

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 and the Ministry of Environment, in collaboration with PROFONANPE
For the periods from January 1 to December 31,
2021

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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 period from January 01 to December 31, 2021 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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE. The content of this summary is as follows:

1. BACKGROUND

a) United Nations Environment Program [PNUMA]

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 (UN 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 UN 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 regime and participation in the benefits and traditional knowledge in Peru according to the Nagoya Protocol", financed by the United Nations Environment Program and other cooperating sources, fairly presents the sources and uses of funds in the period from January 01 to December 31, 2021, 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, 2021 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 period from January 01 to December 31, 2021.

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 period from January 01 to December 31, 2021, we have issued our audit report on April 18, 2022. 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 period from January 01 to December 31, 2021.

- Unqualified opinion on the supplementary information as of December 31, 2021.
- We believe that PROFONANPE reasonably complied with the clauses of the Cooperation Agreement for the periods January 01 to December 31, 2021.
- 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 period January 01 to December 31, 2021, 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 period from January 01 to December 31, 2021, 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
April 18, 2022
Countersigned by:

Fonseca, Camargo & Associates



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

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

April 18, 2022

1. We have audited the statement of sources and uses of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021, corresponding to 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 concluded 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.

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the sources and uses of funds for the period from January 01 to December 31, 2021, 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 concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE 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 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" for the period from January 01 to December 31, 2021, 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. Without modifying our opinion, we refer to Note 1 d. to the financial statements, which describes that PROFONANPE has contemplated the potential impact that COVID-19 could have on its operations and has considered its effect on the project's financial statements. The actions taken by the entity to mitigate these effects are described in the aforementioned Note.
7. 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
April 18, 2022

Countersigned by:



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

Fonseca, Camargo & Associates

PROFONANPE

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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2021

STATEMENT OF SOURCES AND USE OF FUNDS
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021
 (Expressed in U.S. Dollars)
 (Notes 1 and 2)

	Notes	Accumulated at 31.12.2020	From 01.01.2021 to 31.12.2021	Accumulated at 31.12.2021
SOURCE OF FUNDS				
Transfer of funds	3	1,402,479	230,763	1,633,242
Total source of funds		<u>1,402,479</u>	<u>230,763</u>	<u>1,633,242</u>
USE OF FUNDS				
10 Personnel		(550,660)	(356,345)	907,005
20 Subcontracts	5	(65,254)	(40,075)	105,329
30 Training	6	(173,378)	(40,533)	213,911
40 Equipment and premises	7	(87,397)	(2,536)	89,933
50 Miscellaneous	8	(98,348)	(45,262)	143,610
Total use of funds		<u>(975,037)</u>	<u>(484,751)</u>	<u>1,459,788</u>
Accounts to be regularized / Exchange difference		(15,000)	1,108	(13,892)
Increase or decrease in cash		412,442	(252,880)	159,562
Cash at beginning of year		-	412,442	-
Cash at end of year	9	<u>412,442</u>	<u>159,562</u>	<u>159,562</u>

The accompanying notes are part of this financial statement.

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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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2021

STATEMENT OF ACCUMULATED INVESTMENTS
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021
 (Expressed in U.S. Dollars)

Categories	Total budget	Counterpart budget PNUMA	Counterpart budget MINAM	Counterpart budget Third party	Budget GEF	Accumulated at 31/12/2020	01/01/2021 to 31/12/2021	Accumulated at 31/12/2021
Personnel	4,553,730	92,000	1,114,847	2,020,928	1,325,955	550,660	356,345	907,005
Subcontracts	1,154,950	-	354,694	636,456	163,800	65,254	40,075	105,329
Training	2,151,687	-	539,900	1,306,542	305,245	173,378	40,533	213,911
Equipment and premises	1,728,170	-	92,758	1,546,912	88,500	87,397	2,536	89,933
Miscellaneous	1,523,241	258,000	237,801	720,940	306,500	98,348	45,262	143,610
TOTAL INVESTMENTS	11,111,778	350,000	2,340,000	6,231,778	2,190,000	975,037	484,751	1,459,788

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 PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021**

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 (UN Environment), the Peruvian Ministry of Environment and PROFONANPE 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 purpose 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:

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

The project's reformulated budget for the 2021 period amounted to US\$ 748,933. Of this amount, US\$ 484,751 was executed in 2021.

