



**Howladar Yunus & Co.**  
CHARTERED ACCOUNTANTS



**Report on Management and  
Financial Audit of  
Management and Resources  
Development Initiative (MRDI)  
For the year ended 30 June 2010**

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Financial Audit of  
Management and Resources  
Development Initiative (MRDI)  
For the year ended 30 June 2010**

**Submitted by  
Howladar Yunus & Co.  
Chartered Accountants**

**December 7, 2010**

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### Transmittal Letter

#### **Executive Director**

Management and Resources  
Development Initiative (MRDI)  
2/9, Sir Syed Road, Mohammadpur,  
Dhaka -1207

Dear Sir,

#### **Management Letter on the financial statements of Management and Resources Development Initiative (MRDI) for the period ended 30<sup>th</sup> June 2010.**

With reference to our appointment, we are pleased to submit our report on the audit for the period from July 2009 to June 2010.

#### **SCOPE OF WORK**

The audit of financial statements for the period from July 2009 to June 2010, 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. This audit includes:

- a) Determine whether the Financial Statements of MRDI fairly present expenditure/cost incurred for the period from July 2009 to June 2010 in accordance with generally accepted accounting principles.
- b) Report on organizations compliance of the applicable laws, regulations, binding policies and procedures.

We express our sincere gratitude to all staff of MRDI for their special attentions to ensure the required cooperation from the office for a smooth and successful completion of our audit assignment.

Thank you.

Yours truly,

**Howladar Yunus & Co.**  
Chartered Accountants

**Dated, Dhaka**  
December 07, 2010

**Executive Summary**

1. VAT has not been deducted at source in some cases though required under VAT Act 1991. It is mentioned here that non compliance of any government rules are generally considered as a matter of qualification irrespective of the amount involved.
2. Depreciation has not been charged in accordance with the rates prescribed under section 18 of financial and accounting manual. We observe that the rates applied for Chair/sofa set, wall fall, furniture and fixture are much higher than the practices followed by different organizations.
3. MRDI follows accrual basis for preparation of the financial statements. But we observe that such basis has not been followed in case of provision for interest on FDR. Interest income on FDR has been considered on cash basis. Thus, MRDI has contradicted its own policy.
4. MRDI do not submit income tax return though required as per section 75 of the Income Tax Ordinance 1984 since the organization is not exempted from tax.
5. As per section 29 of term of Reference of NGO affairs bureau, every NGO should obtained permission from NGO affairs bureau against foreign travel. On verification we observe that during the period under audit we observe expenditure for an aggregate amount of Taka 105,447 against foreign travel but permission from NGO affairs bureau has not been obtained.
6. During our audit, we observe that Expenditure of one head has been charged under another head. We observe that mobile/ telephone allowance of accounts manager amount was not recorded under the head phone, Fax & internet head of MCAP project.





**Management Letter/ Internal Control Report**

**1. VAT has not been deducted in some cases.**

**Fact:**

VAT has not been deducted at source in some cases though required under VAT Act 1991. It is mentioned here that non compliance of any government rules are generally considered as a matter of qualification irrespective of the amount involved. Instances are given below:

Date	Voucher no.	Vendor Name	Project Name	Bill Amount	Rate	VAT Amount
05-04-10	JV#06	Hotel Royal International	DAI	24,500	4.5%	1,103
05-04-10	JV#06	Hotel Royal International	DAI	24,500	4.5%	1,103
30-05-10	JV#12	Bangladesh Development Society	Ethical Child Reporting	38,000	4.5%	1,710
31-05-10	BV#94	MRDI	Ethical Child Reporting	24,000	4.5%	1,080
05-04-10	JV#06	Hotel Royal International	Ethical Child Reporting	20,500	4.5%	923
30-05-10	JV#13	Bangladesh Development Society	Ethical Child Reporting	15,000	4.5%	675

**Management Response:**

We had to face the above reality outside Dhaka. In most cases, we failed to collect Mushak-11. We will be more careful in future regarding this issue.

**Recommendation:**

VAT Act 1991 should be complied with in all cases to establish a sound financial management practices with in the organizations. The amount of VAT shall be deposited to government treasury at an early date.

**2. Depreciation has not been charged as per financial and Accounting Manual.**

**Fact:**

Depreciation has not been charged in accordance with the rates prescribed under section 18 of financial and accounting manual. We observe that the rates applied for Chair/sofa set, wall fall, furniture and fixture are much higher than the practices followed by different organizations. This was also observed in the earlier years. Instances are given below:



Name of assets	Depreciation rate		Depreciation for the period		
	As per manual	Rates applied	Charge	Actual	Variance
Table	20%	15%	28,518	38,024	(9,506)
Chair /sofa set	20%	30%	24,075	16,050	8,025
Shelf, paper stand etc.	20%	15%	24,122	32,163	(8,041)
Wall fan	20%	25%	2,075	1,660	415
Furniture and fixture	20%	50%	16,960	6,784	10,176
Bicycle	25%	20%	780	975	(195)
Total					875

**Management Response:**

We charged depreciation on the basis of real usage of fixed assets. Our financial manual has been reviewed by A Qusem & Co. Chartered Accountants. We are placing the reviewed manual before the board for approval. As per reviewed manual the process of applying depreciation will be okay.

**Recommendation:**

Financial and Accounting manual should be complied with since the rates are closed to practices followed by other organizations and Income Tax Ordinance 1984.

**3. Accrued interest income on FDR has not been charged.**

**Fact:**

MRDI follows accrual basis for preparation of the financial statements. But we observe that such basis has not been followed in case of provision for interest on FDR. Interest income on FDR has been considered on cash basis. Thus, MRDI has contradicted its own policy.

**Management response:**

Considering the concept of conservatism we didn't accounted for the interest on FDR on immatured period as there was a possibility to encash the FDRs before the maturity.

**Recommendation:**

FDR interest income should be accounted for on accrual basis to reflect the actual position of income of the organization.





**4. Income Tax Return has not Submit.**

**Fact:**

MRDI do not submit income tax return though required as per section 75 of the Income Tax Ordinance 1984 since the organization is not exempted from tax.

**Management Response:**

We are going to submit income tax return this year.

**Recommendation:**

Income Tax Ordinance 1984 should be complied with to avoid penalty on an urgent basis.

**5. Permission has not been taken from NGO affairs bureau.**

**Fact:**

As per section 29 of term of Reference of NGO affairs bureau, every NGO should obtained permission from NGO affairs bureau against foreign travel. On verification we observe that during the period under audit we observe expenditure for an aggregate amount of Taka 105,447 against foreign travel but permission from NGO affairs bureau has not been obtained.

**Management Response:**

We were not aware about the rules. We shall be careful for the future.

**Recommendation:**

MRDI should complied with the guideline of NGO affairs bureau.

**6. Expenditure of one head has been charged under another head**

**Fact:**

During our audit, we observe that **Expenditure of one head has been charged under another head. We observe that** mobile/ telephone allowance of accounts manager amount was not recorded under the head phone, Fax & internet head of MCAP project.

**Management Response:**

In MCAP project phone, Fax & internet is under the Utilities head. So we have to charge the mobile allowance of accounts manager under Utilities head.

**Recommendation:**

The expenditure should be charged under proper head.

