

Audit of financial statements

PROFONANPE

Project "Building Resilience in the Wetlands of the Province of Datem del Marañón, Peru" financed by the Master Accreditation Agreement and the Financed Activity Agreement (Grants) concluded between the Green Climate Fund and PROFONANPE, for the period of January 01 as of December 31, 2020



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Executive summary

MR:

Antón Willems Delanoy

Executive director

PROFONANPE

Lima - Perú. -

This document represents the "Executive Summary" of the financial audit report for the period from 01 January to 31 December 2020 of the project "Building Resilience in wetlands in the province of Datem del Marañón, Perú", financed by the Master Accreditation Agreement and the Funded Activity Agreement (Grants) concluded between the Green Climate Fund and PROFONANPE. The content of this summary is as follows:

1. Background

a. The Green Climate Fund

The Green Climate Fund is a fund set up 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, programmes, policies and other activities in developing countries.

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

On July 19, 2016, the Green Climate Fund signed with PROFONANPE the Accreditation Agreement to finance the project "Building Resilience in the Wetlands of Datem del Marañón Province, Peru", which was approved in November 2015 and started in June 2017. This project aims to improve the resilience capabilities of indigenous communities living in carbon reserve-rich wetland ecosystems in the Datem del Marañón Province in Peru's Loreto region (conservation of wetlands and cochas); and, improve the livelihoods of indigenous communities and reduce greenhouse gas emissions generated by deforestation (development of ventures based on the sustainable use of biodiversity). On 15 December 2016, the Green Climate Fund and PROFONANPE signed the Funded Activity Convention (Subsidies) for the implementation of the project.

The budget approved by the Funded Activity Agreement amounts to US\$9,110,000, of which total 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 the counterparty from PROFONANPE. The budget for the period 2020 approved through the Operational Plan of Activities (POA) amounted to US\$ 1,355,355.

Through the Negotiating Act of the sub-project "Program to training aqueicola promoters under the principles of biocommittee in native Awajun communities in the province of Datem del Marañón", subscribed to the National Fisheries and Aquaculture Innovation Programme of the Ministry of Production - PNIPA and PROFONANPE, dated 17 July 2019, it was agreed to award funding for the implementation of the sub-project by the Strategic Alliance led by PROFONANPE, up to S/ 133,573.



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c. The executing entity of the project

PROFONANPE is a non-profit private law institution, constituted in Peru by Decree Law No. 26154 of December 29, 1992, with the purpose of administering the National Fund for Natural Areas Protected by the State, for which it enjoys its own legal existence and legal personization. In accordance with Article 181.1 of the Regulations of the Law on Protected Natural Areas approved by Supreme Decree No. 038-2001-AG, PROFONANPE has as its mission the acquisition, channeling and allocation of complementary resources required to contribute to the conservation of biological diversity, protection and management of protected Natural Areas covered by the Regulations.

2. OBJECTIVES AND AUDIT SCOPE

The contract of professional external audit services signed with PROFONANPE, to carry out the audit to the financial statements of the Project "Building Resilience in the Wetlands of the Province of Datem del Marañón, Peru", financed by the Master Accreditation Agreement and the Funded Activity Convention (Grants), concluded between the Green Climate Fund and PROFONANPE, established the following objectives:

- Issue an opinion on whether the state of sources and use of funds and the status of accumulated investments of the Project "Building resilience in the Wetlands of the province of Datem del Marañón, Peru", reasonably present the sources and uses of funds in the period from 01 January to 31 December 2020, as well as investments at the last date, in accordance with the implemented accounting policies and the terms of the Master Accreditation Agreement and the Funded Activity Agreement (Subsidies) concluded between the Green Climate Fund and PROFONANPE.
- Issue an opinion on whether the additional financial information as of 31 December 2020 has been reasonably presented in all its important respects.
- Issue an opinion regarding PROFONANPE's compliance with the clauses provided for in the Master Accreditation Agreement and the Funded Activity Convention (Subsidies) during the period under review.
- Issue an opinion on the reasonableness of the internal control system established by PROFONANPE for the management of funds transferred by the Green Climate Fund during the period under review, identifying significant deficiencies in design and operation, if any.