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. According to Addendum N° 1 signed on August 13 and September 14, 2021, the agreement remains in force until June 30, 2023 after the project's technical completion date set for December 31, 2022.

d) Impact of Pandemic COVID-19

On January 30, 2020, the World Health Organization – WHO – declared COVID-19 as a public health emergency of international concern and announced on March 11 of the same year that this disease should be considered as a global pandemic that in its evolution has caused serious disruptions in the economy of countries and in the operations of entities. In Peru, on March 16, 2020, the Government declared a state of emergency, initiating a nationwide quarantine protocol, including mandatory social isolation measures in all sectors with the exception of the health industry, finance and essential goods and services that were able to continue operations.

In accordance with these restrictions, PROFONANPE continued to gradually develop its activities at its work center under the mixed modality (remote and on-site). Likewise, a COVID-19 surveillance, prevention and control plan was implemented in accordance with the provisions issued by the Executive Direction of this entity, which has evaluated the main factors that could affect the functioning of its operations. Seeing that the COVID-19 pandemic continues, PROFONANPE's Executive Direction and Administration Direction continue to monitor the measures taken previously in order to guarantee the normal cycle of its operations in the project.

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>	<u>In U.S. Dollars</u>	
		<u>2021</u>	<u>2020</u>
07-12-2020	Transfer of funds	-	157,304
22-12-2020	Transfer of funds	-	293,275
03-11-2021	Transfer of funds	230,763	-
		<u>230,763</u>	<u>450,579</u>

4. USE OF FUNDS – PERSONNEL

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2021</u>	<u>2020</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	126,151	141,513
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	58,020	74,150
03 ABS projects and initiatives contributing to the conservation and sustainable use of biological diversity	135,828	45,258
04 Monitoring and evaluation	34,279	37,244
05 PMC project monitoring costs	2,067	1,515
	<u>356,345</u>	<u>299,680</u>

5. USE OF FUNDS – SUB CONTRACTS

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2021</u>	<u>2020</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	6,500	31,783
04 Monitoring and evaluation	33,575	-
	<u>40,075</u>	<u>31,783</u>

6. USE OF FUNDS – TRAINING

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2021</u>	<u>2020</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	19,619	9,582
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	20,453	32,797
03 ABS projects and initiatives contributing to the conservation and sustainable use of biological diversity	461	-
04 Monitoring and evaluation	-	794
	<u>40,533</u>	<u>43,173</u>

7. USE OF FUNDS – EQUIPMENT AND PREMISES

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2021</u>	<u>2020</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	-	55,361
04 Monitoring and evaluation	2,536	27
	<u>2,536</u>	<u>55,388</u>

8. USE OF FUNDS – MISCELLANEOUS

It includes:

<u>Description</u>	<u>In U.S. Dollars</u>	
	<u>2021</u>	<u>2020</u>
01 ABS system operates effectively in accordance with the Nagoya Protocol	14,371	852
02 Capacity building of stakeholders related to access to genetic resources and traditional knowledge	4,533	10,351
04 Equipment and premises	1,337	-
05 PMC project monitoring costs	25,000	25,897
	<u>45,261</u>	<u>37,100</u>

