

PROFONANPE

Audit report of project financial statements "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance with the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with
PROFONANPE

For the periods from January 1 to December 31, 2018
and January 1 to December 31, 2019

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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 periods from January 01 to December 31, 2018 and January 01 to December 31, 2019 of the project “Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance with the Nagoya Protocol”, financed by the Cooperation Agreement signed between the United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE. The content of this summary is as follows:

1. BACKGROUND

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.

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 (UNEP - 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 UNEP 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 and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol”, financed by the United Nations Environment Program and other cooperating sources, fairly presents the sources and uses of funds in the periods from January 1, 2018 to December 31, 2019, 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, 2019 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 periods from January 1 to December 31, 2018 and from January 1 to December 31, 2019.

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 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 periods from January 01 to December 31, 2018 and January 01 to December 31, 2019, we have issued our audit report on August 14, 2020. A summary of this report is presented below:

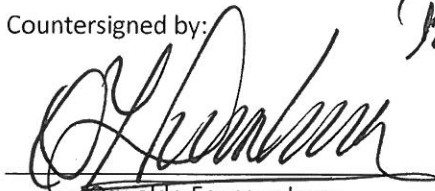
- Unqualified opinion on the statement of sources and uses of funds and the statement of accumulated investments for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019
- Unqualified opinion on the supplementary information as of December 31, 2019
- We believe that PROFONANPE reasonably complied with the clauses of the Cooperation Agreement for the periods from January 1 to December 31, 2018 and from January 1 to December 31, 2019
- 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 periods under review 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 periods from January 1 to December 31, 2018 and January 1 to December 31, 2019, 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
August 14, 2020

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Camargo and Associated

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

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

August 14, 2020

1. We have audited the statement of sources and uses of funds for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019 and the statement of accumulated investments as of December 31, 2018 and 2019 corresponding to the project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE, as implementing agencies.

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.

PROFONANPE

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 January 1 to December 31, 2018 and January 1 to December 31, 2019 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 periods then ended, in accordance with the accounting policies described in Note 2 to the accompanying financial statements and the terms of the aforementioned Agreement.

Accounting basis

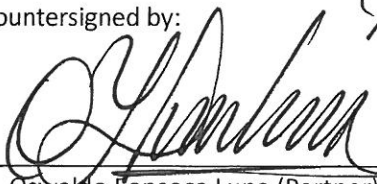
5. Without modifying our opinion, we refer to note 2 to the project's financial statements which describe the basis of accounting. The financial statements of the project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019, have been 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, resulting in a method different from that based on Peruvian generally accepted accounting principles.

Other issues

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
August 14, 2020

Countersigned by:



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

Fonseca, Camargo and Associated

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

STATEMENT OF SOURCES AND USE OF FUNDS
FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2018 AND FROM JANUARY 1
TO DECEMBER 31, 2019
(Expressed in U.S. Dollars)
(Notes 1 and 2)

	From 1.01.2018 to 31.12.2018	Accumulated at 31.12.2018	From 1.01.2019 to 31.12.2019	Accumulated at 31.12.2019
SOURCE OF FUNDS				
Transfer of funds (Note 3)	328,500	328,500	623,400	951,900
Total source of funds	328,500	328,500	623,400	951,900
USE OF FUNDS				
Personnel (Note 4)	34,972	34,972	216,008	250,980
Subcontracts (Note 5)	-	-	33,471	33,471
Training (Note 6)	2,370	2,370	127,835	130,205
Equipment and premises (Note 7)	4,109	4,109	27,899	32,008
Miscellaneous (Note)	6,126	6,126	55,123	61,249
Total use of funds	47,577	47,577	460,336	507,913
Available donation cash	280,923	280,923	163,064	443,987
Accounts to be regularized / Exchange difference	(406)	(406)	(8,459)	(8,865)
Effective at beginning of year	-	-	280,517	-
Cash at end of year (Note 9)	280,517	280,517	435,122	435,122

The accompanying notes are part of this financial statement.

