

Report of the
Factual Findings in Connection with auditing the accounts of the
project “Improving Qualitative Journalism in Bangladesh”
Implemented By: Management and Resources Development
Initiative (MRDI)
In partnership with Fojo Media Institute, Linnaeus University, Sweden

Submitted By
Howladar Yunus & Co.
Chartered Accountants

October 08, 2017



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Corporate Office**Howladar Yunus & Co.**

House-14 (Level 4 & 5)

Road-16A, Gulshan-1

Dhaka-1212

Bangladesh

T +880 2 9883863

Report of Factual Findings to Fojo Media Institute, Linnaeus University, Sweden

We have performed the procedures agreed with you and enumerated below with respect to the auditing the accounts of the project “Improving Qualitative Journalism in Bangladesh” from September 01, 2016 to August 31, 2017 supported by Fojo Media Institute, Linnaeus University, Sweden and implemented by Management and Resources Development Initiative (MRDI). Our engagement was undertaken in accordance with the International Standard on Related Services 4400 (ISRS 4400) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in auditing the accounts of the project and are summarized as follows:

1. We followed up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examined whether the salary costs can be verified by sufficient supporting documentation.
2. We examined whether the financial report includes a comparison, for every budget item, between the actual expenditures of activities and the budgeted expenditures as approved by Sida for the period.
3. We examined whether there is supporting documentation relating to costs based on materiality and risk.
4. We followed up whether the organization has implemented the Annexed recommendations from the assessment of internal control. The examination includes reviewing whether the organization has implemented the action points as described in the organization’s management response that has been submitted to Sida.
5. Examine whether foreign exchange gains and losses are disclosed in accordance with agreement including appendixes.
6. We examined MRDI’s compliance with rules and regulations in regard to taxes and social security fees.
7. We followed up whether the organization has adhered to the procurement guidelines annexed to the agreement.

We report our findings below:

1. With respect to item 1, we found salary costs debited by MRDI to the project are recorded throughout the duration of the year in a systemized way and salary costs can be verified by sufficient supporting documentation.

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2. With respect to item 2, we found financial report of MRDI includes a comparison, for every budget item, between the actual expenditures of activities and the budgeted expenditures as approved by Sida for the period.
3. With respect to item 3, we found supporting documentation related to incurred costs based on materiality and risk.
4. With respect to item 4, MRDI has implemented the Annexed recommendations from the assessment of internal control except for the finding provided in "Details of Exception" part of this report.
5. With respect to item 5, we found foreign exchange gains and losses are disclosed in accordance with agreement including appendixes.
6. With respect to item 6, MRDI has complied with the rules and regulations in regard to taxes and social security fees.
7. With respect to item 7, MRDI has adhered to the procurement guidelines annexed to the agreement.

Details of exception:

1) **Follow up status for the implementation status of assessment of internal control.**

Fact: On our verification, we observe that out of 23 internal control assessment recommendations 20 recommendations have already been implemented, and 03 recommendations are under process but to be implemented by MRDI till our audit period. The details are provided in Annexure-1.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Financial Statements from September 01, 2016 to August 31, 2017.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of MRDI, taken as a whole.



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Dated: Dhaka
October 08, 2017

