

PROFONANPE

Project "Building the Resilience of Wetlands in the
Provincia of Datem del Marañon, Peru" funded by the
Master Accreditation Agreement and the Funded
Activity Agreement (Grants) concluded between the
Green Climate Fund and PROFONANPE
Audit of financial statements for the year ended
December 31, 2021

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

Dear Sirs:

This document represents the "**Executive Summary**" of the financial audit report for the period January 01 to December 31, 2021 of the project "*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*", funded through the Master Accreditation Agreement and Funded Activity Agreement (Grants) concluded between the Green Climate Fund and PROFONANPE. The content of this executive summary is as follows:

1. BACKGROUND

a) The Green Climate Fund

The **Green Climate Fund** is a fund created in the context of the United Nations Framework Convention on Climate Change and was established as a mechanism to assist developing countries in climate change adaptation and mitigation practices. It is a unique global initiative to respond to climate change by investing in low-emission, climate-resilient development. This Fund was established by 194 governments to limit or reduce greenhouse gas emissions in developing countries and to help vulnerable societies adapt to the inevitable impacts of climate change. It therefore supports thematic funding windows, projects, programs, policies and other activities in developing countries.

b) The Master Accreditation Agreement and Funded Activity Agreement (Grants)

On July 19, 2016, the Green Climate Fund signed an Accreditation Agreement with PROFONANPE to finance the project "*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*", which was approved in November 2015 and started its activities in June 2017. This project aims to improve the resilience capacities of indigenous communities living in carbon-rich wetland ecosystems in the Province Datem del Marañon in the Loreto Region of Peru (wetland and lake conservation); and, to improve the livelihoods of indigenous communities and reduce greenhouse gas emissions from deforestation (development of projects based on the sustainable use of biodiversity). On December 15, 2016, the Green Climate Fund and PROFONANPE signed the Funded Activity Agreement (Grants) for the execution of the project

The budget approved by the Funded Activity Agreement amounts to US\$ 9'110,000, of which US\$ 6'240,000 is contributed by the Green Climate Fund, US\$ 1'800,000 is contributed by the Government of South Korea and US\$ 1'070,000 corresponds to PROFONANPE.

c) The project-executing agency

PROFONANPE is a non-profit private institution established by Decree Law N° 26154 of December 29, 1992 to manage the National Fund for Natural Areas Protected by the Government and has its own legal existence and legal personality. In accordance with Article 181.1 of the Regulations of the Natural Protected Areas approved by Supreme Decree N° 038-2001-AG, PROFONANPE's mission is to capture, channel, and assign complementary resources required to contribute to the conservation of biological diversity, protection, and management of the Natural Protected Areas included in the Regulation.

2. OBJECTIVES AND AUDIT SCOPE

The external audit professional services contract signed with PROFONANPE to conduct the audit of the project *“Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru”*, funded through the Master Accreditation Agreement and Funded Activity Agreement (Grants), concluded between the Green Climate Fund and PROFONANPE established the following objectives:

- Issue an opinion on whether the statement of funds and the statement of accumulated investments of the project *“Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru”*, reasonably presents the sources and uses of funds for the period from January 01 to December 31, 2021, as well as the investments at the latest date, in accordance with the accounting policies applied and the terms of the Master Accreditation Agreement and Funded Activity Agreement (Grants).
- Issue an opinion on whether the supplementary financial information as of December 31, 2021 has been fairly presented in all its material respects.
- Issue an opinion regarding PROFONANPE's compliance with the clauses set forth in the Master Accreditation Agreement and the Funded Activity Agreement (Grants) during the period under review.
- Issue an opinion on the reasonableness of PROFONANPE' internal control system for the management of the funds transferred by the Green Climate Fund in the period under review, identifying significant deficiencies in design and operation, if any.

We conducted our audit 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 Public Accountants Colleges of Peru, as well as with the requirements set forth in the Guidelines and Terms of Reference for Audits of World Bank-financed Projects in the Latin American and Caribbean Region. Therefore, our examination covered income and expense transactions made with funds from the Master Accreditation Agreement and the Funded Activity Agreement (Grants) for the period January 01 to December 31, 2021. A summary of the audit procedures applied is presented in Annex N° 3 of this report.

3. AUDIT RESULTS

As a result of the audit of financial statements of the Project *“Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru”* funded by the Master Accreditation Agreement and the Funded Activity Agreement (Grants) concluded between the Green Climate Fund and PROFONANPE for the period from January 01 to December 31, 2021, we issued our audit report on April 15, 2022. A summary of this report is presented below:

- Unqualified opinion on the statement of funds and the statement of accumulated investments of the project for the period from January 01 to December 31, 2021.
- Unqualified opinion on the supplementary information as of December 31, 2021.
- We believe that PROFONANPE reasonably complied with the terms of the Master Accreditation Agreement and the Funded Activity Agreement concluded with the Green Climate Fund during the period from January 01 to December 31, 2021.
- The internal control report established by PROFONANPE for the period from January 01 to December 31, 2021, does not report any significant deficiencies in the design and operation of the internal controls established by the executing entity for project management.