Our audit, was practiced in accordance with the International Auditing and Assurance Standards Board - IASB approved for application in Peru by the Board of Deans of Public Accountant Schools of Peru. Therefore, our review included income and expenditure transactions made with the funds of the Master Accreditation Agreement and the Funded Activity Agreement (Subsidies) for the period January 01 to December 31, 2020. A summary of the audit procedures applied is presented in Annex No. 03 to this report.

3. AUDIT RESULTS

From the audit of the financial statements of the Project "Building Resilience in the Wetlands of the Province of Datem del Marañón, Peru" financed by the Master Accreditation Agreement and the Funded Activity Agreement (Subsidies) concluded between the Green Climate Fund and PROFONANPE for the period from 01 January to 31 December 2020, we issued our audit report, on April 26, 2020. A summary of this report is presented below:

- Unqualified opinion on the state of sources and use of funds and the status of accumulated investments of the project for the period from 01 January to 31 December 2020.



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- Unqualified opinion on supplementary information as of December 31, 2020.
- We believe that PROFONANPE reasonably complied with the clauses of the Master Accreditation Agreement and the Agreement on Funded Activity (Grants), concluded with the Green Climate Fund from 01 January to 31 December 2020.
- The report on internal control established PROFONANPE in the period from 01 January to 31 December 2020 does not report significant deficiencies in the challenge and functioning of the internal controls established by the executing entity for the administration of the project, as well as matters of internal control that need to be communicated.

4. COMMENTS FROM THE ENTITY

PROFONANPE's Executive Directorate has become aware of this audit report by expressing its agreement on its content.

Lima, Perú

April 26, 2021

Countersigned by:

Andres Ropert Dokmanovic
Partner
Ropert, Sarrio & Asociados S.C.
Chartered public accountant
Registry Nro 39184



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REPORT OF THE INDEPENDENT AUDITORS ON THE BASIC FINANCIAL STATEMENTS OF THE PROJECT

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

1. We have audited the statement of funds for the period from January 01 to December 31, 2020 and the statement of accumulated investments as of December 31, 2020 for the project "Building the Resilience of Wetlands in the Province of Datem def Maranan, 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.

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

Opinion

5. 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, 2020, and the accumulated investments of the Project "Building the Resilience of Wetlands in the Province of Datem def Ma ranan, 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 (Grants) signed between the Green Climate Fund and PROFONANPE.



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Accounting basis

6. 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 def Maranan, Peru", for the period from January 01 to December 31, 2020, 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

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, Perú

April 26, 2021

Countersigned by:

Andres Ropert Dokmanovic
Partner
Ropert, Sarrio & Asociados S.C.
Chartered public accountant
Registry Nro 39184

STATEMENT OF FUNDS

For the period from January to December, 2020

(Expressed in US Dollars)

| | Note | As of December 31, 2019 | | | From January 1 to December 31, 2020 | | | As of December 31, 2020 | | | December 31, 2020 | |
|---|------|-------------------------|-------------------------|------------------|-------------------------------------|----------------|-------------------------|-------------------------|----------------|-------------------------|-------------------|------------------|
| | | Profonanpe | South Korean Government | Green Fund | Total General | Profonanpe | South Korean Government | Green Fund | Profonanpe | South Korean Government | Green Fund | Total General |
| INCOME OF FUNDS: | | | | | | | | | | | | |
| 1 Funds Received : | | | | | | | | | | | | |
| 1 | | - | - | 229,840 | 229,840 | - | - | - | - | 229,840 | 229,840 | |
| 2 | | - | 822,620 | 2,322,186 | 3,144,806 | - | - | - | 822,620 | 2,322,186 | 3,144,806 | |
| 1 | 3 | 567,268 | - | - | 567,268 | 133,141 | - | - | 700,408 | - | 700,408 | |
| Total funds received | | 567,268 | 822,620 | 2,552,026 | 3,941,914 | 133,141 | - | - | 700,408 | 822,620 | 2,552,026 | 4,075,054 |
| USE OF FUNDS BY COMPONENT: | | | | | | | | | | | | |
| Total use of funds by Component | | | | | | | | | | | | |
| 00 | | - | - | 229,840 | 229,840 | - | - | - | - | 229,840 | 229,840 | |
| 01 | 5 | 113,215 | - | 206,185 | 319,400 | 77,635 | - | 56,977 | 190,850 | - | 263,163 | 454,013 |
| 02 | 6 | 169,969 | - | 490,314 | 660,284 | 21,995 | - | 119,351 | 191,964 | - | 609,666 | 801,630 |
| 03 | 7 | 34,832 | 14,169 | 298,226 | 347,226 | 88,046 | 484,217 | 451,811 | 122,878 | 498,386 | 750,037 | 1,371,300 |
| 04 | 8 | 184,104 | - | 186,525 | 370,629 | -66 | - | 196,120 | 184,038 | - | 382,645 | 566,684 |
| Total use of funds by component | | 502,121 | 14,169 | 1,411,091 | 1,927,380 | 187,610 | 484,217 | 824,260 | 689,730 | 498,386 | 2,235,351 | 3,423,467 |
| Accounts to be regularized/ exchange difference | | -2,087 | 373 | 48,632 | 46,919 | 12,072 | 894 | 3,760 | 9,985 | 1,267 | 52,393 | 63,645 |
| Increase (decrease) in cash | | 67,234 | 808,078 | 1,092,303 | 1,967,615 | -66,541 | -485,111 | -828,020 | 693 | 322,967 | 264,283 | 587,943 |
| Cash at beginning of period | | | | | - | 67,234 | 808,078 | 1,092,303 | | | | - |
| Cash at end period | | 67,234 | 808,078 | 1,092,303 | 1,967,615 | 693 | 322,967 | 264,283 | 693 | 322,967 | 264,283 | 587,943 |

