

PROFONANPE

Report of Audit of financial statements of the
Grant Agreement PRU-RS — 002 to implement
the “Readiness Support” project financed by the
Green Climate Fund, June 1, 2018 to August 31,
2020

Mr.
Anton Willems Delanoy
Executive Director
PROFONANPE
Lima – Peru.-

This document constitutes the “Executive Summary” of the financial audit report for the periods from June 1, 2018 to August 31, 2020 of the Grant Agreement PRU-RS-002 to implement the “Readiness Support” project, financed by the Green Climate Fund. The content of this summary is as follows:

1. BACKGROUND

a) Green Climate Fund

The Green Climate Fund is a fund created in the context of the United Nations Framework Convention on Climate Change, established as a mechanism to help developing countries in practices of adaptation to climate change and mitigation of its effects. It is a unique global initiative to respond to climate change by investing in low-emission, climate-resilient development.

b) About the project executing entity

PROFONANPE, is a private non-profit 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 in its session on August 25, 2009 and registered in the Public Registries of Lima on January 15, 2010. PROFONANPE is governed by its Statutes and in a supplementary way by the norms of the Civil Code of Peru.

c) About the Grant Agreement

On June 1, 2018, the Green Climate Fund approved the PRU-RS-002 Donation Agreement, by which it establishes that PROFONANPE has been selected to implement the Readiness Support project because it is the only Peruvian entity accredited by the Fund for being in the process of updating its accreditation category for project management. Therefore, the support is aimed at strengthening the designated national authorities or focal points; strategic framework including the preparation of programs in the country; and, support to accredited entities and direct access to accredited entities. The amount of the donation is US \$ 330,625.

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 “Readiness Support” project financed by the Green Climate Fund, fairly presents the sources and uses of funds in the periods from June 1, 2018 to August 31, 2020, as well as the investments as of the last date, in accordance with the accounting policies applied and the terms of the Grant Agreement.

- Issue an opinion regarding compliance with the clauses provided for in the Grant Agreement in the periods under review.
- Issue an opinion on: (a) whether expenses included in requests for funds submitted to Green Climate Fund 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 Grant 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 Grant Agreement during the periods from June 1, 2018 to August 31, 2020.

A summary of the audit procedures applied is presented in annex N° 1 of this report.

3. AUDIT RESULTS

From the audit of the financial statements of the PRU-RS-002 Donation Agreement to implement the “Readiness Support” project financed by the Green Climate Fund, for the periods from June 1, 2018 to August 31, 2020, we have issued our audit report, on September 28, 2020. A summary of this report is presented below:

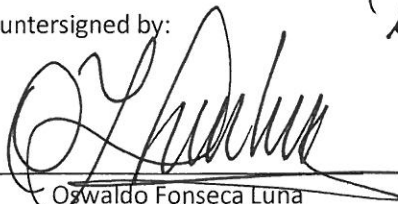
- Unqualified opinion on the statement of sources and uses of funds and the statement of accumulated investments for the periods from June 1, 2018 to August 31, 2020.
- We believe that PROFONANPE reasonably complied with the clauses of the Cooperation Agreement for the periods from June 1, 2018 to August 31, 2020.
- In the report on PROFONANPE's internal control for the periods from June 1, 2018 to August 31, 2020, 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
September 28, 2020

Countersigned by:


Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Camargo & Associates

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS OF THE GRANT AGREEMENT

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

September 28, 2020

1. We have audited the statement of sources and uses of funds for the periods from June 1, 2018 to August 31, 2020 and the statement of accumulated investments as of August 31, 2020 corresponding to Grant Agreement PRU-RS-002 to implement the "Readiness Support" project, signed between Green Climate Fund and PROFONANPE.

PROFONANPE's Management responsibility for the project's financial statements

2. PROFONANPE's Management is responsible for the preparation and fair presentation of the project's financial statements in accordance with the cash accounting basis. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of relatively material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing – ISAs 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements 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 PROFONANPE's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by PROFONANPE's Management, as well as evaluating the overall presentation of the project's financial statements.

