

Management Report
on
The audit of Consolidated Financial Statements
of
Management and Resources Development
Initiative (MRDI)
For the year ended 30 June 2020

15

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26 November 2020

Mr. Hasibur Rahman

Executive Director

Management and Resources Development Initiative (MRDI)

8/19, Sir Syed Road (3rd Floor)

Block # A, Mohammadpur

Dhaka- 1207

Bangladesh

Subject: Management report on the audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2020

Dear Sir,

In pursuance to the appointment letter for conducting audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2020, we have submitted auditors' report and audited financial statements separately.

We submit herewith our detailed management report on the audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2020. The report has been devised and presented in the following ways:

- Introduction and background
- Scope of work
- Methodology applied for the assignment
- Auditors' observations and findings

The management responses against each of our observations and findings have been included in the final version of the report.

However, it may be mentioned here that there may exist some material weaknesses in the internal control system which are not revealed through our sample testing. To reveal those weaknesses a more in-depth approach of internal control testing is required which is basically not in the scope of our audit engagement of the financial statements.

We would like to keep on record our sincere thanks and gratitude to the management and staff members of Management and Resources Development Initiative (MRDI) for extending their cooperation in conducting the audit.

Thanking you.

Yours faithfully,



Nurul Faruk Hasan & Co
Chartered Accountants

Table of Contents

| | | |
|-----|---|----|
| 1. | Introduction and background..... | 1 |
| 1.1 | MRDI project in Bangladesh | 1 |
| 1.2 | MRDI and project objectives | 2 |
| 1.3 | Beneficiary or Implementation Structure..... | 9 |
| 2. | Scope of work..... | 9 |
| 3. | Methodology applied for the assignment..... | 10 |
| 4. | Auditors' observations and findings | 11 |
| 1. | Internal Report on budgeted activities was not available..... | 12 |
| 2. | Follow up of the last year's auditors' observations and recommendations | 13 |

Detailed Report

1. Introduction and background

In Bangladesh, Management and Resources Development Initiative (MRDI) is a multidisciplinary, Not for Profit, Non-Government Organization engaged to a wide spectrum of social development activities and seeks to render services to national and international organizations, both in the public and the private sector. MRDI is registered with the office of the Registrar of the Joint Stock Companies and Firms, Government of the People's Republic of Bangladesh under Section 28 of the Companies Act 1994 having incorporation # C-544 (57)/2003 dated 13 May 2003 as a Company limited by guarantee. It is also registered with the NGO affairs Bureau having registration # 1962 dated 21 September 2004 under the Foreign Donations Regulation Ordinance 1978 which was renewed on 24 July 2019 for a period of 10 years that will continue up to 20 September 2029.

The registered office of the organization was 2/8 Sir Syed Road (Ground floor), Block-A, Mohammadpur, Dhaka-1207. Currently the organization is sifted to 8/19 Sir Syed Road (3rd floor), Block-A, Mohammadpur, Dhaka-1207.

1.1 MRDI project in Bangladesh

| Sl.# | Name of project | Name of donor |
|------|---|--|
| 1. | Improving qualitative journalism in Bangladesh (FOJO project) | Fojo Media Institute, Lineaus University, Sweden. |
| 2. | Improved Governance Through Open Flow of Information | The Asia Foundation |
| 3. | Increasing the effective use of the Right to Information Law by media and civil society | Internews, Thailand |
| 4. | Capable Media for Strong Democracy | British High Commission, Bangladesh through The Asia Foundation |
| 5. | Promoting news literacy and ethical journalism (UNICEF) | UNICEF Bangladesh |
| 6. | Advancing women's right of access to information in Bangladesh (AWRAIB) | Manusher Jonno Foundation |
| 7. | Better governance for better services (BGBS) | Manusher Jonno Foundation |
| 8. | Livelihood programme for the women and health clinic for the community (MTB) | Mutual Trust Bank Limited |
| 9. | Educational support for poor students (MRDI-City bank CSR project) | The City Bank Ltd. |
| 10. | Understanding Finance for the Youth and Garment Workers (MRDI-HSBC) | Hongkong and Shanghai Banking Corporation Ltd. (HSBC) |
| 11. | MRDI CSR intervention (CSR project) | Reliance Insurance Limited |
| 12. | Gaon Swapna | <ul style="list-style-type: none"> • The City Bank Ltd. • HSBC Bangladesh and • Manusher Jonno Foundation |