9. AVAILABLE AT DECEMBER 31, 2021

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	-	144,404
Master current account – local currency N° 191-2503459-0-63	81,420	20,360
	<u>81,420</u>	<u>164,764</u>
Less:		
Wire transfers in foreign currency not registered by the Bank	(21,098)	(5,202)
Balance at December 31, 2021	<u>60,322</u>	<u>159,562</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 period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021 and 2019 corresponding to 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 concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on April 18, 2022.
2. Our audit was intended to express an opinion on the statement of sources and use of funds and accumulated investments for the period from January 01 to December 31, 2021 of the project "Effective implementation of the access regime and participation in the benefits and traditional knowledge in Peru according to 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
April 18, 2022

Countersigned by:



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

Fonseca, Camargo & Associates

PROFONANPE

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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2021

Annex N° 1

ACQUISITION OF GOODS
FROM JANUARY 01 TO DECEMBER 31, 2021
 (Expressed in U.S. Dollars and Soles)

<u>Purchase Order</u>	<u>Good</u>	<u>Legal Name</u>	<u>Date</u>		<u>US\$</u>
			<u>Issuance</u>	<u>Payment</u>	
2018					
	Laptop, LENOVO, model 330		07/12/2018	07/12/2018	1,505
	Laptop, LENOVO, model 330		07/12/2018	07/12/2018	1,505
	Projector, VIEWSONIC, PASO03\		07/12/2018	07/12/2018	496
	Scanner, DR-225		07/12/2018	07/12/2018	606
	Software, Clarivate Analytics		19/09/2018	19/09/2018	23,570
					<u>27,682</u>
2019:					
069B-2019000001	Software	Clarivete Analytics	19/09/2019	04/12/2019	27,848
2019-0000004897	Computer equipamet insurance	MAPFRE Seguros	06/06/2019	06/06/2019	30
2019-0000007449	Proyect stamps (3)	T-Copia e Imprimo EIRL	19/09/2019	23/09/2019	21
					<u>27,899</u>
2020:					
2020-0000006323	Licene Antivirus ESET (2) Platform license renewal	Technology Suppliers Perú	15/12/2020	04/12/2020	27
069B-2020000003	Derwent, first year Platform license renewal	Clarivete Analytcs	15/12/2020	12/12/2020	27,611
069B-2020000005	Derwent, third year	Clarivete Analytcs	30/12/2020	23/12/2020	27,750
					<u>55,388</u>
2021:					
069B-2020000004	Laptop LENOVO Thinkpad	Computadoras y Telecom	09/12/2020	22/02/2021	2,511
069B-2021000003	Software antivirus, license	Innova Tecnología Corp. S.A.	07/10/2021	11/10/2021	25
					<u>2,536</u>

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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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
Audit of financial statements for the period from January 01 to December 31, 2021

Annex N° 2

CONSULTING SERVICES
FROM JANUARY 01 TO DECEMBER 31, 2021
(Expressed in U.S. Dollars and Soles)