STATEMENT OF ACCUMULATED INVESTMENTS
FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2018 AND FROM JANUARY 1 TO DECEMBER 31, 2019
 (Expressed in U.S. Dollars)

Categories	Total budget	Counterpart budget	Counterpart budget	Counterpart budget	Budget GEF 2019	1/01/2018	1/01/2019	Accumulated at 31/12/2019
		UNEP	MINAM	Third party		to 31/12/2018	to 31/12/2019	
Personnel	4,553,730	92,000	1,114,847	2,020,928	1,325,955	34,972	216,008	250,980
Subcontracts	1,154,950	-	354,694	636,456	163,800	-	33,471	33,471
Training	2,151,687	-	539,900	1,306,542	305,245	2,370	127,835	130,205
Equipment and premises	1,728,170	-	92,758	1,546,912	88,500	4,109	27,899	32,008
Miscellaneous	1,523,241	258,000	237,801	720,940	306,500	6,126	55,123	61,249
TOTAL INVESTMENTS	11,111,778	350,000	2,340,000	6,231,778	2,190,000	47,577	460,336	507,913

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 PERIODS FROM JANUARY 1 TO DECEMBER 31, 2018 AND FROM JANUARY 1 TO
DECEMBER 31, 2019

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 (UNEP Environment), the Peruvian Ministry of Environment and PROFONANPE to implement the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime 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 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:

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

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.

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>	In U.S. Dollars	
		2019	2018
07-03-2018	Transfer of funds from UNEP	-	328,500
16-12-2019	Transfer of funds from United Nations	623,400	-
		<u>623,400</u>	<u>328,500</u>

4. USE OF FUNDS – PERSONNEL

It includes:

	<u>Description</u>	In U.S. Dollars	
		2019	2018
Personnel salaries		145,153	31,536
Consultancies		69,507	2,776
Insurance		-	574
Exchange rate difference, adjustment		1,348	86
		<u>216,008</u>	<u>34,972</u>

5. USE OF FUNDS – SUB CONTRACTS

It includes:

	<u>Description</u>	In U.S. Dollars	
		2019	2018
Miscellaneous services		33,471	-
		<u>33,471</u>	<u>-</u>

6. USE OF FUNDS – TRAINING

It includes:

	<u>Description</u>	In U.S. Dollars	
		2019	2018
Travel expenses		38,396	1,404
Workshops		59,715	-
Services		29,087	886
Exchange rate difference, adjustment		-	43
Bank charges		440	37
Mobility		197	-
		<u>127,835</u>	<u>2,370</u>

7. USE OF FUNDS – EQUIPMENT AND PREMISES

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2019</u>	<u>2018</u>
Goods	27,899	4,109
	<u>27,899</u>	<u>4,109</u>

8. USE OF FUNDS – MISCELLANEOUS

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2019</u>	<u>2018</u>
Goods and services	15,890	3,912
Administrative costs	38,924	2,173
Bank charges	309	-
Exchange rate difference, adjustment	-	41
	<u>55,123</u>	<u>6,126</u>

9. AVAILABLE AS OF DECEMBER 31, 2019

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	-	509,435
Master current account – local currency N° 191-2503459-0-63	47,884	13,578
		<u>523,013</u>
Plus:		
Transfer for operating expenses	119,447	36,600
Less:		
Income to regularize PY-16		(34)
Electronic transfer foreign currency not registered by the Bank	-	(74,379)
Electronic transfer local currency not registered by the Bank	(145,571)	(43,623)
Checks drawn and not cashed in local currency	(21,427)	(6,455)
Balance as of December 31, 2019		<u>435,122</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

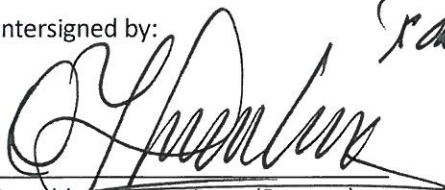
Lima – Peru.-

1. We have audited the statement of sources and use of funds for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019 and the statement of accumulated investments as of December 31, 2018 and 2019 corresponding to the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on August 14, 2020.
2. Our audit was intended to express an opinion on the statement of sources and use of funds and accumulated investments for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019 of the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance 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

August 14, 2020

Countersigned by:



Oswaldo Fonseca Luna (Partner)

Certified Public Accountant

Registration N° 8095

Fonseca, Camargo and Asociados

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

Annex N° 1

ACQUISITION OF GOODS
 FROM JANUARY 1 TO DECEMBER 31, 2018 AND FROM JANUARY 1 TO DECEMBER 31, 2019
 (Expressed in U.S. Dollars and Soles)