ESTADO DE INVERSIONES ACUMULADAS

Por el periodo comprendido de Enero a Diciembre de 2020

(Expresado en Dólares americanos)

| Components | Approved budget | | | | Accumulated as of December 31, 2019 | | | | Variations from January 01 to December 31, 2020 | | | | Total accumulated as of December 31, 2020 | | | |
|--|-----------------|-------------|--------------------|-----------|-------------------------------------|-------------|--------------------|-----------|---|-------------|--------------------|-----------|---|-------------|--------------------|-----------|
| | PROFONANPE | South Korea | Green Climate Fund | TOTAL | PROFONANPE E | South Korea | Green Climate Fund | TOTAL | PROFONANPE | South Korea | Green Climate Fund | TOTAL | PROFONANPE | South Korea | Green Climate Fund | TOTAL |
| 00 Financial management | - | - | - | - | - | - | 229,840 | 229,840 | - | - | - | - | - | - | 229,840 | 229,840 |
| 01 Strengthening of institutional capacity in government agencies | 260,000 | - | 950,000 | 1,210,000 | 113,215 | - | 206,185 | 319,400 | 77,635 | - | 56,977 | 134,612 | 190,850 | - | 263,163 | 454,013 |
| 02 Strengthening the capacity of community | 360,000 | - | 1,940,000 | 2,300,000 | 169,969 | - | 490,314 | 660,284 | 21,995 | - | 119,351 | 141,346 | 191,964 | - | 609,666 | 801,630 |
| 03 Resilience through bio-business | 140,000 | 1,800,000 | 2,700,000 | 4,640,000 | 34,832 | 14,169 | 298,226 | 347,226 | 88,046 | 484,217 | 451,811 | 1,024,074 | 122,878 | 498,386 | 750,037 | 1,371,300 |
| 04 Science, technology, knowledge and monitoring system and evaluation | 310,000 | - | 650,000 | 960,000 | 184,104 | - | 186,525 | 370,629 | -66 | - | 196,120 | 196,054 | 184,038 | - | 382,645 | 566,684 |
| | 1,070,000 | 1,800,000 | 6,240,000 | 9,110,000 | 502,121 | 14,169 | 1,411,091 | 1,927,380 | 187,610 | 484,217 | 824,260 | 1,496,087 | 689,730 | 498,386 | 2,235,351 | 3,423,467 |



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REPORT OF INDEPENDENT AUDITORS ON THE COMPLIANCE STATUS OF CLAUSES OF THE MASTER ACCREDITATION AGREEMENT