1.2 MRDI and project objectives

| Sl.# | Name of project | Objective |
|------|---|--|
| 1 | Management and Resources Development Initiative (MRDI core) | To endeavor for developing the standards of media, skills and ethics of media professions, physical and mental health and well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the population. |
| 2 | Improving qualitative journalism in Bangladesh (FOJO project) | <p>Improving Qualitative Journalism in Bangladesh is a two year three months project starting from 01 September 2019 to 30 November 2021. The project is funded by the Fojo Media Institute, Linnaeus University, Sweden. The project initially started with a target of improving Media in Bangladesh contributes to strengthened democracy and gender equality, greater respect for human rights and freedom from oppression.</p> <p>1. Overall objective:</p> <ul style="list-style-type: none"> Improving Qualitative Journalism in Bangladesh aims to improve Media in Bangladesh contribute to strengthened democracy and gender equality, greater respect for human rights and freedom from oppression. The project facilitates implementation of Management and Resources Development Initiative (MRDI) in Dhaka. Enhancement of journalists as media manager and trainer. <p>2. Program Activities:</p> <ul style="list-style-type: none"> Investigative Journalism Partnership (IJP) Training on Investigative Journalism Investigative Journalism Hhlp desk Translation of two Investigative Journalism handbooks Media Monitoring IJIN Global conference and IJ Asia study visit Advance training on fact checking Mentorship programme Safety and Security Training for Journalists Gatekeeper engagement meeting |

| Sl.# | Name of project | Objective |
|------|---|---|
| | | <ul style="list-style-type: none"> • Safety security guideline publication and distribution • Viability study on independent media • Capacity building for journalist association • Bangladesh journalism conference • Online training course • Promotion of online training courses • Website development • Training of trainers of PIB • RTI Help Desk and clinic • Anti-corruption workshop • M&E training for MRDI staffs • Organizational review for MRDI • Workshop on MRDI strategy • Web-meet with media managers on how they are adapting with Covid-19 • Covid-19 webinar • International training programme (ITP) • End line /external evaluation |
| 3 | Increasing the effective use of the Right to Information Law by media and civil society (Internews) | <p>Strengthening Independence Media in Bangladesh (SIMB) project has been designed on the fact that professional and citizen journalists in Bangladesh experience pressure and physical threats meant to stifle independent voices. While violence against journalists by religious extremists have abated in the past two years, threats and prosecution by politicians and the courts continue to abound. Compounding this increasingly hostile operational environment is a sector influenced by corporate ownership and political allegiances, resulting in self-censorship at the individual journalist and editorial levels. SIMB aims to foster media independence in Bangladesh by Strengthening investigative journalism capacity focusing on building skills in digital and physical security, reducing self-censorship, and addressing lack of media freedoms.</p> <p>Activities:</p> <ul style="list-style-type: none"> • In house training on RTI for journalist • Participatory workshop on RTI • National consultation |

| Sl.# | Name of project | Objective |
|------|------------------------------------|---|
| | | <ul style="list-style-type: none"> • Report compilation • Open data survey • Training curriculum localization • Residential data boot camp for journalist • Data journalism fellowship • Engage with local investigative and journalist group |
| 4 | Capable Media for Strong Democracy | <p>The project is titled "Capable Media for Strong Democracy" and it is funded by The Asia Foundation (The Foundation). The project period was from 01 August 2018 to 30 April and subsequently, it was extended to 31 May 2019 vide amending Letter of Grant, Amendmend-2, LOG-2019/1729-2 dated 25 April 2019.</p> <p>The project will build media's capacity on election reporting to strengthen democracy creating capable newsrooms and new generation of journalists skilled to perform vigilant reporting.</p> <p>The project will build media's capacity on election reporting to strengthen democracy creating capable newsrooms and new generation of journalists skilled to perform vigilant reporting.</p> <p>370 journalists of national and local media will be trained improving quality election reporting. Enhanced skills of journalists will positively impact media's overall capacity. It can be achieved through a three-tier training approach catering to the need of journalists with different roles. Editors will be requested to nominate their reporters/sub-editors to participate in the programme.</p> <p>In-house training for managers, reporters and photographers/camera crew will be organized who have separate but coordinated roles covering election.</p> <p>Parallel trainings for district level journalists are playing the most important role in election news gathering but are generally deprived of skills development initiatives.</p> <p>Election Commission beat reporters will be trained and followed up through study circles to help them plan reporting and share security risks.</p> <p>CSO-media linkage will facilitate objective election reporting.</p> |