<u>Date</u>	<u>Description of the good</u>	<u>Brand</u>	<u>Model</u>	<u>Quantity</u>	<u>In Soles</u>	<u>In U.S. Dollars</u>
7-12-2018	Portable personal computer	LENOVO	V330	01	-	1,505
7-12-2018	Portable personal computer	LENOVO	V330	01	-	1,505
7-12-2018	Projector	VIEWSONIC	PAS03W	01	-	496
7-12-2018	Scanner	Canon	DR-C225	01	-	606
19-9-2018	Software	Clarivate Analytics	-	01	-	23,570
12-11-2019	Bag EKOTEX	-	-	01	<u>13,570</u>	<u>-</u>
					<u>13,570</u>	<u>27,682</u>

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

Annex N° 2

CONSULTING SERVICES
FROM JANUARY 1 TO DECEMBER 31, 2018 AND FROM JANUARY 1 TO DECEMBER 31, 2019
(Expressed in U.S. Dollars and Soles)

Date	Service Description	Name	Start	End	In Soles	In U.S. Dollars
15/03/2019	Development of defensive strategies and systematization of experiences and good practices for the identification of cases of illegal access to genetic resources.	MANUEL RUIZ MULLER	15/03/2019	15/07/2019	-	10,000
22/04/2019	Systematization of the work process with the administration and execution authorities and the results of the workshop for the identification of cases that require project access contracts with public entities.	ELLA KARINA RAMIREZ CUADROS	23/04/2019	31/05/2019	8,000	-
29/04/2019	Technical-legal diagnosis for the regularization of cases of access to genetic resources and traditional knowledge that do not have an access contract.	MANUEL RUIZ MULLER	30/04/2019	30/07/2019	-	8,800
29/04/2019	Identification and analysis of the abilities of institutions to become checkpoints along the value chains of access to genetic resources.	JORGE ALBERTO CABRERA MEDAGLIA	30/04/2019	22/08/2019	-	13,587
9/07/2019	Design and development of training programs on access to genetic resources and associated traditional knowledge within the legislation and the Nagoya Protocol.	RODRIGUEZ BAYONA LILY OLGA	09/07/2019	30/12/2019	-	33,179
9/08/2019	Design and development of an awareness campaign for action, behavior and attitude change within the framework of the GEF ABS NAGOYA project.	PRACTICAL ACTION	12/08/2019	10/12/2019	73,964	-
26/08/2019	Design of a Web platform.	NET CONSULTORES	26/08/2019	23/12/2019	-	45,404
15/10/2019	Development of a database of prioritized species by the actual or potential value of their genetic resources or derivatives for research, development and innovation with trade purposes in Peru.	ALESSANDRA SILVANA QUIÑONEZ ZUMAETA	15/10/2019	26/12/2019	-	12,000
15/10/2019	Preparation of a manual for officials to determine the activities that is within the scope of access to genetic resources.	ALESSANDRA SILVANA QUIÑONEZ ZUMAETA	15/10/2019	15/12/2019	-	7,000
15/10/2019	Preparation of guidelines and a methodological guide for the registration of the collective knowledge of indigenous peoples in the framework of Law N° 27811.	ANTONIA AURORA ORTEGA PILLMAN	15/10/2019	15/12/2019	30,000	-
18/10/2019	Elaboration of a diagnosis of the expectations and demands of indigenous peoples and peasant communities on ABS and traditional knowledge	LUIS GERMÁN DÁVALOS TORRES	18/10/2019	06/01/2020	37,800	-
15/10/2019	Technical assistance on negotiation for access to genetic resources and negotiation and benefit sharing.	MARIA JULIA OLIVA	15/10/2019	14/11/2019	-	9,932
					149,764	139,902

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

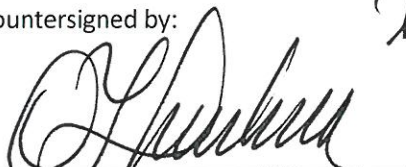
To the members of the Directive Board and Executive Director
PROFONANPE
Lima – Peru.-