Sl no.	Area	Recommendation	Urgency	Management response	Timing and Responsibility	Implementation Status till our audit
1	4.3.1 Accounting	We recommend MRDI to only record actual costs within the general ledger. If more funds are received for performing activities than actual cost, a profit should be recorded if the donor contract allows for it; otherwise the surplus should be recorded as a liability to the donor.	High	MRDI at present does not make any profit against performing any activities. All unused donor funds are recorded as liability to the donor in the books of account and shown separately in the annual financial statement. Some lacking is there in sufficient clarification, explanation and system documentation. MRDI has already started practicing this documentation. The board requested the Executive Director to address the recommendations of the system audit and maintain appropriate time sheet for staffs.	Within June 30, 2017. Responsibility: Executive Director	Implemented
2	4.3.1 Accounting	We recommend MRDI to implement an accounting software which enables all projects to be recorded within one "company setup".	High	MRDI agreed on this recommendation. The board instructed ED to take necessary steps.	The action will start from FY 2017-2018. Responsibility: Executive Director	Implemented
3	4.3.1 Accounting	We recommend MRDI to perform consolidation of the financial outcome at least on quarterly basis until the setup of the accounting system is updated to "one" company.	High	MRDI has already started consolidation of the financial outcome on half yearly basis from last year. The board decided to do it on quarterly basis as per recommendation of EY.	From January 2017 we started the process. Responsibility: Executive Director	Implemented
4	4.3.1 Accounting	We recommend MRDI to implement a cost allocation policy.	High	MRDI strictly maintains cost calculation of different projects. But the lacking is in sufficient clarification, explanation and system documentation. The board advised to follow the procedure of cost allocation according to budget approved by the donor.	Within June 30, 2017. Responsibility: Executive Director	It is under process but yet to be implemented
5	5. Forwarding of funds	We recommend MRDI to implement guidelines regarding forwarding of funds/sub granting.	High	The board suggested to incorporate a guideline regarding forwarding of funds/sub granting in the financial and administrative manual.	Within June 30, 2017. Responsibility: Executive Director	It is under process but yet to be implemented
6	4.3.4 Payroll	We recommend MRDI to ensure Executive Director's remunerations are authorized by a Board member in advance of payment.	High	The board decided to get ED's remunerations authorized by the chairman or by Md. Nazrul Islam, board member.	From the date of the meeting. Responsibility: Chairman and Md. Nazrul Islam	Implemented.
7	4.3.5 Travel, advances and Per diems	We recommend MRDI to implement a routine where ED's expenses are approved by a Board member.	High	The board decided to get ED's expenses authorized by the chairman or by Md. Nazrul Islam, board member.	From the date of the meeting. Responsibility: Chairman and Md. Nazrul Islam	Implemented.



8	2.2.3 Authority	We recommend MRDI to implement authorization limits for the ED.	High	ED's authority is determined by the articles of association under Bangladeshi company law and the parameter fixed by the board. The board approved the upper limit of approval authority of the ED on Taka 1,500,000.00 (Taka fifteen lac only) for a single expenditure till next AGM. Expenditure exceeding this amount will require approval of the chairman. ED has been requested to discuss, in compliance with company act 1994, with the firm who will review MRDI's Financial and Administrative Manual.	From the date of the meeting. Responsibility: Chairman and Executive Director	Implemented.
9	4.3.4 Payroll	We recommend MRDI to disclose the applied salary practice to the organization's donors	High	MRDI has a structure of its staff salary in its financial and administrative manual which is available in its website. ED is responsible for any increment or re-fixing of salary and benefits of all staff members. ED's salary, benefit, remuneration and facilities are determined by the AGM. Before negotiating with any donor, MRDI presents its salary practice. The board requested ED to keep the issue in mind while negotiating with donor in future.	Implied	Implemented.
10	4.2 Audit	We recommend MRDI to follow the Financial and Administrative manual and prepare comparative statements whenever that is required by the manual. Unless a comparative statement based on other criteria than price, the cheapest offer should be chosen.	High	The system is already in place. The board advised to review the practice and incorporate the following in the procurement policy: "The procurement committee will decide on criteria of evaluation such as quality, price, experience, reputation or any other as required at the beginning of the procedure which will be disclosed to the vendor."	From the date of the meeting. Responsibility: Executive Director	Implemented
11	4.3.1 Accounting	We recommend MRDI to review who should have the master access and change rights in the accounting system.	Medium	Overall financial responsibility of the organization including control of the accounting system legally lies with the ED as per its Article of Association and as per authorization of the board. Considering the probability of ED's absence and / or in the situation of contingency, the board decided that the password for the accounting software will be shared by the Advisor, Planning and Development. But in case of post facto approval, ED's approval is mandatory.	From the date of the meeting. Responsibility: Executive Director	Implemented
12	3.1 Operational & Financial risks	We recommend MRDI to prepare risk analysis before engaging in projects.	Medium	MRDI presents a risk analysis while developing a project proposal when required by the donor. The board requested ED to prepare risk analysis before engaging in any project in future.	From the date of the meeting. Responsibility: Executive Director	Implemented



