



Grant Thornton

Howladar Yunus & Co.

Management Letter on the Financial State
Management and Resources Development Initi
For the year ended 30 June 2022

Chartered Accountants

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Management Letter on the Financial Statements of
Management and Resources Development Initiative (MRDI)
For the year ended 30 June 2022

Submitted by-
Howladar Yunus & Co.
Chartered Accountants

26 December 2022

Transmittal Letter

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The Executive Director

Management and Resources Development Initiative (MRDI)

8/19 Sir Syed Road (3rd floor)

Block-A, Mohammadpur

Dhaka-1207, Bangladesh

Dear Sir,

Management Letter on the Management and Resources Development Initiative (MRDI) audit for the year ended 30 June 2022.

We have audited the financial statements of Management and Resources Development Initiative (MRDI) for the period ended 30 June 2022 and are pleased to submit our management letter herewith.

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 on 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 internal controls and accounting procedures system, which a more exhaustive special review of the system might do.

We have the pleasure of 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 the test of compliance with applicable rules and regulations, disclosed certain instances of internal control weaknesses and non-compliance or lapses in compliance with rules, regulations, policies and procedures. All these are 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. Recommendation;
- IV. Management Response.

The response received from the management of "Management and Resources Development Initiative (MRDI)", have been incorporated under the heading "Management Response" of each of 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 Accountants

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1 The purpose of this letter

This management letter is submitted to Management and Resources Development Initiative (MRDI) and summarizes the significant issues and conclusions from the audit for the period ended 30 June 2022, 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 financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2022, is required to express an opinion on whether the financial statements present fairly all incomes, receipts and expenditure/costs incurred for the above period and whether the statements are drawn up in conformity with generally accepted accounting principles and standards. The audit has been carried out as per terms of reference for the management and financial audit of the Management and Resources Development Initiative (MRDI).

An audit includes obtaining an understanding of internal control 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 the Management and Resources Development Initiative (MRDI), any significant deficiencies or material weaknesses in internal control over financial reporting that come to our attention during the course of our engagement.

When conducting an audit on a test basis, ISAs 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 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

The audit methodology for the assignment is based on our past experience with similar assignments and as per the term of reference provided as agreed with the Management and Resources Development Initiative (MRDI).

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 the conduct of audit applying the latest audit techniques, quality control procedures and following the recommended and accepted ISAs.

3.3 Communication with Management & those Charged with Governance

During the course of the 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

At the completion of the audit, a formal management letter is issued relating to the observations, specific deficiencies and weaknesses found in the systems and controls with reference to their impact on the financial statements. Management letter also contains valuable and professional suggestions and recommendations on the deficiencies found in the systems and internal controls.

We issue reports to those charged with governance and make management aware, as soon as practicable, and at the appropriate level of responsibility, of material weaknesses in the design or implementation of internal control to prevent and detect fraud which may have come to our attention.



4 Observations

4.1 AIT of different years recognized as asset.

Fact:

On verification, we observed that Advance income tax (AIT) of different years is recognized as Advances against which there is no probable future value, and those advance taxes should be written off. Year-wise details are as follows:

Income year	Assessment year	Tax liabilities as per assessment order	Tax deducted at source/paid	Tax adjustment	Tax liability after adjustment	Total tax paid in advance
		BDT	BDT	BDT	BDT	BDT
2010-2011	2011-2012	18,192	114,549	18,192	-	96,357
2011-2012	2012-2013	42,220	201,068	42,220	-	158,848
2012-2013	2013-2014	60,181	164,528	-	60,181	164,528
2013-2014	2014-2015	61,240	186,678	-	61,240	186,678
2014-2015	2015-2016	14,376	356,676	9,095	14,376	347,581
2015-2016	2016-2017	66,634	34,361	-	66,634	34,361
2016-2017	2017-2018	14,010	24,654	-	-	24,654
2017-2018	2018-2019	-	20,324	-	24,176	20,324
2018-2019	2019-2020	-	16,164	-	10,258	16,164
2019-2020	2020-2021	-	11,517	-	-	11,517
2020-2021	2021-2022	-	7,331	-	7,331	7,331
2021-2022	2022-2023	-	6,984	-	6,984	6,984
Total		276,853	1,144,834	69,507	251,180	1,075,327

Effect:

Assets shown in the financial statements are not recoverable resulting in assets being overstated.