4. ENTITY'S COMMENTS

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

Lima, Peru
April 11, 2022

Countersigned by:



Fonseca, Camargo & Associates

Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

INDEPENDENT AUDITOR'S OPINION ON THE PROJECT'S BASIC FINANCIAL STATEMENTS

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

April 11, 2021

1. We have audited the statement of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021 for the project *"Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru"*, funded by the Master Accreditation Agreement and the Funded Activity Agreement (Grants) concluded between the Green Climate Fund and PROFONANPE, which is executed by PROFONANPE.

PROFONANPE's Management responsibility for the preparation of the financial statements

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

Auditor's responsibility

3. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing – ISA disclosed by the *International Auditing and Assurance Standards Board – IASB*, approved for application in Peru by the Board of Deans of Public Accountants Colleges of Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements do not include material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the risk assessment that the financial statements are free from material misstatement, due to fraud or error. In making this risk assessment, the auditor considers internal control relevant to the entity for the 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 PROFONANPE's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the project's financial statements.

PROFONANPE

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

Opinion

4. In our opinion, the accompanying financial statements presents fairly, in all material respects, the sources and uses of funds for the period from January 01 to December 31, 2021, and the accumulated investments of the Project "*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*" 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 Funded Activity Agreement signed between the Green Climate Fund and PROFONANPE.

Accounting basis

5. Without modifying our opinion, we refer to Note 2 of the financial statements which describes the basis of accounting. The financial statements of the Project "*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*", for the period from January 01 to December 31, 2021, executed by PROFONANPE, have been prepared on a cash accounting basis. According this basis of accounting, income is recognized when it is received and expenses when it is paid and not when it is earned; resulting in a method different from that based on Peruvian generally accepted accounting principles.

Other matters

6. Without modifying our audit opinion, we draw attention to Note 1 d., to the financial statements, which describes that PROFONANPE has contemplated the potential impact that COVID-19 could have on its operations and has considered its effect on the financial statements. The actions taken by the entity to mitigate these effects are described in the indicated Note.
7. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund, so it should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 11, 2021

Countersigned by



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

Fonseca, Camargo & Associates

STATEMENT OF FUND
For the period from January 01 to December 31, 2021
 (Expressed in US Dollars)

	Notas	Accumulated as of December 31, 2020				From January 1 to December 31, 2021				Accumulated as of December 31, 2021			
		PROFONANPE	KOICA	Green Climate Fund	Total	PROFONANPE	KOICA	Green Climate Fund	Total	PROFONANPE	KOICA	Green Climate Fund	Total
INCOME OF FUNDS:													
Funds Received													
Transfer funds, Project cost	3	-	-	229,840	229,840	-	-	192,688	192,688	-	-	422,528	422,528
Transfers funds, Green Climate Fund	3	-	822,620	2,322,186	3,144,806	-	-	1,927,632	1,927,632	-	-	4,249,818	4,249,818
Transfers funds, KOICA	3	-	-	-	-	-	(222,620)	-	(222,620)	-	600,000	-	600,000
Portfolio withdrawal	3	700,408	-	-	700,408	192,746	-	-	192,746	893,154	-	-	893,154
Total funds received		700,408	822,620	2,552,026	4,075,054	192,748	(222,620)	2,120,320	2,090,446	893,154	600,000	4,672,346	6,165,500
USE OF FUNDS BY COMPONENT:													
Total use of funds by component													
00 Financial management	4	-	-	229,840	229,840	-	-	192,688	192,688	-	-	422,528	422,528
01 Strengthening of institutional capacity in government agency	5	190,850	-	263,163	454,013	3,505	-	176,966	180,471	194,355	-	440,129	634,484
02 Strengthening of the capacity of community	6	191,964	-	609,666	801,630	146,601	-	280,331	426,932	338,565	-	889,997	1,228,562
03 Resilience through bio -business	7	122,878	498,385	750,037	1,371,300	31,504	94,962	710,797	837,263	154,382	593,347	1,460,834	2,208,563
04 Science, technology, knowledge and monitoring system and evaluation	8	184,038	-	382,645	566,683	-	-	201,480	201,480	184,038	-	584,125	768,163
Total use of funds by component		689,730	498,385	2,235,351	3,423,466	181,610	94,962	1,562,262	1,838,834	871,340	593,347	3,797,613	5,262,300
Accounts to be regularized/exchange difference		(9,985)	(1,267)	(52,393)	(63,645)	(308)	(204)	(115,930)	(116,442)	(10,293)	(1,471)	(168,323)	(180,087)
Increase (decrease) in cash		693	322,968	264,282	587,943	10,828	(317,786)	442,128	135,170	11,521	5,182	706,410	723,113
Cash at beginning of period		-	-	-	-	693	322,968	264,282	-	-	-	-	-
Cash at end of period	9	693	322,968	264,282	587,943	11,521	5,182	706,410	723,113	11,521	5,182	706,410	723,113

The accompanying notes are part of this statement.

