

# Howladar Yunus & Co.

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**Management and Resources  
Development Initiative (MRDI)**  
Management Letter on the Audit of the Firm  
for the year ended June 30, 2015

**Chartered Accountants**

Correspondent firm of Grant Thornton International Ltd.

**Management and Resources  
Development Initiative (MRDI)**

Management Letter on the Audit of the Financial Statements  
for the year ended June 30, 2015

November 25, 2015

# Howladar Yunus & Co.

## Transmittal Letter

HYC/MF/Audit/MRDI/2015/

November 25, 2015

### **Executive Director**

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Dear Sir,

### **Management Letter on the financial audit of Management and Resources Development Initiative (MRDI)**

We have audited the financial statements of Management and Resources Development Initiative (MRDI) for the Period of July 01, 2014 to June 30, 2015 and are pleased to submit herewith our management letter thereon.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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. It is pertinent to mention here that our audit procedures are designed primarily to enable us to form an opinion upon the truth and fairness of the accounts. Accordingly we have carried out our tests and evaluations of your systems only to the extent necessary to enable us to arrive at our opinion. Therefore, they do not necessarily uncover all the weaknesses in the system of internal controls and accounting procedures, which a more exhaustive special review of the system might do.

We have the pleasure in submitting here with our letter to the management in respect of the said audit. The management letter contains details of findings during the audit.

The review of the financial statements and internal controls as well as test of compliance with applicable rules and regulations disclosed certain instances of internal control weaknesses and non compliance or lapses in compliances of rules, regulation, policies and procedures. These weaknesses and non-compliance have no material effect on the information reported in the financial statements and accordingly we did not modify our opinion thereon. All these reported in the attached memorandum under the head "Observation" with four sections:

We have divided each point contained in this report as:

- I. Fact;
- II. Effect;
- III. Management Response;
- IV. Recommendation.

# Howladar Yunus & Co.

The response received from the management of MRDI, have been incorporated under the heading "Management Response" of each our findings without change or editing. Our objective is to use our knowledge of the organization gained during our audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form an opinion on the financial statements of the organization and it should not be relied upon to disclose all irregularities that may exist or to disclose errors that are not material in relation to those financial statements.

We take this opportunity of expressing our thanks to the management and staff of your organization for the kind co-operation they have extended to us during the course of our audit.

Please do not hesitate to contact us should you require further clarification regarding any of the matters discussed in this report.

Yours faithfully,



Chartered Accountant

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## **1 The purpose of this letter**

This management letter is submitted to Management and Resources Development Initiative (MRDI) summarizes the significant issues and conclusions from our audit for the year ended June 30, 2015 together with our comments on relevant issues found during the course of our audit.

Audit matters of governance interest are those that arise from the audit of financial statements and in the opinion of the audit team, are both important and relevant to the management and those charged with governance with regard to overseeing the financial reporting and disclosure process. Audit matters of governance interest include only those matters that have come to the attention of the audit team as a result of the performance of the audit.

## **2 Scope of services**

Howladar Yunus & Co., Chartered Accountants was appointed to audit the balance sheet of Management and Resources Development Initiative (MRDI) as of June 30, 2015 and Statement of Income and Expenditure, Statement of Receipts and Payments together with the notes forming part thereof for the year then ended. Our audit was conducted in accordance with the Bangladesh Standards on Auditing (BSAs) as applicable in Bangladesh. Our engagement to conduct the audit was subject to the satisfactory completion of a background check on the organization, the organization's key decision makers and other key personnel. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant judgments and estimates made by management, as well as evaluating the overall financial statement presentation.

An audit includes obtaining an understanding of internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on, or to identify significant deficiencies in internal control. However, we are responsible for communicating to MRDI any significant deficiencies or material weaknesses in internal controls over financial reporting that come to our attention during the course of our engagement.

When conducting an audit on a test basis, BSAs require the auditor to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatements, whether caused by error or fraud. An audit is not a guarantee of the accuracy of the unconsolidated financial statements and is subject to the inherent risk that errors, fraud, or illegal acts, if they exist, might not be detected. Accordingly, a material misstatement may remain undetected. Further, an audit is not a special engagement designed to detect errors or fraud that is immaterial to the financial statements.

