

Registration No.: 201901034905 (1344235-K)

**SOLIDARIDAD NETWORK (MALAYSIA) BERHAD**  
(201901034905 (1344235 - K))  
(Incorporated in Malaysia as a company limited by guarantee and  
without share capital)

PROJECT STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED  
**31 DECEMBER 2021**

**NEK & Associates**  
(AF 001843)  
Chartered Accountants

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**SOLIDARIDAD NETWORK (MALAYSIA) BERHAD**

(Incorporated in Malaysia as a company limited by guarantee and without share capital)

**In respect of the National Initiatives on Sustainable and Climate Smart Oil Palm Smallholders (NI-SCOPS) Malaysia Project**

**Opinion**

We have audited the project statements under the grant agreement SNAL/2021/2110/1299 (2110) dated 1<sup>st</sup> January 2021 of Solidaridad Network (Malaysia) Berhad at Lot 42020-3-2 (3<sup>rd</sup> Floor), Wisma WCC Bayu, Jalan Batu Unjur 7, Taman Bayu Perdana, 41200 Klang, Selangor Darul Ehsan for the year ended 31 December 2021.

In our opinion, the National Initiatives on Sustainable and Climate Smart Oil Palm Smallholders (NI-SCOPS) Malaysia Project of Solidaridad Network (Malaysia) Berhad over the year ended 31 December 2021 has been drawn up in all material aspects in accordance with the conditions of the grant agreement for the National Initiatives on Sustainable and Climate Smart Oil Palm Smallholders (NI-SCOPS) Malaysia Project of SNAL/2021/2110/1299 (2110).

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Project Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the project financial statements in Malaysia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Foundation in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Foundation for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Foundation.

## **Responsibilities of Trustees and Those Charged with Governance for the Project Financial Statements**

The trustees are responsible for the preparation of project financial statements that give a true and fair view in accordance with Malaysian Financial Report Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The trustees are also responsible for such internal control as trustees determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the project financial statements, the respective Trustees of the Foundation are responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless trustees either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The respective trustees of the Foundation included in the Project Financial Statement are also responsible for overseeing the financial reporting process of the Foundation.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the project financial statements of the Foundation as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these project financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the project financial statements of the Foundation, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the project financial statements of the Foundation or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements of the Foundation, including the disclosures, and whether the project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Restrictions on use and distribution**

The project financial statement has been drawn up for Solidaridad Network (Malaysia) Berhad, so that Solidaridad Network (Malaysia) Berhad can fulfil the reporting obligations pertaining to their grant. As a consequence, the project financial statement may not be suited to other purposes. The project financial statement with our accompanying audit opinion has been drawn up solely for the use of Solidaridad Network (Malaysia) Berhad and must not be distributed to or used by any other parties.



NEK & ASSOCIATES  
NO. AF 001843  
CHARTERED ACCOUNTANTS



NG ENG KIAN  
NO. 02723/04/2022J  
CHARTERED ACCOUNTANT

Klang  
Dated: 21 March 2022

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## **Agreed-Upon Procedures Report**

To the Management of

Solidaridad Network (Malaysia) Berhad

### **In respect of the National Initiative on Sustainable and Climate Smart Oil Palm Smallholders (NI-SCOPS) Malaysia Project**

#### **Purpose of this Agreed-Upon Procedures Report**

Our report aims you to assess for yourself the procedures and findings reported by us and to draw your own conclusions based on our work.

#### **Responsibilities of the Engaging Party and the Responsible Party**

NEK & Associates has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Solidaridad Network (Malaysia) Berhad as identified by NEK & Associates, is responsible for the subject matter on which the agreed-upon procedures are performed.

#### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with NEK & Associates, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

#### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

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Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We performed certain agreed-upon procedures with regard to the financial report for the year ended 31 December 2021 as described in our engagement letter of 17 March 2022. This report contains our factual finding.

	<b>Procedures</b>	<b>Findings</b>
1	Whether the "annex accounted expenditures" is in accordance with paragraph 1.5e of Audit Protocol (at least contains the rows and columns contained in paragraph 1.5e)	Based on ours audit work done, we does not observe any material inconsistent and different accounted expenditures with those stated in paragraph 1.5e of Audit Protocol from ours sampling selected.
2	The auditor ascertain the congruency of amounts for the reporting period and accumulated amounts in the (project) administration.	The amounts for the reporting period and accumulated amount in the administration are consistent and sufficient appropriateness matched with those disclosed in the financial statements of audited report. The details of the amount for the reporting period are disclosed in operating expenses schedule of the Audited Report.
3	The Auditor Ascertain this (project) administration (or in case of a separate (project) administration), equals the administration which is the basis for Dialogue and Dissent financial report. In case of separate (project) administration the auditor ascertains the congruency of amounts with this financial administration.	During our audit fieldwork, proper Standard Operation Procedures ("SOP") existed and were implemented by the Foundation. Besides, there are consistent and sufficient appropriateness procedures and process in accordance with Dialogue and Dissent Audit Protocol.

