of the United Nations Environment Program - UN Environment, the Ministry of the Environment of Peru and PROFONANPE, signed a Cooperation Agreement to execute the project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with 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 that derive from its use, contributing to the conservation of biodiversity and human well-being in the country.



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According to the Cooperation Agreement, the amount assigned to the project was US\$ 11,111,778, of which the World Environment Fund finances US\$ 2,190,000 and third-party co-financing for US\$ 6,231,778. Additionally, the in-kind contribution is provided by the Ministry of the Environment US\$ 2,340,000 and UN Environment US\$ 350,000.

2. OBJECTIVES AND SCOPE OF THE AUDIT

The contract for professional external audit services signed with PROFONANPE, to perform the audit at the draft established the following objectives:

- Issue an opinion on whether the status of sources and use of funds and the status of accumulated investments of the project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol", financed by the United Nations Environment Program and other cooperating sources, reasonably presents the sources and uses of funds in the period from January 1 to December 31, 2020, as well as the latest investments 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, 2020, has been reasonably presented in all its important aspects.
- Issue an opinion regarding compliance with the clauses provided in the Cooperation Agreement in the periods examined.
- To emit opinion on: (a) if the expenses included in the requests for funds presented to the United Nations Environment Program are eligible, and therefore if the information presented in said requests is reasonably reliable, (b) if the accounting procedures and internal control used in preparing the application is adequate, and (c) if the grant funds have been used solely for the purposes of the project, in accordance with the requirements established in the Cooperation Agreement
- Issue an opinion on the reasonableness of the internal control system in PROFONANPE for the management of the funds transferred by the donor in the periods examined for the execution of the project, identifying significant deficiencies in the design and operation, if any.

Our audit was performed 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 Colleges of Public Accountants of Peru, for which it included the transactions carried out with the funds of the aforementioned Cooperation Agreement, for the period from January 1 to December 31, 2020.

A summary of the audit procedures applied is presented in Annex N° 2 of this report.

3. AUDIT RESULTS

From the audit of the financial statements of the Project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol" funded by the United Nations Environment Program for the period from January 1 to December 31, 2020, we have issued our audit report on June 30, 2021. A summary of this report is presented below:

- Opinion without caveats on the status of sources and use of funds and the status of accumulated investments for the period from January 1 to December 31, 2020.
- Unqualified opinion on the supplementary information as of December 31, 2020.



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- We think that PROFONANPE reasonably complied with the clauses of the Cooperation Agreement, for the period from January 1 to December 31, 2020.
- We believe that the expenditures executed with project funds financed by the United Nations Environment Program, included in the requests for funds submitted in the periods under review, are valid and eligible. Likewise, we believe that the funds were used only for the purposes of the aforementioned project.
- In the report on the internal control established by PROFONANPE in the periods from January 1 to December 31, 2020, no significant deficiencies are reported regarding the design and operation of internal controls in the project.

4. COMMENTS FROM THE ENTITY

The Executive Directorate of PROFONANPE has taken cognizance of this audit report expressing its agreement on its content.

Lima Peru

June 30, 2021

Endorsed by:

A handwritten signature in blue ink, appearing to read 'Andrés Ropert Dokmanovic'.

Andrés Ropert Dokmanovic (Partner)
Chartered Public Accountant
Registration N ° 39184



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OPINION OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS OF THE COOPERATION AGREEMENT

To the members of the Board of Directors and Executive Director

PROFONANPE

1. We have audited the status of sources and uses of funds for the period from January 1 to December 31, 2020 and the status of accumulated investments as of December 31, 2020, corresponding to the project "Effective implementation of the access and distribution regime of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol", funded Through the Cooperation Agreement between the United Nations Environment Program - UN Environment, the Ministry of the Environment and PROFONANPE, as executing agencies.

Responsibility of the administration of PROFONANPE for the financial statements of the project

2. PROFONANPE's management is responsible for the preparation and fair presentation of the financial statements of the aforementioned project, in accordance with the cash accounting basis. This responsibility includes: designing, implementing and maintaining the relevant internal control in the preparation and fair presentation of the financial statements so that they do not include material errors, whether as a result of fraud or error.