August 14, 2020

1. We have audited the statement of sources and use of funds for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019 and the statement of accumulated investments as of December 31, 2018 and 2019 corresponding to the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on August 14, 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 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 periods from January 1 to December 31, 2018 and January 1 to December 31, 2019, 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
August 14, 2020

Countersigned by:



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

Fonseca, Camargo and Associated

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance with the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

STATUS OF COMPLIANCE WITH THE CLAUSES OF THE COOPERATION AGREEMENT FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2019 AND 2018

Reference	Description	Evaluation
16 g)	Regarding to subscribed subcontracts, PROFONANPE shall:	
	• Establish all subcontracts in writing;	Fulfilled clause
	• Maintain primary administrative responsibility for ensuring project compliance. This responsibility cannot be transferred or delegated;	Fulfilled clause
	• Monitor the performance of subcontractors and ensure that they comply with the terms of the Agreement.	Fulfilled clause
20	PROFONANPE will hire high-level staff for the Project according to the Terms of Reference (Appendix 3, Project Document).	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.	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.	Fulfilled clause
24	MINAM and PROFONANPE will use the funds and any supplies and equipment provided by UN Environment according to the Project Document.	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.	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.	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.	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.	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;	PROFONANPE submitted the half yearly progress report, July – December 2018 and July – December 2019. It also submitted the UN Environment GEF fiscal year 2019
34 e)	Financial statement: All financial statements shall be calculated in US dollars and any exchange differences shall be recorded in dollars in the approved project budget. Within one month of the quarter to which they relate, i.e. April 30, July 31, October 31 and January 31 or earlier, PROFONANPE, in coordination with MINAM, shall submit to UN Environment its quarterly expenses reports and explanatory notes on the expenses reported using the format shown as Annex 13.	Fulfilled clause, the reports were sent to UNEP for the years 2018 and 2019.

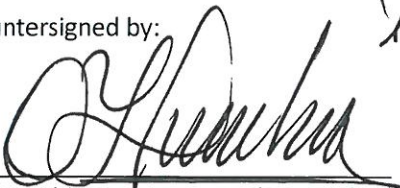
INDEPENDENT AUDITOR'S REPORT ON THE STATUS OF THE PROJECT'S DESIGNATED ACCOUNT

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 periods from January 1 to December 31, 2018 and 2019 of the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed through the Cooperation Agreement signed 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, 2019 and 2018, as well as the transactions made in the periods from January 1 to December 31, 2019 and 2018, 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
August 14, 2020

Countersigned by:



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

Fonseca, Camargo and Associated

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT
FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2019 AND 2018
 (Expressed in U.S. Dollars)

	<u>US \$</u>
Balance as of 16.02.2018	
<i>Plus:</i>	
1. Replenishment of Funds:	
16-02-2018 Funds transferred by the donor	328,500
	<u>328,500</u>
2. Bank interests	-
<i>Deductions:</i>	
1. Transfers to trading accounts	
30-06-2018 Expense report N° 1 (16/02/18 to 30/06/2018)	(155)
30-09-2018 Expense report N° 2 (01/07/18 to 30/09/2018)	(9,226)
31-12-2018 Expense report N° 3 (01/10/18 to 31/12/2018)	(38,612)
	<u>(47,993)</u>
2. Other	
Outstanding balance from previous period justified in the period	
Adjustments	10
	<u>10</u>
Closing balance as of December 31, 2018	<u>280,517</u>
Balance as of 1.01.2019	280,517
<i>Plus:</i>	
1. Replenishment of Funds:	
Transferred funds	623,400
	<u>903,917</u>
2. Bank interests	
<i>Deductions:</i>	
1. Transfers to trading accounts	
31-03-2019 Expense report N° 1 (01/01/19 to 31/03/2019)	(61,583)
30-06-2019 Expense report N° 2 (01/04/19 to 30/06/2019)	(80,833)
30-09-2019 Expense report N° 2 (01/07/19 to 30/09/2019)	(75,324)
31-12-2019 Expense report N° 3 (01/10/19 to 31/12/2019)	(241,024)
	<u>(458,764)</u>
2. Other	
Outstanding advance payment to be paid	(10,031)
	<u>(10,031)</u>
Closing balance as of December 31, 2019	<u>435,122</u>

NOTES TO THE STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

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, 2019, 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, 2019, PROFONANPE received the amount of US\$ 623,400 to carry out its project activities.