| Sl.# | Name of project | Objective |
|------|---|---|
| | | <p>Handbook with a code of ethics will serve as a guideline for setting a standard for reporting in the coming elections.</p> <p>Election related reports, stories and articles published in media will be monitored and analyzed to depict a picture of election in media's perspective.</p> <p>The initiative will enable media investigate candidates' quality, campaign finance, violence, irregularities and follow-up whether the promises are kept by the elected.</p> |
| 5 | Promoting news literacy and ethical journalism (UNICEF) | <p>The programme proposes to support the parliamentary caucus on child rights with a view to ensure that parliament responds effectively to the rights of the children. MRDI with its experience and expertise in doing social advocacy and media monitoring, will support the programmatic vision and missions of UNICEF's intervention by carrying out 2nd national survey on news literacy with especial focus on children issues, monitoring the parliamentary committees and ministries to help achieve the greater goal for realizing and ensuring the rights of the children.</p> <p>Activities:</p> <ul style="list-style-type: none"> • National survey on news literacy with special focus on children • News literacy assessment sharing meeting with parliament standing committees • Lobby meeting with 4 parliamentary standing committees • Mapping of discussion-trend on child issues in national parliament • Baseline through monitoring of session proceedings and interviews with parliamentarians • Continuous monitoring of parliamentary sessions • Continuation of Media Monitoring Support to National Human Rights Commission |
| 6 | Advancing women's right of access to information in Bangladesh (AWRAIB) | <p>In Bangladesh, Advancing a meaningful right of access to information for women in Bangladesh through the project. The major objectives of the project are:</p> |

| Sl.# | Name of project | Objective |
|------|--|---|
| | | <ul style="list-style-type: none"> • Awareness raising material design and production • Orientation of woman entrepreneurs on RTI • Orientation of informal sector women workers • Advocacy meeting with individual NGOs • CSOs on RTI Capacity development of NGOs • CSOs on RTI orientation at the upazila level • Courtyard meeting Programme with Bangladesh • Betar RTI for slum dwellers TV talk show Leaflet • Campaign on RTI in 2 wards of DCC North and South RTI Helpdesk • RTI follow up support • Observance of Right to Know day |
| 7 | Better governance for better services (BGBS) | <p>Goal: Improve transparency and accountability of public service institutes by keeping the demand-supply chain of information and service increasingly operative.</p> <p>Outcome-1: Service providers become more capable and prepared to deliver information and services to the people, particularly marginalized groups including women.</p> <p>Outcome-2: Target beneficiaries are more aware and empowered to claim information and service from the authorities.</p> <p>Outcome-3: Policy planners are in a better position to make the governance tools more operative.</p> <p><u>Major activities:</u></p> <ul style="list-style-type: none"> • Activate/form JANAK, a citizen support group for popularizing the RTI • Introduce RTI E&M learning certified course for Youth - mobile and web based RTI learning course • Boot camp for RTI E&M learning course certified youth • RTI Camp and follow-up camp • Campaign among school students • Conduct social audit on service delivery • Nationwide promotion of RTI help desk • Develop template on web-based disclosure for ministries |