N° Contract	Service	Consultant's name	Date Start	Date End	US\$	S/
069C-2021000001	Implementation of the Search System for Traditional Knowledge of Indigenous Peoples - BIOCTPI for access by external users.	SALINAS MEZA TITO ABEL	07/01/2021	06/07/2021	17,000.00	-
069C-2021000002	Technical support to the AAE and users for the evaluation of ongoing application files, follow-up of prioritized projects and monitoring of compliance with wildlife access contracts.	ACUÑA RODRIGUEZ WENDY	14/01/2021	10/09/2021	13,145.00	-
069C-2021000003	Technical support to the AAE and users for the evaluation of ongoing application files, follow-up of prioritized projects and monitoring of compliance with wild flora access contracts.	ORE RENGIFO MALU ISAURA	15/01/2021	10/09/2021	12,000.00	-
069C-2021000004	Translation into the southern Quechua, Awajún, Aymara and Ashaninka languages of the Intercultural Guides and Infographics on the protection of the collective knowledge of indigenous peoples linked to biological resources, prior informed consent and the Nagoya Protocol.	CHAVEZ GONZALES OSCAR	17/03/2021	01/05/2021	-	21,600.00
069C-2021000005	Preparation and design of graphic and audiovisual pieces for the implementation of the communication strategy and redesign, optimization and updating of the GENESPERU page.	HERRERA CACERES SHIRLEY VANESSA	17/03/2021	15/07/2021	-	38,500.00
069C-2021000006	Legal support in the evaluation of application files for access to genetic resources of hydrobiological species and identification of lessons learned.	ILKO ROGOVICH ROJAS	29/03/2021	28/07/2021	-	36,000.00
069C-2021000007	Legal support in applications and procedures for access to genetic resources and identification of lessons learned.	TICONA NUÑEZ JOYCE LENA	12/04/2021	10/08/2021		36,000.00
069C-2021000008	Preparation and design of the "Guide for the solution of discrepancies between indigenous or native peoples", "Guide for actions for infringement" and "Guide for the registration of collective knowledge" within the framework of Law 27811 and the Nagoya Protocol.	LUIS GERMAN DAVALOS TORRES	15/04/2021	24/07/2021		40,492.00
069C-2021000009	Project mid-term evaluation.	INSTITUTIONAL DEVELOPMENT AND MANAGEMENT CONSULTANTS LIMITED	12/04/2021	10/08/2021	33,714.29	-
069C-2021000010	Identification of fauna species with potential for I+D activities.	EDUARDO DANIEL COSSIOS MEZA	14/06/2021	13/10/2021	10,000.00	-
069C-2021000011	Evaluation of the conditions established in law 27811 to achieve the fair and equitable distribution of the benefits derived from the use of collective knowledge, in accordance with the provisions of the Nagoya protocol.	ZAPATA GOTELLI ZONIA VERONICA	01/07/2021	30/09/2021	12,000.00	-

N° Contract	Service	Consultant's name	Date Start	Date End	US\$	S/
069C-2021000012	Technical support in the implementation and compliance of access to genetic resources of continental cultivated and domestic species.	FLORES CASASVERDE ZULLY ROXANA	01/07/2021	22/03/2022	12,300.00	-
069C-2021000013	Technical support to the administration and execution authority in hydrobiological resources and users in the implementation of the Nagoya protocol.	MARTINETTI ROCCA ERICK	27/07/2021	30/03/2022	9,500.00	-
069C-2021000014	Updating and development of a virtual training program on access to genetic resources and associated traditional knowledge.	ALESSANDRA SILVANA QUIÑONES ZUMAETA	12/08/2021	10/11/2021	7,000.00	-
069C-2021000015	Technical support for the implementation of the new regulation of access to genetic resources (hydrobiological).	PRIETO RIOS ELBA	09/08/2021	10/01/2022	9,500.00	-
069C-2021000016	Legal support for the evaluation of files in the framework of the implementation of the new regulation of access to genetic resources (hydrobiological).	HIDALGO HIDALGO HEIDY MARIA	09/08/2021	09/12/2021	5,000.00	-
069C-2021000017	Support in the implementation of the supreme decree N°019-2021-MINAM that approves the regulation of access to genetic resources and their derivatives.	ILKO ROGOVICH ROJAS	02/09/2021	31/12/2021	9,260.00	-
069C-2021000018	Proposal for the formulation of the methodology for calculating the fines established in the classification and sanctions table, contained in Annex No. 5 of the regulation on access to genetic resources and their derivatives.	TORRES SANCHEZ MARIA TESSY	04/10/2021	04/11/2021	7,000.00	-
069C-2021000019	Technical support for the implementation of the new regulation of access to genetic resources.	ACUÑA RODRIGUEZ WENDY	06/10/2021	07/03/2022	8,000.00	-
069C-2021000020	Implementation of the GENESPERU platform, and the "authorization for research purposes" application for wild species.	WALLA ENERGY S.A.C.	06/10/2021	05/04/2022	65,000.00	-
069C-2021000021	Accompaniment in the implementation of Supreme Decree No. 019-2021-minam that approves the regulation of access to genetic resources and their derivatives in SERFOR.	DE LA CRUZ NAPAN CECILIA NOEMI	27/10/2021	28/03/2022	6,330.00	-
069C-2021000022	Preparation of a proposal for standardized procedures within the framework of the access regulation (DS N° 019-2021-MINAM) for the competent authorities.	VIDAL VEGA YNES CAROLINA	29/11/2021	02/03/2022	8,900.00	-
069C-2021000023	Accompaniment in the implementation of Supreme Decree No. 019-2021-minam that approves the regulation of access to genetic resources and their derivatives in SERFOR.	SOMOCURCIO LEON MARGARITA	29/11/2021	29/03/2022	9,000.00	-
069C-2021000024	Legal accompaniment in access to genetic resources and their derivatives of continental cultivated or domestic species.	LICELY DIAZ CUBAS	13/12/2021	04/04/2022	7,800.00	-
TOTAL					262,449.29	172,592.00