To the members of the Board of Directors and Executive Director

PROFONANPE

Lima - Perú. -

1. We have audited the state of sources and uses of funds for the period from 01 January to 31 December 2020 and the status of investments accumulated as of December 31, 2020, corresponding to the project "Building Resilience in wetlands in the province of Datem del Marañón, Peru", funded by the Master Accreditation Agreement and the Funded Activity Agreement (Granst) concluded between the Green Climate Fund and PROFONANPE, and we issued our opinion without caveats on April 26, 2021.
2. Our examination was conducted in accordance with the International Audit Standards disclosed by International Auditing and Assurance Standards Board, approved for application in Peru by the Board of Deans of Public Accountant Colleges of Peru. Such rules require us to plan and execute the audit for reasonable security that PROFONANPE has complied with the above-mentioned clauses of the Accreditation Agreement and Funded Activity Convention (Subsidies). An audit includes the examination, based on evidence, of the appropriate evidence. We consider that our examination provides a reasonable basis for our opinion.
3. In our view, in the period from 01 January to 31 December 2020, PROFONANPE complied in all its material aspects with the provisions of the clauses of the Master Accreditation Agreement and the Funded Activity Convention (Subsidies) concluded with the Green Climate Fund.
4. This report is issued only for 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

26 April, 2021

Andres Ropert Dokmanovic

Partner

Ropert, Sarrio & Asociados S.C.

Chartered public accountant

Registry Nro 39184

STATUS OF COMPLIANCE WITH CLAUSES OF THE MASTER ACCREDITATION AGREEMENT AND FINANCED ACTIVITY AGREEMENT (SUBSIDIES) CELEBRATED BETWEEN THE GREEN CLIMATE FUND AND PROFONANPE FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

| Clause | Description | Evaluation |
|--|--|---|
| A. Master Accreditation Agreement - AMA | | |
| 7 7.02 | <p>Disbursement of GCF benefits to the accredited entity</p> <p>The accredited entity shall ensure that the benefits of GCF and other GCF funds are, unless otherwise agreed, controlled and held in a GCF account until they are spent for the individual funded activities. The accredited entity shall maintain separate records and general ledger accounts with respect to the GCF benefits and other GCF funds and disbursements from them. When an FAA establishes that the GCF Account for the relevant funded activity will be a bank account, such account will be:</p> <ul style="list-style-type: none"> (a) Separate from the account used for the purpose of other sums of money and funds of the accredited entity (b) Opened at a bank with a long-term credit rating of BBB+ or higher by S&P or Fitch or Baal or higher at Moody's, or otherwise at a bank acceptable to the Fund | <p>Status: Accomplished</p> <p>PROFONANPE manages the project funds transferred by the Green Climate Fund in two current accounts at a local bank in Lima, Peru.</p> |
| 11 11.02 | <p>Management of funds by the accredited entity</p> <p>The disbursement, administration and processing of GCF benefits by the Accredited Entity must be in accordance with the rules, policies and procedures of the accredited entity applicable to the extent and scope of its accreditation in order to enable it to meet its obligations under this Agreement.</p> | <p>Status: Accomplished</p> <p>The activities performed during the period under review were authorized in accordance with PROFONANPE's rules and procedures.</p> |
| 15 15.01 | <p>Documents file and reports</p> <p>The Accredited Entity must ensure that:</p> <ul style="list-style-type: none"> (c) All documents relating to individual funded activities, including records evidencing the use of GCF benefits in each FAA are retained for at least five (5) years after the relevant Reporting Period or longer required to monitor and manage any capital investment, outstanding loans or other financial instruments or to resolve any claims or audit queries or if required by the Fund. <p>The accredited entity shall provide the Fund with the following reports prepared in a form and manner consistent with the practices and procedures of the Fund for individually funded activities:</p> | <p>Status: Accomplished</p> <p>PROFONANPE has established a five-year conservation policy on project's income and expenses documents from international cooperation</p> |
| 15.02 | <ul style="list-style-type: none"> (a) APR on the status of each funded activity over the reporting period, including a narrative report on the progress of implementation based on the logical framework presented in the Funding Proposal and considerations on the continued operation of the funded activity against the fund's investment framework criteria. APR shall be submitted to the Secretary on an annual basis for the period ending on December 31 within sixty (60) days after the end of the annual period. | <p>Status: Accomplished</p> |