| Sl.# | Name of project | Objective |
|------|--|--|
| | | <ul style="list-style-type: none"> • Communication strategy on WBPA • Develop modules of the RTI training manual for self-administered online/visual training for the DOs of NGOs • Conduct political mapping on RTI implementation • Conduct youth perception survey on RTI • Study on 2nd generation Citizen Charter • Advocacy for forming Parliamentary Caucus on RTI |
| 8 | Livelihood programme for the women and health clinic for the community (MTB) | <p>The main purpose of this project is to work for development of the standard and quality of the media, enhancing physical and mental well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the population at Char Kukri Mukri of Bhola District by facilitating the local community with livelihood opportunities and health services.</p> <ul style="list-style-type: none"> • Construction of training center and health clinic. • Construction of deep tube well and solar panel. • Providing tailoring training to women. • Providing training to 2 paramedics for health clinic. • Operate the health clinic |
| 9 | Educational support for poor students (MRDI-City bank CSR project) | <p>In Bangladesh, Livelihood Program for Women in Basatpur and Educational Support for Poor Students (MRDI-City Bank CSR project) is implemented by Gramer Kagoj and Banchte Shekha and Development Partner Manusher Jonno Foundation. The project objectives are respectively:</p> <ul style="list-style-type: none"> • To identify the specific needs of the community in terms of women's living condition and livelihood options. • To set up a training centre, equipped with all necessary equipment, materials and personnel, in order to help the target women attain self-reliance. • To create work opportunities for 160 marginalized women in three years by providing |

| Sl.# | Name of project | Objective |
|------|--|--|
| | | <p>them with training in tailoring, embroidery and block print.</p> <ul style="list-style-type: none"> To form a sustainable women's association in the village for livelihood and empowerment of women. To facilitate smooth continuation of samity members' children's education |
| 10 | Understanding finance by the youth (MRDI-HSBC) | <p>In Bangladesh, Understanding finance by the youth (MRDI-HSBC) project is worked with workers and labour for their awareness. The project major activities are:</p> <ul style="list-style-type: none"> Basics of financial literacy Lectures session at schools; Awareness building on financial literacy for EPZ workers; Advance Training of Trainers (ToT) of EPZ labor counselors; <p>Objectives:</p> <ul style="list-style-type: none"> Create awareness among the EPZ workers on needs and benefits of financial literacy; Enhance capacity of labor counselors on financial literacy to develop them as trainers; Develop capacity of and create a positive mindset among young learners on financial literacy |
| 11 | MRDI CSR intervention (CSR project) | <p>The project is in partnership with Reliance Insurance Limited. The aim of the project is to provide financial support to some teachers of a non govt. primary school to maintain continuity of a school 'Dakshin Andermanik A Zaman Primary school' situated in Char Dakshin Andermanik an offshore island of Laxmipur district which is yet to be enlisted of MPO scheme. The school is not receiving any support from govt. or any other organization.</p> |
| 12 | Gaon Swapna | <p>MRDI has created this fund from the completed projects "Livelihood Programme for Women" implemented for the poor and marginalized women in Basatpur, Jessore and Bonlaodob, Kailashgonj & Dhangmari in the Sundarbans. This fund is meant for the capacity building of the beneficiaries of the project for betterment of their life and livelihoods. The beneficiaries of the four areas formed four Samities under District Women and Children Affairs Office under the Ministry of Women and Children Affairs. Through Gaon Swapna, MRDI is aiming to showcase</p> |

| Sl.# | Name of project | Objective |
|------|-----------------|--|
| | | and sells the hand made products of the Samities to the people living at urban area and abroad. The objective of Gaon Swapna fund is to generate income for the disadvantaged women under a common brand. The fund is operated following the policy of MRDI. 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. |

1.3 Beneficiary or Implementation Structure

Management and Resources Development Initiative (MRDI) has implemented various projects funded by various foreign and local donors for developing the standards of media, skills & ethics of the media professionals, physical and mental health and well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the populations in Bangladesh. MRDI's mandates and activities are managed and implemented by a group of highly qualified professionals under the leadership of its Executive Director and the broader guidance and supervision of the Board of Directors/Executive Committee and apart from the directors, the full-time staff members including managers, researchers, mid-level and field personnel having specialised skills carry out the organisation's project activities in social development activities principally stem from the presence of quality professionals in its fold and the professional consultants associated with the organisation under its pooling system. The consultants having substantial experiences in their respective areas help MRDI executive staff members carry out their activities.

