



Grant Thornton

Howladar Yunus & Co.

Management Letter
on the Combined Financial Statements of
Media Resources Development Initiative (MRDI)
For the period ended 30 June 2024

Chartered Accountants

Member firm of Grant Thornton International Ltd.

Corporate Office
Howladar Yunus & Co.
House-14 (Level 4 & 5)
Road-16A, Gulshan-1
Dhaka-1212, Bangladesh
T: +88 0 2 58815247

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Media Resources Development Initiative (MRDI)
For the period ended 30 June 2024

Submitted by:
Howladar Yunus & Co.
Chartered Accountants

10 December 2024

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Ref: HYC/MRDI/ML/2023-2024/001

Date: 10 December 2024

Transmittal Letter

The Executive Director

Media Resources Development Initiative (MRDI)
8/19 Sir Syed Road (3rd Floor)
Block-A, Mohammadpur
Dhaka-1207

Howladar Yunus & Co.

House-14 (Level 4 & 5)
Road-16A, Gulshan-1
Dhaka-1212
Bangladesh

T :+880 2 58815247

Dear Sir,

Management Letter on the audit of the combined financial statements of Media Resources Development Initiative (MRDI) for the year ended 30 June 2024.

We have audited the combined financial statements of Media Resources Development Initiative (MRDI) for the period from 01 July 2023 to 30 June 2024 and are pleased to submit herewith our management letter thereon.

We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements while planning and performing 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 combined financial statements. Accordingly, we have carried out our tests and evaluations of your systems only to the extent necessary, enabling us to arrive at our opinion. We have the pleasure of submitting our letter to the management in respect of the said audit. The management letter contains details of findings during the audit.

Upon reviewing the financial statements, internal controls and test of compliance with applicable rules and regulations, we have 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 of these have been reported in the attached memorandum under the head "Observation" with four sections:

We have divided each of these points contained in this report as:

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

The response received from the management of MRDI, have been incorporated under the heading "Management Response" regarding our findings without any changes. Our objective is to make suggestive comments and recommendations about the organization from the knowledge we have gained during our audit work. We are hoping that you will appreciate our routine way of conducting audit which has been designed in enabling us to form an opinion on the combined financial statements of "Media Resources Development Initiative (MRDI)."

We take this opportunity to express our gratitude to the management and staff of your organization for the kind co-operation they have extended to us during 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

1 The purpose of this letter

This management letter is submitted to Media Resources Development Initiative (MRDI), summarizing the significant issues and conclusions of our audit for the period ended 30 June 2024, together with our comments on relevant issues found during our audit.

Audit matters of governance interest are the opinions that arise from the audit team during the audit of the financial statements, which are both important and relevant to the management and those charged with governance regarding 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 during the performance of the audit.

2 Scope of services

Howladar Yunus & Co. Chartered Accountants were appointed to audit the combined financial statements for the period ended 30 June 2024. We are required to express an opinion on whether the combined financial statements present fairly regarding all incomes, expenditure/costs, receipts and payments which were incurred during the above period also 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 provided by the management of Media Resources Development Initiative (MRDI).

An audit includes obtaining an understanding of internal control which is sufficient to plan the audit and to determine the nature, timing and extent of the 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 with the Media Resources Development Initiative (MRDI) regarding any significant deficiencies or material weaknesses in internal control over financial reporting that comes to our attention during our engagement.

When conducting an audit on a test basis, ISAs require the auditor to obtain reasonable, but not absolute assurance that the combined financial statements are free of material misstatements, whether due to fraud or error. An audit is not a guarantee of the accuracy of the combined 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. Furthermore, an audit is not a special engagement designed to detect errors or fraud that is immaterial to the combined financial statements.

3 Our Methodology

3.1 Audit Methodology

Audit methodology for the assignment is as per guidelines of IAS, GT Audit & Assurance Manual and based on our experience of similar assignments.



3.2 Auditing as per International Standards

Howladar Yunus & Co. Chartered Accountants follows the internationally recognized and defined audit approach of Grant Thornton International (GTI) worldwide, which is committed to the highest levels of quality and excellence for all statutory, management and financial audit assignments throughout the entire auditing process by 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 audit, reports are issued to the management of the Organization to keep them acquainted with the status of different components of the combined 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 our audit. If our audit procedures identify fraud or situation that indicates that fraud may exist, we shall also communicate these matters as soon as possible with 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 combined financial statements. The 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 possible, of the appropriate level of responsibility, regarding 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 Trial balance for combined financial statements of MRDI could not be generated from the accounting system used by MRDI.