Management Response:

As per the opinion of our tax advisor, it will be adjusted (tax liability BDT 251,180 and tax paid in advance BDT 1,075,327) with the capital fund of MRDI and Gaonswapna Fund account in this fiscal year 2022-2023 with approval of the board of directors of MRDI.

Recommendation:

Management should immediately raise the issue to the board and write-off the long-unsettled AIT after taking approval from the board.



4.2 Same vendors are participating in the quotation of printing production.

Fact:

During our audit, we observe those same vendors namely Colormax, Transparent & Idea printers are participating in the bidding process of printing production year to year. Instances are given below:

Sl. No.	Purpose	Amount	Bid submitted	Bid awarded	Remarks/ Findings
1	Printing of Annual Report 2020-2021	47,250	1. Colormax 2. Transparent 3. Idea Printers	Idea Printers	Bidders are common, Bidders do not mention there reference number in their quotation, No bid receiving date, How bidder received the request is not mentioned in the quotation
2	Safety and security guideline book	1,35,000	1. Colormax 2. Transparent 3. Idea Printers	Idea printers	Bidders are common, Bidders do not mention there reference number in their quotation, No bid receiving date, How bidder received the request is not mentioned in the quotation

Effect:

Transiency of the procurement process is hampered.

Management Response:

MRDI follow the procurement process in accordance with its manual. But ensuring the quality of printing and publication the organization is working with these three printing firms who understand the quality of the product as per MRDI standards. However, we will enlist vendors shortly according to the audit observation.

Recommendation:

To ensure the transparency and market price of the product, management should take action to collect quotation from different vendors.



4.3 Insurance policy was not taken for all fixed assets.

Fact:

As per para # 15.7 of the Financial & Administrative Manual, "All fixed assets of MRDI must be adequately covered by Insurance Policies from a reputable Bangladeshi Insurance Company". On verification, we observed the following assets are not under the coverage of the insurance policy.

Sl. No.	Assets Name	Acquisition Date	Amount
1	Office Chair, Sofa	30-04-2022	24,595.00
2	Mobile phone set	19-07-2021	13,249.00
3	Mobile Phone & power bank	09-05-2022	17,779.00
4	Laptop	30-11-2021	166,326.00
5	HP Laser printer	30-11-2021	50,930.00
6	Air conditioner	30-11-2021	189,522.00
7	Camera & related accessories	19-04-2022	813,110.00
8	Laptop, portable hard disk 3 units and 1 printer	25-04-2022	850,976.00
9	Photocopier, planet cover 1 units and high disk 1 unit.	25-04-2022	193,500.00

Effect:

Noncompliance of policy of the organization.

Management Response:

Considering the volume of the organization insurance policy for fixed asset is not viable and the board of directors is aware.

Recommendation:

Management should take action to comply with the policy of the organization.



4.4 Lack of physical control over the Gaon Swapna product at the Unimart showroom.

Fact:

During our audit, we observe that MRDI have an agreement to sell handicraft product of GAON SWAPNA by UNIMART. MRDI provided stock report and the Unimart stock report did not match due to a lack of physical verification in Unimart by MRDI. The management also failed to provide us with any valid arrangement deed/documents with Unimart for selling of products of the Gaon Swapna Fund in the showroom of Unimart. We have found an agreement without any execution date.

Effect:

The balance of Inventory shown in the financial statements is overstated.

Management Response:

The Gaon Swapna is a voluntary initiative of MRDI and for Unimart it is under their CSR programme. Considering the volume of sales Unimart is reluctant to provide stock reports. MRDI is continuously requesting them for the stock report. We consider it as a limitation and will give our best effort to resolve it.

Recommendation:

Management should take action to reconcile the inventory.