2. Scope of work

The auditor is required to plan, execute and report on the financial review engagement in order to form a professional judgment on the following matters:

i. Principles of orderliness (financial regularity)

- Authorisations/approvals of expenditures and validity with supporting documents;
- Details of funds received for the project in combination with the information supplied by Management and Resources Development Initiative (MRDI);
- Orderly procurement of goods and services;
- Physical existence of fixed assets representing the property of the project (fixed assets, inventory items, current assets).

ii. Conformity with the facility objectives and adherence to the contract conditions

- Agreement of transactions, expenditures and receipts by comparison with the agreed project documents;
- Verification whether the clauses of the project agreement have been respected.
- Conformity with the organisational rules and regulations of Management and Resources Development Initiative (MRDI) in Bangladesh;

- a. Verification whether the organisational rules and regulations have been respected;
- b. Verification whether the organisational rules and regulations are adequate to guarantee the regular, transparent and truthful utilisation of any funds.

iii. Accounting related matters

- a. Arithmetic exactness of the accounts, supporting documents and financial statements and reports;
- b. Correctness of the accounting entries;
- c. Timeliness of recording of economic events and transactions in the general ledger accounts;
- d. Financial statements and report information in agreement with the general ledger accounts;
- e. Adequacy and completeness of revenues, revenues are booked correctly;
- f. Assessment of accounts receivable and advances; justification for overdue/unpaid amounts;
- g. Reconciliation of balances of cash in hand and in banks with the general ledger accounts.

3. Methodology applied for the assignment

In order to achieve a high quality of the audit, the following activities have been undertaken by the team members:

- Formation of an audit team comprising 1 Engagement Partner, 1 Engagement Manager, 1 Audit-in-Charge and 4 Team Members;
- Arrangement of an entrance meeting to introduce the team members with the Management and Resources Development Initiative (MRDI's) Management;
- Obtain and study the relevant manuals, policies, project documents etc. to gather understanding of the terms of reference of the organization;
- Perform an analytical review of the financial statements to identify the major financial involved areas as well as major deviated areas compared to Budget, if any;
- Documentation of the existing internal control system in practice over the major financial transaction areas, like-cash payment procedures, bank payment procedures and procurement procedures, etc. using description of the processes step-by-step or flow chart techniques;
- Identify the control points of the existing internal control systems and these control points have been tested/assessed with selected transactions to know actual compliances of the documented/exiting internal control systems;
- Document step by step the existing bookkeeping and accounting system (Tally ERP9) starting from the preparation of vouchers (cash voucher, bank voucher and journal voucher, if any) , its recording in the books (cash book, bank book, general ledger, subsidiary ledger /register, if any) and finally preparation of the financial statements to confirm the following:
 - The accounts kept for the project must be accurate and up-to-date;
 - The accounts and expenditure relating to the project must be easily identifiable and verifiable;
 - The records and accounts must cover all activities financed by all sources of financing, including the own resources, if any.
- Conducted walk through test in major financial areas to confirm the recording track at different stages;

- Conducted audit trail test to know the flow of the primary documents to the recording system and vice versa;
- Conducted the routine check which includes reconciling the information in the books of accounts with the trial balance and trial balance with the general ledger and sub-ledger, if any;
- Prepared a risk assessment statement to assess the risk of material errors or misstatements in the expenditure and revenue stated in the financial statements;
- Selected the items on sample basis for audit testing;
- Performed substantive procedures for each selected expenditure item following:
 - C - Cost, whether the price is genuine
 - E - Existence, whether it has existence
 - A - Accuracy, whether total cost is correct
 - V - Valuation, rightly valued
 - O - Ownership, who is the owner of the assets
 - P - Presentation in the financial statements
- Pay specific attention to the following areas:
 - Documentation, filing and record keeping for project expenditure and income
 - Eligibility of project expenditure and income
 - Procurement and origin rules insofar these conditions are relevant to determine the eligibility of project expenditure and income
 - Asset management (including procurement process and procedures, management and control of project fixed assets such as vehicles, equipment, etc.)
 - Cash and bank management (treasury)
 - Computerized information systems (IT), if any
 - Budgetary and expenditure control (including procurement process and procedures)
- We have physically inspected some of the assets;
- Issuing the draft report to the management and arrange a discussion meeting to discuss the issues noted during our audit;
- On receipt of the responses and incorporating these responses, we shall issue Final Report.