STATEMENT OF ACCUMULATED INVESTMENTS
For the period from January 01 to December 31, 2021
 (Expressed in US Dollars)

	Budget Approved				Accumulated as of December 31, 2020				Variations from January 01 to December 31, 2021				Accumulated as of December 31, 2021			
	PROFO-NANPE	KOICA	Green Climate Fund	TOTAL	PROFO-NANPE	KOICA	Green Climate Fund	Total	PROFO-NANPE	KOICA	Green Climate Fund	Total	PROFO-NANPE	KOICA	Green Climate Fund	Total
Components:																
00 Financial management	-	-	-	-	-	-	229,840	229,840	-	-	192,688	192,688	-	-	422,528	422,528
01 Strengthening of institutional capacity in government agencies	260,000	-	950,000	1,210,000	190,850	-	263,163	454,013	3,505	-	176,966	180,471	194,355	-	440,129	634,484
02 Strengthening the capacity of community institutions	360,000	-	1,940,000	2,300,000	191,964	-	609,666	801,630	146,601	-	280,331	426,932	338,565	-	889,997	1,228,562
03 Resilience -bio business	140,000	1,800,000	2,700,000	4,640,000	122,878	498,385	750,037	1,371,300	31,504	94,962	710,797	837,263	154,382	593,347	1,460,834	2,208,563
04 Science, technology, knowledge and monitoring system and evaluation	310,000	-	650,000	960,000	184,038	-	382,645	566,683	-	-	201,480	201,480	184,038	-	584,125	768,163
Total Investments	1,070,000	1,800,000	6,240,000	9,110,000	689,730	498,385	2,235,351	3,423,466	181,610	94,962	1,562,262	1,838,834	871,340	593,347	3,797,613	5,262,300

The accompanying notes are part of this statement.

INDEPENDENT AUDITOR'S OPINION ON THE SUPPLEMENTARY INFORMATION

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

1. We have audited the statement of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021 for the project “*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*”, funded by the Master Accreditation Agreement and the Funded Activity Agreement (Grants) signed between the Green Climate Fund and PROFONANPE, and have issued our unqualified opinion thereof on April 11, 2022.
2. Our review was intended to provide an opinion on the statement of funds and the statement of accumulated investments for the period from January 01 to December 31, 2021 of the project “*Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru*” funded by the Master Accreditation Agreement and the Funded Activity Agreement (Grants) signed between the Green Climate Fund and PROFONANPE taken as a whole, was conducted in accordance with the International Standards on Auditing disclosed by the *International Auditing and Assurance Standards Board* and approved for application in Peru by the Board of Deans of Peruvian Colleges of Public Accountants, as well as with the requirements set forth in the “*Guidelines and Terms of Reference for Audits of World Bank-financed Projects in the Latin American and Caribbean Region*”; therefore, it included selective accounting tests and the application of other audit procedures as we considered necessary in the circumstances.
3. The supplementary financial information included as Annex N° 1 and 2 is presented for additional analysis purposes and is not considered necessary for the presentation of the project's financial statements. This supplementary financial information has been the subject of the audit procedures applied to the project's financial statements and is, in our opinion, fairly presented in all material respects in relation to those statements taken as a whole.
4. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund, and should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 11, 2022

Countersigned by:



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

Fonseca, Camargo & Associates


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

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

1. We have audited the statement of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021 for the project *"Building the Resilience of Wetlands in the Province of Datem del Marañon, Peru"*, funded by the Master Accreditation Agreement and the Funded Activity Agreement (Grant) signed between the Green Climate Fund and PROFONANPE, and have issued our unqualified opinion on April 11, 2022.
2. We conducted our audit in accordance with the International Standards on Auditing disclosed by the *International Auditing and Assurance Standards Board*, approved for application in Peru by the Board of Deans of Peruvian Colleges of Public Accountants, within the framework of the policies on the audit of entities and projects financed by the International Bank for Reconstruction and Development – IBRD, applicable to compliance auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that PROFONANPE has complied with the terms of the above-mentioned Accreditation Agreement and the Funded Activity Agreement (Grants). An audit includes the examination, based on evidence, of appropriate evidence. We believe that our examination provides a reasonable basis for our opinion.
3. In our opinion, in the period from January 01 to December 31, 2021, PROFONANPE complied in all material respects with the provisions of the Master Accreditation Agreement and the Funded Activity Agreement (Grants) signed with the Green Climate Fund.
4. This report is issued solely for the knowledge and use of PROFONANPE and the Green Climate Fund, so it should not be used by others or for purposes other than those indicated herein.

Lima, Peru
April 11, 2022

Countersigned by



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

Fonseca, Camargo & Associates