## **3 Our Methodology**

### **3.1 Audit Methodology**

Audit methodology for the assignment is based on our past experience of similar assignments.

### **3.2 Auditing to International Standards**

Howladar Yunus & Co., Chartered Accountants follows for all statutory, management and financial audit assignments the internationally recognized and defined audit approach of Grant Thornton International (GTI) worldwide committed to the highest levels of quality and excellence through conduct of audit applying the latest audit techniques, quality control procedures and following the recommended and accepted ISAs as well as the auditing procedures and guidelines

provided by the World Audit Guideline Manual of GTI. Periodical review of the audit work carried out by our firm is checked for compliance with the ISAs by the quality control inspection committee of GTI.

### **3.3 Communication with Management & those Charged with Governance**

During the course of audit, reports are issued to the management of the Organization in order to keep them acquainted with the status of different components of the financial statements covered and the work yet to be carried out on the remaining components along with the problems being faced in connection with the smooth conduct of the audit. If our audit procedures identify a fraud or situation that indicates that a fraud may exist, we shall also communicate these matters as soon as practicable to the appropriate level of management.

### **3.4 Management Letter**

During our audit, we have reviewed the accounting system and procedures operated by MRDI. We attach with this letter, matters which we consider should be brought to your attention following our audit of the financial statements.

We would point out that the matters dealt within this letter came to our notice during the conduct of our normal audit procedure which is designed primarily for the purpose of expressing our opinion on the financial statements of MRDI. In consequence, our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcations or other irregularities or to include all possible improvements in internal control.

#### 4 Observations

##### Findings 01:

Program expenditures were incurred without following Procurement Policy properly.

**Fact:** As per clause no 13.4 of the Financial and Administrative Manual, all procurement of goods and services should be done following the procurement policy and three spot quotations are required for expenditure amounting Taka 25,000 to Taka 200,000. During our verification we observe that no quotations were collected for the expenditures amounting to Taka 456,202 details as under:

Sl.	Voucher No. & Date	Particular	Amount (Taka)
1.	BDV-014, 12/08/2014	Program Cost-Other than CSR - Unicef	41,000
2.	BDV-029, 30/09/2014	Program Cost- Other than CSR Unicef	32,800
3.	BDV-229, 12/01/2015	Program Cost- Other than CSR - WFP	94,694
4.	BDV-240, 15/01/2015	Program Cost- Other than CSR - BHC	68,640
5.	BDV-414, 30/05/2015	Program Cost- Other than CSR - Brac	35,948
6.	BDV-414, 30/05/2015	Program Cost- Other than CSR – World Bank	52,250
7.	BDV-70, 10/06/2015	Program Cost- CSR – BB Case	50,000
8.	BDV-84, 28/06/2015	Program Cost- CSR – BB Case	80,870
		<b>Total</b>	<b>456,202</b>

**Effect:** There is a possibility of over expenditure of the organization.

**Management Response:** We properly followed the procurement policy for getting supply of training folder & bag on the expenditure mentioned above in the Sl. No- 1, 2 & 6.

**For Sl. 3 we used the venue of YWCA of Bangladesh as its facilities are up-to-the mark and low cost for organizing programme and the cost within the project budget. Its location is also better for the participants of outside Dhaka.**

For Sl. 7 & 8 In request of the Deputy Governor Bangladesh Bank, we hired the venue of the Daily star centre for training of the CSR desk officers of Banks on Bangladesh Bank CSR Guideline. Also, the food and venue facilities are up-to-the mark and low cost for organizing such event compared to other venues like La Vinci, Sheraton and Sonargaon. As we don't have the budgetary provision we didn't go for such bidding. The amount is for advance and summation of all expenditure against venue & sound rent and food cost of the training.

**Recommendation:** MRDI should follow the directives of their Financial and Administrative Manual; to ensure proper internal control and for the fruitful operation of the organization.