4	<p>Take note of the description of the lead party's or consortium partner's process and supporting documents used to consider payments to other partners as accounted for. The auditor takes note whether there are variations in the description and which variations exists. (variation = different combinations of documents and processes, depending on the circumstances as described by the consortium partner). The auditor mentions these variations in the report of findings.</p>	<p>There is no material exception noted and SOP is in place and being carrying out by the Foundation. For instance: -</p> <ul style="list-style-type: none"> <li>i) There is proper tenancy agreement in place for the rental of office.</li> <li>ii) For the salary account, the Foundation will sign the employment contract with staff and there will be a proper resignation letter for resign of staff. Besides, a proper pay slip has been issued to staff monthly.</li> <li>iii) For the purchase of additional assets, proper invoices existed and there was proper documentation.</li> <li>iv) For project expenses, staff will prepare the proposal and budget to claim the cash in advance. After the project, staff will submit all the invoices. If there is a surplus, then the cash will return to Foundation. If there is a shortage, then the staff will claim from Foundation.</li> </ul>
5	<p>Take note of the "amount accounted" in the table of the current period and asks the lead party/consortium partner for specification of underlying amounts from the project administration.</p>	<p>There has no material exception noted to the amount accounted. The management account provided is reasonably reliable and transparency. However, there are 2 accounts named "Project - Meeting &amp; Workshop Expenses (Putrajaya)" &amp; "Project - Meeting &amp; Workshop Expenses (Sarawak)" whose description update in Accounting Ledger did not present sufficient information (i.e., mostly showing "Staff Advance"). However, the Foundation does fully follow SOP compliance.</p>

6	<p>From this specification the auditor selects 10% (with a minimum of 2 and a maximum of 7) of the underlying amounts. If the lead/ consortium partner has a description of a variety of processes or documents, the auditor makes sure that two or three of the most frequent varieties will be incorporated in the selection. If amounts are registered as accounted for in different parts of the reporting period, the auditor will strive to a equal spread in time in the selection.</p> <p>In case of multiple "other parties", the auditor will strive for a spread over the different parties and in time.</p> <p>Within the abovementioned framework the auditor will strive to cover at least 25% of the accounted expenditures. If this would lead to a selection that exceeds the maximum of 7 underlying amounts, a lower percentage is permitted.</p>	<p>This is our first year engagement for the Foundation. Hence, we decided to select a larger sampling size to prevent the detection risk. From our sampling selection, the Foundation has been fully compliant with the partner's process and procedures.</p>
7	<p>For every selected expenditure the auditor determines :</p> <ul style="list-style-type: none"> <li>• Are the supporting documents in accordance with the consortium partner's processes ;</li> <li>• Are the supporting processes in accordance with the consortium partner's procedures;</li> <li>• Does the reported accounted expenditure correspond with the supporting documents</li> </ul>	<p>During our audit fieldwork, the Foundation had update us on the SOP, rules and regulations set by the Foundation and principal. We did not find any inconsistent or material misstatements from the document to authorization to filing and to update to accounting ledger.</p>



**SOLIDARIDAD NETWORK (MALAYSIA) BERHAD**

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**PROJECT STATEMENT OF RECEIVABLES AND PAYABLES  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>01-01-21 To 31-12-21 EUR</b>	<b>01-01-21 To 31-12-21 RM</b>
RECEIVABLES	<u>117,808.55</u>	<u>561,899.68</u>
PAYABLES:		
Activities costs	(12,847.19)	(61,275.96)
Staff costs	(76,083.46)	(362,887.68)
Partner cost	(7,118.00)	(33,950.00)
Program support costs	(17,793.95)	(84,870.04)
Project assets costs	<u>(3,965.95)</u>	<u>(18,916.00)</u>
NET SURPLUS BEFORE TAXATION	-	-
Income tax expense	<u>-</u>	<u>-</u>
NET SURPLUS AFTER TAXATION	-	-
Other comprehensive income, net of tax	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u><u>-</u></u>	<u><u>-</u></u>

Name of the Project	National Initiative on Sustainable and Climate Smart Oil Palm Smallholder Malaysia	
Project Period	Jan'21 to Dec'22	
Plaza Number / Commodity	2077	
Current reporting period	Jan'21 to Dec'21	
Phase / Activities	Expenditure (EUR)	Expenditure (RM)
<b>Direct costs</b>		
<b>Activities costs</b>		
Project – boarding & lodging expenses	477.14	2,275.76
Project – domestic travel expenses	216.16	1,030.99
Project – international travel	329.38	1,571.00
Project – local travel & conveyance expenses	761.03	3,629.80
Project – meeting & workshop expenses	6,987.79	33,386.83
Project – resource person expenses	4,063.58	19,381.58
<b>Staff costs</b>		
Salary allocation	62,944.61	300,220.63
Staff insurance	13,138.85	62,667.05
<b>Partner cost</b>		
<b>Program support costs</b>		
Project – supplies expenses	1,267.28	6,044.40
Project – printing & stationery expenses	955.90	4,559.30
Project – Audit & professional fees	1,799.74	8,584.20
Project – office utility	2,416.25	11,533.56
Project – Office rental	11,097.83	52,932.00
Water supply expenses	119.49	569.90
Postage and courier expenses	135.58	646.68
<b>Project – Asset</b>		
Equipment	2,292.23	10,933.00
Software	213.23	1,017.00
Computer	1,460.51	6,966.00