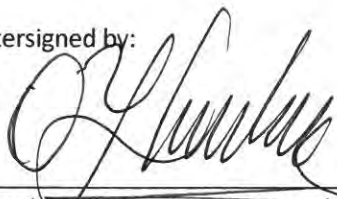
INDEPENDENT AUDITOR'S REPORT ON THE STATUS OF COMPLIANCE WITH THE CLAUSES OF THE COOPERATION AGREEMENT

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

1. We have audited the statement of sources and use of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021, corresponding to 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 concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on April 18, 2022.
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 period from January 01 to December 31, 2021, 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
April 18, 2022

Countersigned by:



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

Fonseca, Camargo & Associates

STATUS OF COMPLIANCE WITH THE CLAUSES OF THE COOPERATION AGREEMENT FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021

<u>Reference</u>	<u>Description</u>	<u>Evaluation</u>
16 g)	Regarding to subscribed subcontracts, PROFONANPE shall: <ul style="list-style-type: none"> • Establish all subcontracts in writing; • Maintain primary administrative responsibility for ensuring project compliance. This responsibility cannot be transferred or delegated; • Monitor the performance of subcontractors and ensure that they comply with the terms of the Agreement. 	Status: Fulfilled clause
20	PROFONANPE will hire high-level staff for the Project according to the Terms of Reference (Appendix 3, Project Document).	Status: 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.	Status: 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.	Status: Fulfilled clause
24	MINAM and PROFONANPE will use the funds and any supplies and equipment provided by UN Environment according to the Project Document.	Status: 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.	Status: 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.	Status: 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.	Status: 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.	Status: 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;	Status: Fulfilled clause
34 e)	<u>Financial statement</u> : All financial statements shall be calculated in US dollars and any exchange differences shall be recorded in dollars in the approved project budget. Within 1 month after the quarter to which they refer, i.e. on or before April 30, July 31, October 31 and January 31, PROFONANPE, in coordination with MINAM, will submit its quarterly expenditure reports and explanatory notes on the expenditures reported.	Status: Fulfilled clause

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 period from January 01 to December 31, 2021 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 concluded 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, 2021, as well as the transactions made in the period from January 01 to December 31, 2021, 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
April 18, 2022

Countersigned by:

Fonseca, Camargo & Associates



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

PROFONANPE

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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2021

**STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021
 (Expressed in U.S. Dollars)**

	US \$
Balance at January 01, 2021:	412,442
<i>Plus:</i>	
1. Replenishment of funds:	
Funds transferred by the donor	230,763
	<u>643,205</u>
2. Bank interests	-
<i>Deductions:</i>	
1. Transfers to trading accounts	
Expense report N° 12	93,445
Expense report N° 13	73,391
Expense report N° 14	157,558
Expense report N° 15 (1)	161,935
	<u>486,329</u>
2. Other	
Adjustments	(2,686)
	<u>(2,686)</u>
Balance at December 31, 2021	<u>159,562</u>

(1) Includes the amount of US\$ 1,580 corresponding to expense records from Report 15 that was considered in the 2018, 2019 and 2020 financial statements is considered.