Auditor's responsibility

3. Our responsibility is to express opinion on these financial statements based on our audit. Our audit was carried out in accordance with the International Auditing Standards - ISAs disclosed by the International Auditing and Assurance Standards Board - IAASB approved for application in Peru by the Board of Deans of Colleges of Public Accountants of Peru. Such standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements do not include material misstatements.

An audit involves performing procedures to obtain audit evidence about the balances and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risk that the financial statements contain material misstatements, whether as a result of fraud or error. In conducting this risk assessment, the auditor takes into consideration the entity's relevant internal control for the preparation and fair presentation of the financial statements, in order to design audit procedures in accordance with the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PROFONANPE's internal control.

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

Opinion

5. In our opinion, the accompanying financial statements present fairly, in all their material aspects, the sources and uses of funds for the period from January 1 to December 31, 2020, and the accumulated investments of the project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol", financed through the Cooperation Agreement between the United Nations Environment Program - UN Environment, the Ministry of the Environment and PROFONANPE, for the periods ended on those dates, in accordance with the accounting policies described in Note 2 to the accompanying financial statements and the terms of the aforementioned Agreement.



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Accounting basis

6. Without modifying our opinion, we refer to note 2 to the financial statements of the project that describes the accounting basis. The financial statements of the project "Effective implementation of the regime of access and distribution of benefits and traditional knowledge in Peru in accordance with the Nagoya Protocol", financed through the Cooperation Agreement between the United Nations Environment Program - UN Environment, the Ministry of the Environment and PROFONANPE, for the period from January 1 to December 31, 2020, they have been prepared in accordance with the cash accounting basis. 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 originates a different method from that based on generally accepted accounting principles in Peru.

Another matter

7. This report is issued solely for the knowledge and use of the United Nations Environment Program - UN Environment, Global Environment Fund, Ministry of the Environment and PROFONANPE, so it should not be used by others or for purposes other than those indicated here.

Lima Peru

June 30, 2021

Endorsed by:

A handwritten signature in blue ink, appearing to read 'Andrés Ropert Dokmariovic'.

Andrés Ropert Dokmariovic (Partner)
Chartered Public Accountant
Registration N ° 39184

STATEMENT OF SOURCES AND USE OF FUNDS
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020
(Expressed in US Dollars)
(Notes 1 and 2)

	Note	Accumulated Total as of 12/31/2019	From 01/01/2020 to 12/31/2020	Accumulated Total as of 12/31/2020
SOURCES OF FUNDS:				
Transfers	3	951,900	450,579	1,402,479
Others		0	0	0
Total funds received		951,900	450,579	1,402,479
USE OF FUNDS BY CATEGORY:				
Categories				
10 Personal	4	(250,980)	(299,680)	(550,660)
20 Sub-contracts	5	(33,471)	(31,783)	(65,254)
30 Training	6	(130,205)	(43,173)	(173,378)
40 Teams and premises	7	(32,008)	(55,388)	(87,396)
50 Various	8	(61,249)	(37,100)	(98,349)
Subtotal project investments		(507,913)	(467,124)	(975,037)
Accounts to be regularized / exchange difference		(8,865)	(6,135)	(15,000)
Cash increase (decrease)		435,122	(22,680)	412,442
Cash at the beginning of the period		0	435,122	0
Cash at the end of the period	9	435,122	412,442	412,442

STATEMENT OF ACCUMULATED INVESTMENTS
FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020
(Expressed in US Dollars)

Category	Accumulated of 31.12.2019	Investment from 01.01.2020 to 31.12.2020	Accumulated of 31.12.2020	GEF current budget
10 Personal	250,980	299,680	550,660	1,325,955
20 Sub-contracts	33,471	31,783	65,254	163,800
30 Training	130,205	43,173	173,378	305,245
40 Team and premises	32,008	55,388	87,396	88,500
50 Various	61,249	37,100	98,349	306,500
TOTAL INVERSIONES	507,913	467,124	975,037	2,190,000