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

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Opinion

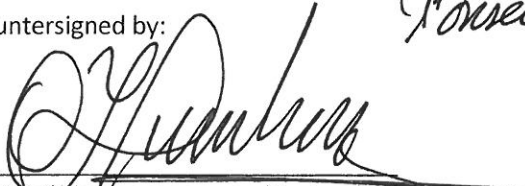
4. In our opinion, the accompanying financial statements present fairly, in all material respects, the sources and uses of funds for the periods from June 1, 2018 to August 31, 2020, and the accumulated investments of the Grant Agreement to implement the "Readiness Support" project financed by the Green Climate Fund, for the periods then 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 Grant Agreement PRU-RS-002.
5. Without modifying our opinion, we refer to note 2 to the project's financial statements which describe the basis of accounting. The financial statements of the Grant Agreement to implement the "Readiness Support" project financed by the Green Climate Fund, for the periods from June 1, 2018 to August 31, 2020, executed by PROFONANPE, have been prepared in accordance with the cash basis of accounting. According to this accounting basis, revenues are recognized when received and expenses when it is paid and not when accrued, which results in a different method from that based on generally accepted accounting principles in Peru.

Other issues

6. This report is issued only for the knowledge and use of the Green Climate Fund and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here.

Lima, Peru
September 28, 2020

Countersigned by:



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

Fonseca, Camargo & Associates

STATEMENT OF SOURCES AND USE OF FUNDS
FOR THE PERIODS FROM JUNE 1, 2018 TO AUGUST 31, 2020
(Expressed in U.S. Dollars)
(Notes 1 and 2)

	Note	From June 1 to December 31, 2018	From January 1 to December 31, 2019	From January 1 to August 31, 2020	Accumulated at August 31, 2020
SOURCE OF FUNDS					
Transfer of funds Green Climate Fund	3	273,125	-	-	273,125
Institutional loan		-	-	29,600	29,600
Total source of funds		<u>273,125</u>	<u>-</u>	<u>29,600</u>	<u>302,725</u>
		-	-	-	-
USE OF FUNDS					
Component 1: Direct access entity’s annual work programme	4	(32,266)	(121,889)	(69,149)	(223,304)
Component 2: Access to finance	5	-	(3,178)	(53,717)	(56,895)
Component 3: Operating expenses	6	(14,375)	-	(4,500)	(18,875)
Total use of funds		<u>(46,641)</u>	<u>(125,067)</u>	<u>(127,366)</u>	<u>(299,074)</u>
Available donation cash		226,484	(125,067)	(97,766)	3,651
Receivable and/or payable various		(87)	(332)	419	-
Exchange rate		-	(1,678)	(1,209)	(2,887)
Effective at beginning of year		-	226,397	99,320	-
Cash at end of year	7	<u>226,397</u>	<u>99,320</u>	<u>764</u>	<u>764</u>

The accompanying notes are part of this financial statement.

STATEMENT OF ACCUMULATED INVESTMENTS
 FOR THE PERIODS FROM JUNE 1, 2018 TO AUGUST 31, 2020
 (Expressed in U.S. Dollars)

	<u>Budget</u>	<u>2018 Green Climate Fund</u>	<u>2019 Green Climate Fund</u>	<u>2020 Green Climate Fund</u>	<u>Total Accumu- lated</u>
FINANCED INVESTMENTS					
Component 1: Direct Access Entity’s Annual Work Programme	225,300	32,266	121,889	69,149	223,304
Component 2: Access to finance	22,700	-	3,178	53,717	56,895
Component 3: Operating expenses					
CI Profonanpe	28,700	14,375	-	-	14,375
Auditing	4,500	-	-	4,500	4,500
Contingent	14,375	-	-	-	-
	<u>330,625</u>	<u>46,641</u>	<u>125,067</u>	<u>127,366</u>	<u>299,074</u>

The accompanying notes are part of this financial statement.