NOTES TO THE STATUS AND RECONCILIATION OF THE DESIGNATED ACCOUNT FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021

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, 2021, 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, 2021, PROFONANPE received the amount of US\$ 230,763 to carry out its project activities.

4. USE OF FUNDS

The funds used as of December 31, 2021, correspond to the requests for withdrawal of expenses prepared by PROFONANPE, whose details are as follows:

	<u>In U.S. Dollars</u>
Expense report N° 12	93,445
Expense report N° 13	73,391
Expense report N° 14	157,558
Expense report N° 15	161,935
	<u>486,329</u>

5. CLOSING BALANCE

As of December 31, 2021, 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	144,404
Master current account – local currency N° 191-2503459-0-63	20,360
	<u>164,764</u>
Less: wire transfers not recorded by banks	(5,202)
Balance at December 31, 2021	<u>159,562</u>

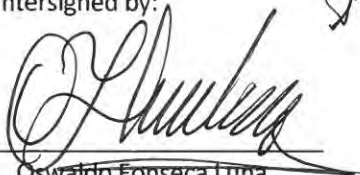
INDEPENDENT AUDITOR'S OPINION ON THE STATUS OF FUNDING REQUESTS

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 period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021, corresponding to 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 concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on April 18, 2022.
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 period January 01, 2018 to December 31, 2021 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, Perú
April 18, 2022

Countersigned by:



Oswaldo Fonseca Luna
Certified Public Accountant
Registration N° 8095

Fonseca, Camargo & Associates

PROFONANPE

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 Cooperation Agreement signed between the United Nations Environment Program and the Ministry of Environment, in collaboration with PROFONANPE
 Audit of financial statements for the period from January 01 to December 31, 2021

PROJECT "EFFECTIVE IMPLEMENTATION OF THE ACCESS REGIME AND PARTICIPATION IN THE BENEFITS AND TRADITIONAL KNOWLEDGE IN PERU ACCORDING TO THE NAGOYA PROTOCOL"

COOPERATION AGREEMENT #GD67

**STATUS OF FUNDING REQUESTS
 FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2021
 (Expressed in U.S. Dollars)**

Date	Period	Concept	Requested in US\$	Implemented in US\$	Total in US\$
12	From January 01 to March 31, 2021	Expense report	93,445	93,445	93,445
13	From April 01 to June 30, 2021	Expense report	73,391	73,391	73,391
14	From July 01 to September 30, 2021	Expense report	157,558	157,558	157,558
15	From October 01 to December 31, 2021	Expense report	161,935	161,935	161,935
			<u>486,329</u>	<u>486,329</u>	<u>486,329</u>

Note: The difference between the total executed according to the statement of sources and uses of funds in the period from January to December 2021 and the total executed expenses in the periodic expense reports for the same period amounts to US\$ 1,580, corresponds to adjustments for bank charges and exchange difference, corresponding to the years 2018, 2019 and 2020, recorded in the ANUBIS system in the year 2021.

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

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

April 18, 2022

1. We have audited the statement of sources and use of funds for the period from January 01 to December 31, 2021 and the statement of accumulated investments as of December 31, 2021, corresponding to 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 concluded between the United Nations Environment Program, the Ministry of Environment and PROFONANPE and we have issued our unqualified opinion on April 18, 2022.
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
April 18, 2022

Countersigned by:

Fonseca, Camargo & Associates



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

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.
 - Project's Annual Operating Plan for the period 2021.
 - Addendum N° 1 to the PCA signed between the United Nations Environment Program (UNEP), the Ministry of Environment, in collaboration with PROFONANPE, on August 13 and September 14, 2021.
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 appropriate 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, considering 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.