| | | |
|---|---|---|
| <p>17</p> | <p>Financial management; Financial information The Accredited Entity must ensure that:</p> <p>(a) A financial management system is maintained with various disclosures, descriptions and records of the GCF benefits and other GCF funds that are being prepared in accordance with internationally recognized accounting standards, consistently applied and acceptable to the Fund ("Financial Information");</p> | <p>Status: Accomplished</p> <p>The project-executing agency has established an appropriate financial management system.</p> |
| <p>17.01</p> | <p>(b) The financial information referred to in Articles 17.02(b) and 17.02(c) is then audited annually by independent external auditors or such other auditors as may be acceptable to the Fund in accordance with internationally recognized accounting and auditing standards acceptable to the Fund; the Financial Information so audited is provided to the Fund in accordance with Articles 17.02(b) and 17.02(c), together with such other information relating to the audited financial information and such other auditors as the Fund may from time to time reasonably request.</p> | <p>Status: Accomplished</p> <p>PROFONANPE hired an Independent Audit Firm that is part of the World Bank's list of firms to audit the project's financial statements for the year 2020.</p> |
| <p>B. Funded Activity Agreement (Grants)</p> | | |
| <p>3</p> | <p>The Grant : Disbursements</p> | |
| <p>3.05</p> | <p>The accredited entity shall use the grant exclusively to finance eligible expenses in accordance with AM A, as set forth in the funding proposal and budget.</p> | <p>Status: Accomplished</p> |
| <p>3.08</p> | <p>The financial reporting and accounting currency for the project shall be USO.</p> | <p>Status: Accomplished</p> |



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REPORT OF INDEPENDENT AUDITORS ON THE INTERNAL CONTROL STRUCTURE

To the members of the Board of Directors and Executive Director
PROFONANPE
Lima - Perú. –

1. We have audited the state of sources and uses of funds for the period from 01 January to 31 December 2020 and the status of investments accumulated as of December 31, 2020, corresponding to the project "Building Resilience in wetlands in the province of Datem del Marañón, Peru", funded by the Master Accreditation Agreement and the Funded Activity Agreement (Subsidies) concluded between the Green Climate Fund and PROFONANPE , and we have issued our opinion without exceptions on them, dated 26 April 2021.
2. Our review of the project's financial statements was conducted in accordance with the International Auditing and Assurance Standards Board and approved for implementation in Peru by the Board of Deans of Public Accountant Colleges of Peru. These rules require us to plan and execute the audit for reasonable security that the financial statements examined do not include erroneous representations of relative importance. In order to plan and execute our audit of the project's financial statements, we consider the internal control structure related to it, in order to determine our audit procedures to express our opinion on the aforementioned financial statements and not to take an opinion on the internal control structure.
3. The administration of PROFONANPE is responsible for establishing and maintaining an internal control structure. To meet this responsibility, the executor must make estimates and judgments to assess [in expected benefits and costs related to the policies and procedures of that structure. The objectives of an internal control system are to provide reasonable but not absolute security that assets are protected against losses due to unauthorized use or disposition, that transactions are conducted in accordance with PROFONANPE authorizations and the terms of the Master Accreditation Agreement and the Funded Activity Agreement (Subsidies) concluded between the Green Climate Fund and PROFONANPE , in accordance with the accounting basis described in Note 2 of the Basic Financial Statements.
4. Due to limitations inherent in any system to internal control, errors and irregularities that are not detected may occur. In addition, projections of any assessment of the internal control structure for future periods are subject to the risk that procedures may become inadequate, due to changes in [as conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate. Also, there is a possibility that in the application of control procedures errors may arise due to inappropriate understanding of instructions, errors of judgment, inachement of personnel, human failures, among other factors. Likewise, procedures whose effectiveness is based on the segregation of functions could be circumvented in the event of collusion between employees involved in internal accounting and financial control, as well as procedures aimed at ensuring that transactions are carried out in accordance with the terms authorized by the administration, may become ineffective if decisions are taken erroneously or irregularly. Therefore, we would not be able to ensure that all processing errors, internal control system deficiencies or non-compliance with applicable regulations were highlighted in the course of our audit, so we do not express an opinion on whether all established internal accounting and compliance control procedures were correctly applied in the financial year.



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5. The consideration of the internal control structure does not necessarily reveal all aspects of that structure that could be regarded 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 important in relation to the financial statements of the project, may occur and may not be detected in a timely manner by employees in the normal performance of their functions. We do not observe any matter about 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 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, Perú

April 26, 2021

Refrendado por:

Andres Ropert Dokmanovic
Partner
Ropert, Sarrio & Asociados S.C.
Chartered public accountant
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