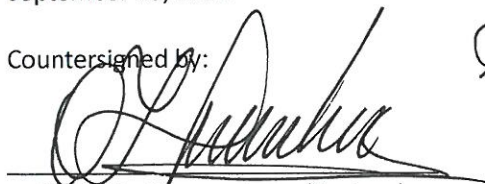
INDEPENDENT AUDITOR'S REPORT ON THE STATUS OF COMPLIANCE WITH THE CLAUSES OF THE GRANT AGREEMENT

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 periods from June 1, 2018 to August 31, 2020 and the statement of accumulated investments as of August 31, 2020 corresponding to Grant Agreement PRU-RS-002 to implement the "Readiness Support" project, signed between Green Climate Fund and PROFONANPE and we have issued our unqualified opinion on September 28, 2020.
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 Grant 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 periods from June 1, 2018 to August 31, 2020, PROFONANPE complied in all material respects with the clauses of the above-mentioned Grant Agreement.
4. This report is issued only for the knowledge and use of the Green Climate Fund and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here

Lima, Peru
September 28, 2020

Countersigned by:



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

Fonseca, Camargo & Associates

**STATUS OF COMPLIANCE WITH THE CLAUSES OF THE GRANT AGREEMENT FOR THE PERIODS FROM
JANUE 1, 2018 TO AUGUST 31, 2020**

<u>Reference</u>	<u>Description</u>	<u>Evaluation</u>
Section 4.01	(a) The Recipient shall (i) apply the proceeds of the Grant to the financing of Eligible Expenditures in respect of Goods and Services in accordance with the provisions of this Grant. Agreement; (ii) ensure that the Grant proceeds are used for their intended purposes in accordance with the generally accepted principles of economy, efficiency, transparency and accountability;. (Hi) cause the Readiness Support to be carried out in conformity with sound administrative, technical, financial, business and development practices, and (iv) ensure that the Readiness Support activities are carried in accordance with the terms and conditions of this Grant Agreement, including the Standard Conditions and the Policy on Prohibited Practices.	Fulfilled Clause.
Section 4.02	Except as the Fund may otherwise agree, the Recipient shall procure, or cause to be procured, all Goods and Services in accordance with the Procurement Plan.	Fulfilled Clause.
	Articulo V Pagos y procedimientos	
Section 5.04	All payments of the Grant. proceeds shall be made in US Dollars, to the designated bank account to be specified by the Recipient after the Signing of this Grant Agreement. The Recipient shall notify the Fund of the details of the designated bank account for the. of this Grant to be recorded in a side letter signed by the Recipient and the Fund and also supply the fund an official letter from the Bank confirming the details of the account to prove the Recipient's ownership of the designated bank account.	Fulfilled Clause.
Articul VI	Audits; Other Agreements.	
Section 6.01	The Recipient shall (i) have financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to the Fund, in accordance with international standards for auditing or the national equivalent acceptable to the Fund; (ii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance of this Grant Agreement); and (iii) furnish to the Fund no later than 3 months after completion of the Readiness Support, copies of such audited Financial Statements and audit report, all in the english language.	In compliance process
Section 6.02	For the purposes of section 7.07 of the Standard Conditions, the recipient must provide the Fund with (i) the following Readines reports: Progress reports; and, the completion report no later than three months after completing the activities.	Fulfilled Clause.

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

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

September 28, 2020

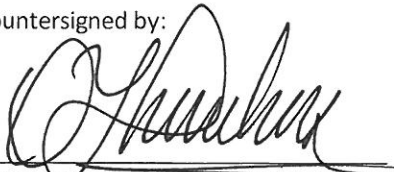
1. We have audited the statement of sources and use of funds for the periods from June 1, 2018 to August 31, 2020 and the statement of accumulated investments as of August 31, 2020 corresponding to Grant Agreement PRU-RS-002 to implement the “Readiness Support” project, signed between Green Climate Fund and PROFONANPE and we have issued our unqualified opinion on September 28, 2020.
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 Grant 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.

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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 Green Climate Fund and PROFONANPE, and therefore should not be used by others or for purposes other than those indicated here

Lima, Peru
September 28, 2020

Countersigned by:



Oswaldo Fonseca Luna (Partner)
Certified Public Accountant
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Fonseca, Camargo & Associates