13	3.1 Operational & Financial risks	We recommend MRDI to prepare long term plans regarding financial statements and this should also include a financial and operational risk analysis.	Medium	As a programme implementing organization, MRDI has to depend on project funds for all its activities. Since the flow of funding is not ensured, it is difficult for MRDI to prepare a long term plan. The board requested ED to prepare a two year plan for the organization initially as a test case from FY 2017-18.	From FY 2017-18 Responsibility: Executive Director	Implemented
14	4.2 Audit	We recommend MRDI at the point of initiation of a procurement, to decide on what basis the evaluation of tenders will be performed, such as price and/or quality or any other parameters.	Medium	The system is already in place. The board advised to review the practice and incorporate the following in the procurement policy: "The procurement committee will decide on criteria of evaluation such as quality, price, experience, reputation or any other as required at the beginning of the procedure which will be disclosed to the vendor."	From the date of the meeting. Responsibility: Executive Director	Implemented
15	4.3.3 Budget and Budget follow up	We recommend MRDI to follow up on outcome against budget at least twice a year.	Medium	The board advised ED to comply with the recommendation.	From the date of the meeting. Responsibility: Executive Director	Implemented
16	4.1 Procurement	We recommend MRDI to clarify the Financial and Administrative Manual with regard to how specific donor requirements should be treated	Medium	The board decided to incorporate the following clause in the Financial and Administrative Manual: Donor requirement: "Any specific requirement by donor that is not covered by or has any conflict with the Financial and Administrative Manual of MRDI and conflicts with the law of the land will be placed in the board meeting for discussion and decision."	From the date of the meeting. Responsibility: Executive Director	Implemented
17	4.1 Procurement	We recommend MRDI to clarify the procurement procedure within the Financial and Administrative Manual with regard to - sealed quotations should be opened when the procurement committee is gathered evaluation parameters	Medium	The board decided to incorporate the following clause in the Financial and Administrative Manual: Opening quotation/tender: "Opening of sealed quotation or tender will take place in presence of the members of procurement committee. Vendors will be invited to remain	From the date of the meeting. Responsibility: Executive Director	Implemented.
18	3.2 Anti corruption	We recommend MRDI to implement a Whistle-Blower Policy which includes that a person not involved in day-to-day activities is appointed as receiver of suspected fraud and also to enable the possibility of reporting instances anonymously	Low	The board requested ED to develop a draft whistle blower policy and place the same before the board in next meeting.	Within June 30, 2017 Responsibility: Executive Director	Implemented



19	2.2.3 Authority	We recommend MRDI to consider registering a second person that in duality can authorize payments and fund transfers.	Low	<p>The board decided to create following two groups of bank signatory:</p> <p>Group A: Chairman, Executive Director and Md. Nazrul Islam, Member of the board</p> <p>Group B: Md. Shahid Hossain, Advisor Planning and Development and Md. Abdul Gofur, Manager Finance</p> <p>One signatory from group A and one from group B will jointly operate MRDI's bank accounts including fixed deposits and loans except the mother account. This will apply only when the ED is absent otherwise EDs' signature is mandatory.</p> <p>The mother account will be operated by any two from Group A. This will apply only when the ED is absent otherwise EDs' signature is mandatory.</p> <p>The board requested ED to incorporate this in MRDI's financial and administrative manual under the relevant</p>	From the date of the meeting. Responsibility: Executive Director	Implemented.
20	4.3.5 Travel, advances and Per diems	We recommend MRDI to implement a routine where all international travel performed by the ED is approved by a Board member in advance of travel.	Low	The board decided to get ED's international travel expenses authorized by the chairman or by Md. Nazrul Islam, board member.	From the date of the meeting. Responsibility: Chairman and Md. Nazrul Islam	Implemented
21	2.2.2 Policy documents	We recommend MRDI to review and/or adjust the Financial and Administrative Manual to ensure all details are applicable to the organization and its size.	Low	The board requested ED to review Financial and Administrative manual and negotiate with FOJO for support.	Within June 30, 2017 Responsibility: Executive Director	It is under process but yet to be implemented
22	3.2 Anti-corruption	We recommend MRDI to implement a routine where the employees confirms their understanding of the Anti-corruption policy.	Low	<p>All MRDI staffs have been trained on MRDI's policies including the anti-corruption policy. Management has a plan to organize a refreshers meeting every six months.</p> <p>The board suggested the ED to take signature of each employee in a declaration after the sessions that she/he has read the policy, understood the policy and will follow the policy.</p>	<p>The first meeting in March 2017</p> <p>Responsibility: Executive Director</p>	Implemented
23	4.2 Audit	We recommend MRDI to evaluate whether audit services should be procured for a longer period than one year.	Low	As per Company Act 1994 of Bangladesh, companies have to appoint auditor through annual general meeting every year. MRDI is obliged to follow the provisions of the act as it is registered with Registrar of Joint Stock Company. So auditor appointment for multiple years is not permissible.	N/A	Implemented