4. Auditors' observations and findings

During performing of audit of Consolidated Financial Statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2020, we have received necessary support and cooperation from staff members. We didn't find any major loopholes, which require top management's immediate attention. However, we have noted some of the areas where management can take necessary steps for further improvement of their existing internal control systems. Those are listed below in brief:

1. Internal Report on budgeted activities was not available

Name of project: Internews

Observation

We noted from the approved FD-6 that the project needs to implement certain activities during the project period. For example- following items have been mentioned:

| SL # | Budgeted Activities | Revised budgeted Quantity |
|-----------|--|---------------------------|
| 1 | In house training on RTI for Journalist | |
| 1.01 | Honorarium for resource persons | 36 |
| 1.02 | Venue & sound | 12 |
| 1.03 | Information kit (Jute bag, writing pad, pen, & information material) | 108 |
| 1.04 | Food for participants | 240 |
| 1.05 | Travel for the participants | 54 |
| 1.06 | Accommodation & per diem for the correspondent (lumpsum) | 162 |
| 1.07 | Conveyance & incidental for participants of Dhaka | 36 |
| So on | | |
| 1.2 | Participatory workshop on RTI | |
| 1.2.1 | Honorarium for paper presenter | 3 |
| 1.2.2 | Venue & sound | 3 |
| 1.2.3 | Information kit (Jute bag, writing pad, pen & information material) | 75 |
| 1.2.5 | Food for participants | 75 |
| 1.2.6 | Travel for participants from outside Dhaka (lumpsum) | 120 |
| And so on | | |

Implication

It indicates a lack of internal monitoring system over the project activities.

Recommendation

Management should introduce internal monitoring system over the status of budgeted activities and what actually executed so far considering a reasonable interval, and this may help in making necessary adjustment on the unattended activities for the subsequent period.

Management response:

Before this recommendation MRDI was not aware about such internal report on budgeted activities. As per requirement of the regulatory authorities and donors, MRDI prepare quarterly & monthly reports. Apart from these, MRDI prepares the cost summary and programme report after completing each activity which gives a clear picture of cost compared to approved budget.

However, MRDI will be happy to introduce the internal reporting system if any format is suggested by Deloitte which helps to add value to the existing programme and financial monitoring system of MRDI.

Auditors' further comments:

Management can use budget variance reporting format for the quantity reporting purpose. For any deviation, management action plan should also be mentioned.

2. Follow up of the last year's auditors' observations and recommendations

We have taken the latest implementation status of the last year's auditors' recommendations and these are shown as follows:

| Sl. no. | Particulars | Previous Auditor's Recommendation | Latest Status |
|---------|--|--|---|
| 1 | Monthly report of MTB by UDT | Management should monitor the requirements of the Agreement strictly to have a sound internal control culture in the Organization. | We noted the same issue for the current year |
| 2 | Formation of cooperative society under Local Women and Children Affairs Bureau | Management should monitor the requirements of the Agreement strictly to have a sound internal control culture in the Organization. | Complied |
| 3 | Register certificate from Bangladesh Cooperative affairs Bureau or the Registrar of Joint Stock Companies and Firms for conducting association named "Gaon Swapna" | Legal registration should be obtained and complied with the rules and regulations. | We noted no registration is taken during the current year for "Gaon Swapna" |
| 4 | Stock register was not up to date | MRDI should maintain and update Stock Register regularly. | Complied |

Management response:

Sl. 1: As the project location is in the remote offshore area, we could not collect the monthly report from UDT. We will take care of the mentioned issue in future.

Sl. 3: Gaon Swapna fund is meant for the capacity building of the beneficiaries under the 4 (four) Govt. registered women association in Bastpur, Jessore and Bonlaodob, Kailashgonj & Dhangmari in the Sundarbans. Poor and marginalized women are the members of the association. Under the umbrella of Gaon Swapna, MRDI is aiming to showcase use of CSR as a sustainable alternative source of development fund and market the hand made products of women living in the mentioned rural area to generate income for their better life and livelihood. MRDI is only the temporary custodian of the fund as the associations don't have adequate knowledge on fund management. In the process of fund management, they already opened separate bank account and trying to maintain their receipts and payments. MRDI is providing support in maintaining their documents. When MRDI feels they have gained adequate knowledge on fund management and maintaining proper books of account, MRDI will hand over the responsibility to them. So MRDI authority thinks that no separate policy is required against the fund of the above-mentioned registered associations.

Gaon Swapna is operating under the policy and practice of MRDI. So there is no any lack of governance system. Considering the size of fund, earning profit per year and procedural cost of the Cooperative Association, MRDI top management found that the formation of cooperative association at this stage is not financially viable.

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