4. USE OF FUNDS

The funds used as of December 31, 2019, correspond to the requests for withdrawal of expenses prepared by PROFONANPE, whose details are as follows:

		<u>In U.S. Dollars</u>
31/03/2019	Expense report N° 1	61,583
30/06/2019	Expense report N° 2	80,833
30/09/2019	Expense report N° 2	75,324
31/12/2019	Expense report N° 3	241,024
		<u>458,764</u>

5. CLOSING BALANCE

As of December 31, 2019, 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	509,435
Master current account – local currency N° 191-2503459-0-63	13,578
	<u>523,013</u>
Plus: transfers for operating expenses	36,600
Less: unregistered transfers by banks	(124,491)
Balance as of December 31, 2019	<u>435,122</u>

INDEPENDENT AUDITORS ON THE STATUS OF FUNDING REQUESTS

To the members of the Directive Board and Executive Director

PROFONANPE

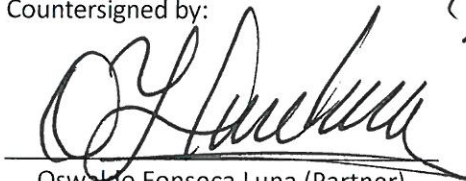
Lima – Peru.-

1. We have audited the statement of sources and use of funds for the periods from January 01 to December 31, 2018 and January 01 to December 31, 2019 and the statement of accumulated investments as of December 31, 2018 and 2019 corresponding to the project "Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on August 14, 2020.
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 periods January 01, 2018 to December 31, 2018 and from January 01 to December 31, 2019 and 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, Peru

August 14, 2020

Countersigned by:



Oswaldo Fonseca Luna (Partner)

Certified Public Accountant

Registration N° 8095

Fonseca, Camargo and Associated

PROFONANPE

Project "Effective Implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol", financed by the Cooperation Agreement signed between The United Nations Environment Program – UNEP Environment, and the Ministry of Environment, in collaboration with PROFONANPE

Audit of project financial statements for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019

PROJECT "EFFECTIVE IMPLEMENTATION OF THE ACCESS AND BENEFIT SHARING AND TRADITIONAL KNOWLEDGE REGIME IN PERU IN ACCORDANCE THE NAGOYA PROTOCOL"

COOPERATION AGREEMENT #GD67

STATUS OF FUNDING REQUESTS

FOR THE PERIODS FROM JANUARY 01 TO DECEMBER 31, 2018 AND FROM JANUARY 01 TO DECEMBER 31, 2019
(Expressed in U.S. Dollars)

<u>Date of request</u>	<u>Concept</u>	<u>Requested in US\$</u>	<u>Disbursed in US\$</u>	<u>Total in US\$</u>
30-06-2018	Expense report N° 1	155	155	155
30-09-2018	Expense report N° 2	9,226	9,226	9,226
21-12-2018	Expense report N° 3	38,612	38,612	38,612
31-02-2019	Expense report N° 1	61,583	61,583	61,583
30-06-2019	Expense report N° 2	80,833	80,833	80,833
30-09-2019	Expense report N° 2	75,324	75,324	75,324
31-12-2019	Expense report N° 3	241,024	241,024	241,024
		<u>506,757</u>	<u>506,757</u>	<u>506,757</u>

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

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

August 14, 2020

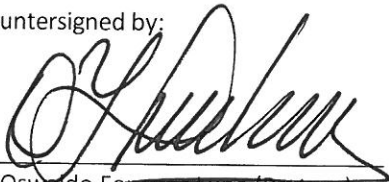
1. We have audited the statement of sources and use of funds for the periods from January 1 to December 31, 2018 and January 1 to December 31, 2019 and the statement of accumulated investments as of December 31, 2018 and 2019 corresponding to the project “Effective implementation of the Access and Benefit Sharing and Traditional Knowledge Regime in Peru in accordance the Nagoya Protocol”, financed through the Cooperation Agreement signed between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on August 14, 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 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
August 14, 2020

Countersigned by:



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

Fonseca, Comargo and 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.
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 applicable 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, taking into account 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.