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Management Letter

Audit of the Financial Statements of
Improved Governance Through Open Flow of Information
(IGTOFI) Implemented by Management and Resources
Development Initiative (MRDI)
For the year ended December 31, 2021

Submitted By:

Howladar Yunus & Co.

Chartered Accountants (A Member Firm of GT International Ltd.)

Submitted To:

Management and Resources
Development Initiative (MRDI)

Submission Date: 26 February 2022

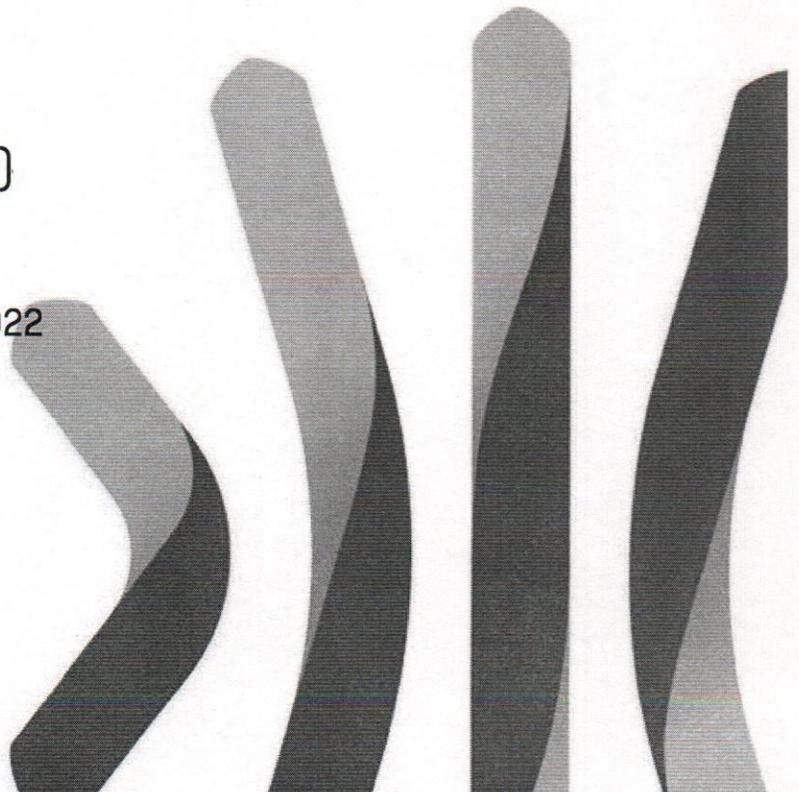


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Transmittal Letter

26 February 2022

HYC/MF/Audit/MRDI/2021/

The Executive Director

Management and Resources Development Initiative (MRDI)

8/19 Sir Syed Road (3rd Floor)

Block-A, Mohammadpur

Dhaka-1207

Dear Sir,

Management Letter on the audit of Improved Governance Through Open Flow of Information (IGTOFI) project, Implemented by Management and Resources Development Initiative (MRDI).

We have audited the financial statements of Improved Governance Through Open Flow of Information (IGTOFI) project, Implemented by Management and Resources Development Initiative (MRDI) for the period from 1 January 2021 to 31 December 2021 and are pleased to submit herewith our management letter thereon.

We conducted our audit in accordance with International Standards on Auditing (ISA's). 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. 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:



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We have divided each point contained in this report as:

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

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 "Improved Governance Through Open Flow of Information (IGTOFI)."

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

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 audit for the year ended 31 December 2021 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 for the period from 13 January 2021 to 31 December 2021, 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 management and financial audit of Improved Governance Through Open Flow of Information (IGTOFI) project implemented by 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 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

Audit methodology for the assignment is as per guideline of IAS, GT Audit & Assurance Manual and 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.

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

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:

1. Amount transferred from Mother Account to Project Account exceeded the amount approved by NGOAB with an amount of Taka 629,721.

Fact:

As per condition no.- 5, para-8 of the Terms of Reference issued by NOGAB by vide letter no: 03.07.2666.657.43.253.17-619, dated- 31 January 2022 "Whether any withdrawal was made from the mother account before the fund release clearance from Bureau." During our verification, we observed that the project has taken fund release clearance during the year from NGOAB for Taka 6,018,096 but Taka 6,158,470 was transferred from mother account to project account which implies that the project has received excess fund of Taka 629,721 beyond fund release clearance of NGOAB. Details are given below:

Particulars	Amount
A. Fund release clearance was taken from NGOAB	6,018,096
B. 1 st Year unutilized fund as per audit report	489,347
C. Fund transferred from Mother account to Project account	6,158,470
D. Excess fund transfer beyond fund release clearance (A-B-C)	(629,721)

Implication:

Non-compliance of NGOAB rules/regulations.

Recommendations:

Management should comply with the NGOAB rules/regulations to avoid any penalty from its regulator.

Management Response:

Due to provision of work from home as instructed by the government during covid 19 pandemic, we applied NGOAB for special approval through e-mail correspondence for 2nd year's 50% fund clearance as receiving clearance certificate from the DC office was getting delayed due to the pandemic. NGOAB approved 50% fund clearance of remaining amount.

The outgoing Manager Finance of MRDI misinformed that we got the approval and kept the document with him since he was the finance focal of the project. Immediately after receiving the certificate from DC office, we submitted the certificate to the NGOAB; and also during submission of certificate he did not recheck the special approval letter.

However, during the audit it has been identified by the new project finance focal. Immediate after taking the issue into notice, we applied to NGOAB for clearance of the remaining amount on 10 February 2022 with a commitment not to commit such mistake in future.