Fact:

MRDI prepares the combined financial statements by adding all individual project and core trial balances manually in excel. This process takes more time to prepare combined financial statements and may also have scope of error and manipulation.

Implications:

Any error and manipulation of financial data may result in significant misstatements.



Recommendations:

Management should procure and deploy accounting software which can deliver combined trial balance and other financial reports. This will save time and mitigate the scope of error and manipulation.

Management Response:

MRDI is in the process of deploying Enterprise Resource Planning (ERP) to automate the organizational system using Microsoft Dynamics 365 Business Central Essentials which includes Finance & Accounts Management, Procurement, HR Management & Admin and Store Management; accordingly, an MS vendor has been assigned the job under the IQJB project of MRDI. After deploying the ERP system, consolidated Trial balance and other related financial reports will be generated through the system.

4.2 Lack of physical control over the Gaon Swapna product with a value of Taka 347,913 maintained with Unimart.**Fact:**

MRDI has an agreement to sell handicraft products of Gaon Swapna by Unimart and the value of Gaon Swapna products as of 30 June 2024 was Taka 347,913 which are physical maintained by Unimart. During our audit, we requested MRDI to provide a list of products for the year end certified by Unimart but the management of MRDI could not provide this certificate. As a result, the existence and accuracy of value of those products could not be confirmed by us.

Implications:

Lack of internal control.

Recommendation:

Management should take the initiative to get the actual position of inventory from Unimart.

Management Response:

The Gaon Swapna is a voluntary initiative of MRDI. It is under the CSR programme of Unimart. However, considering the volume of sales, Unimart is reluctant to provide stock reports. MRDI has been continuously requesting them for the stock report. We consider it as a limitation and will make our best effort to resolve it. Regarding the agreement with Unimart we have to follow their system. As per their requirement they requested us to fill up their vendor registration form which we did and made available during the audit.

However, the board has decided to entirely close the operations of Gaon Swapna dated 09 November 2024. As the nature of business does not comply with MRDI's nature of work.



4.3 Insurance coverage was not taken for 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 that no insurance coverage was taken to cover the risks of the fixed assets.

Implication:

Non-compliance with financial & administrative manuals.

Recommendation:

Management should comply with the clause or assess the practical aspect of this clause. If compliance is not practical, management should exclude this clause from the Financial & Administrative Manual with its approval from the Board of Directors.

Management Response:

Considering the volume and funding size of the organization and its projects, the reality is that the insurance policy for fixed assets is not viable. Also, during negotiation with donors, it is also difficult to convince them regarding the provision of our policy. However, to comply with the recommendation our effort will continue in reference to your finding. The board has decided to withhold clause no. 15.7 under Chapter XV (Fixed Assets Management) in the financial and administrative manual until further decision.

4.4 Compliance checklist for FD-6 and Donor Contract has not been maintained by MRDI.

Fact:

MDRI implements different projects with different donors and those donors have different conditions in their agreement. Also, the approved FD-6 imposes some conditions to be complied with. To trace the compliance status of each FD-6 and agreement, it has come to our attention that management did not maintain any comprehensive compliance checklist.

Implication:

May cause untraced non-compliance of project agreement which may lead to cancellation of agreement.

Recommendation:

Management should develop a compliance checklist for each donor agreement and FD-6, so that compliance can be followed accordingly.



Management Response:

MRDI will prepare a project wise checklist according to the recommendation complying with donor agreement and FD-6.

4.5 No practice of providing training to the employees of the Finance Department on IAS and IFRS which are applicable to NGOs.**Fact:**

Employees of the Finance Department are primarily responsible for preparing financial statements as per applicable IAS and IFRS. To ensure the compliance of applicable IFRS, the employees of the Finance Department need to be familiar with the applicable IAS and IFRS. To address this, the employees need to get training on applicable IAS and IFRS for NGOs from a professional firm/ person. During our audit, we observed that the finance team of MRDI did not get training on IAS or IFRS.

Implications:

Due to the lack of knowledge of employees in the finance department, it may lead to inappropriate financial reports.

Recommendation:

The Finance team of MRDI should get training on IFRS from a professional firm or person.

Management Response:

MRDI will take necessary steps to train its finance and accounts team members regarding IFRS.