**Finding 02:**

**MRDI has yet to formulate any policy regarding the Gaon Swapna fund management**

**Fact:** MRDI has yet to formulate any policy regarding the Gaon Swapna fund management and the fund is not registered with any authorities; rather it is a part of MRDI. Profit generated under this project is directly credited to the fund instead of credited to the income statement of MRDI.

**Effect:** This might lead to irregularities in management and maintaining Gaon Swapna Fund.

**Management Response:** To ensure the transparency of the fund operation a separate set of books of account along with a separate bank account have been maintained by MRDI which is brought under the external audit. For maintaining the transaction the MRDI policy is followed. The Separate policy regarding the Gaon Swapna fund management is under consideration of MRDI.

**Recommendation:** MRDI should immediately formulate policy for Gaon Swapna fund.

**Finding 03**

**Advances were not adjusted within prescribed time.**

**Fact:** As per financial manual clause no. 10.07 of Financial and Administrative Manual, advance should be adjusted within 06 (Six) working days after the event is completed. During our audit we observe non-compliance in adjusting of advances that are given below:

Name of the receiver	Amount	Date of Event	Date of Adjustment	Variance
Sukanta Roy	40,000	01-10-2014	25-11-2014	55 days
Hamidul Islam	8,400	30-09-2014	14-10-2014	14 days

**Effect:** This might attract the irregularities in management of advance for programme.

**Management Response:** We agree with the observation and will take necessary measure.

**Recommendation:** MRDI should follow the directives of their Financial and Administrative Manual; to ensure proper internal control and for the fruitful operation of the organization.

**Findings 04:**

**Certification from certifying officer was not found for the payment against fixed assets.**

**Fact:** As per the clauses 13.10 of the Financial and Administrative Manual, any payment against purchase shall be made only after certification from the "Certifying Officer". During our audit we observe that no certificate was given by certifying officer regarding purchase of fixed assets.

**Effect:** This is a non-compliance of Financial and Administrative Manual.

**Management Response:** MRDI is a small organization of 15 staffs. For certifying all the goods & services we need to appoint a capable person which is not financially viable. But we assigned 2 staffs for receiving goods. One for receive electronic goods and the other for general goods.

**Recommendation:** MRDI should follow the directives of their Financial and Administrative Manual; to ensure proper internal control and for the fruitful operation of the organization.

**Findings 05:**

**No Insurance coverage exists for cash in hand and fixed asset.**

**Fact:** As per the clauses 9.6 and 14.7 of the Financial and Administrative Manual, there should be insurance coverage for cash in hand and fixed asset respectively. On verification we observe that there was no insurance coverage for these.

**Effect:** Loss cannot be recovered, if any accidental events occur.

**Management Response:** MRDI keeps a small amount in cash and very careful regarding the security of Cash and fixed assets. Considering the volume of cash in hand, nature & quantity of fixed assets and fixed assets management; insurance coverage is not financially viable for the organization.

**Recommendation:** MRDI should take insurance coverage for cash in hand and fixed asset.

**Findings 06:**

**No Quality control committee exists in MRDI.**

**Fact:** As per clause no. 13.13 of the Financial and Administrative Manual, materials received by the store department should be checked by the quality control committee. During our verification we observe MRDI did not form any quality control committee for the said purpose.

**Effect:** Quality of the material may not be up to the standard.

**Management Response:** Due to small size of staff, quality control committee has not been formed. But supplies are received through proper checking by the program focal point of individual supply and by the responsible person for the store.

**Recommendation:** A quality check will ensure the goods are up to satisfactory quality required by MRDI; this is a detective control that will aid the organization greatly.

**Findings 07:**

**There is no existence of internal audit department.**

**Fact:** The organization has yet to establish internal audit department. As a result, serious fraud and non-compliance of rules and regulations might be incurred due to lack of internal control system.

**Effect:** This might raise the risk of lack of internal control.

**Management Response:**

Due to small size of staff separate internal audit department is not financially viable to establish.

**Recommendation:** MRDI should introduce internal audit department in the organization so that they can detect and prevent any fraud and non-compliance committed by employees of the organization.