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Management and Resources Development Initiative (MRDI)

**Auditor's Report and Audited Financial Statements
for the year ended 30 June 2013**



ACNABIN

Chartered Accountants

BDBL Bhaban (Level-13), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh.

Telephone: (88 02) 8144347 to 52, Facsimile: (88 02) 8144353

E-mail: <acnabin@bangla.net>, Web: www.acnabin-bd.com



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**Management and Resources
Development Initiative (MRDI)**

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The Board of Directors
Management and Resources Development Initiative (MRDI)
8/19, Sir Syed Ahmed Road
Mohammadpur
Dhaka- 1207

10 December 2013

Dear Sir,

Auditor's Letter to the Management of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2013

We have pleasure in informing you that we have completed the audit of the Financial Statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2013. We now attach hereto a Memorandum containing the major issues that came to our notice during the course of our audit.

We have conducted the audit in accordance Bangladesh Standards on Auditing. In planning and performing the audit we have reviewed and assessed the internal control environment of the organization with a view to establishing a basis for placing reliance on such control system of the entity and also to determining the scope and extent of our work in connection with the said audit.

The accompanying Memorandum contains our observations with respect to financial, general and administrative matters and internal control, which came to our notice during the course of our audit. The review of internal controls as well as tests of compliance with applicable policies, procedures, rules and regulations revealed certain instances of errors and omissions, weaknesses and non-compliance with the laws and regulations. These are reported under the caption "Details of Audit Findings". Each finding contains four parts, viz.-


- i. Fact (What actually happened);
- ii. Effect (What harm was caused for not complying with the standard practice);
- iii. Recommendation (That corrects the cause and the condition as applicable); and
- iv. Management Response (Comments of the Management on the finding).

These matters have been offered as our suggestions for consideration of the Management of MRDI as part of the on-going process of modification and improvement of internal controls and of monitoring compliance with financial and administrative practices and procedures as laid down in applicable policies, procedures, rules and regulations.

Finally, we take this opportunity to express our appreciation for the courtesy and cooperation extended to our representatives during the course of our audit. We would be pleased to discuss further our suggestions and comments and assist in their implementation, if they are considered appropriate.

Thanking you,

Yours faithfully,


Mohammad Nurun Nabi, FCA
Partner



Management and Resources Development Initiative (MRDI)

Auditor's Letter to the Management on the Audit of Accounts for the year ended 30 June 2013

1. About the Organization

Management and Resources Development Initiative (MRDI) 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 & Firms, Government of the People's Republic of Bangladesh under Section 28 of the Companies Act, 1994 having incorporation # C-544 (57)/2003 dated May 13, 2003 as a Company limited by guarantee. It is also registered with the NGO affairs Bureau having registration # 1962 dated 21-09-2004 under the Foreign Donations Regulation Ordinance 1978 which was renewed on November 19, 2009.

2. Objectives of the Audit

The objectives of the audit may be divided into two ways:

- (i) Primary; and
- (ii) Secondary

The primary objective of the audit is to enable the auditors to form and express an independent and unbiased opinion on the financial statements about whether the financial statements reflect the true and fair view of the financial position as well as of the operational results of the entity in accordance with the Bangladesh Accounting Standards.

The primary objective also involves verifying the accuracy and dependability of data being processed through the accounting system prior to conversion into the information contained in the financial statements.

The secondary objectives of the audit are to:

- arrive at an opinion as to whether or not the financial statements under audit comply with certain requirements as mandated according to the policies, rules and regularities relating to the operations of the entity; and
- provide assistance to the management in improving financial as well as administrative controls within the entity for prevention of future fraud and errors, etc.

3. Scope of the Audit

We conducted our audit in accordance with the Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



In planning and performing the audit of the financial statements, we have reviewed and assessed the internal control environment of Management and Resources Development Initiative (MRDI) in order to determine our extent of work and auditing procedures for the purpose of expressing an opinion on the financial statements and not for providing assurance on the internal control structure.

The management of MRDI is responsible for the compliance of applicable rules, procedures and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we have performed the tests of compliance with applicable procedures, detailed examination of the accounting records, books, vouchers, registers and other relevant documents and such other auditing procedures as we considered necessary, deemed appropriate and found feasible under individual circumstances.

It is pertinent to mention here that our audit procedures were primarily designed to enable us to form an opinion on the financial statements. Therefore, it may not reveal all the weaknesses and irregularities, if any, which might be revealed by a special and thorough investigation.

The scope of our work, interalia, included the conduct of the following:

- i. Review and examination of the financial statements prepared and presented to us by the management of MRDI;
- ii. Discussion regarding activities of client and examination of the receipts of funds, the disbursement and expenditure process, monitoring the utilization thereof and ensure that all processes is established, have been followed;
- iii. Review the documentation relating to the procurement and supply processes, (purchases orders, invoices raised by the suppliers, agreements with the suppliers, etc.);
- iv. Test of compliance with the in-house policies, rules and procedures and government laws and regulations;
- v. Review of books, records and accounts to assess whether they were prepared and maintained using a double entry book keeping system;
- vi. Examination of all related bank accounts and reconciliation statements where applicable; and
- vii. Verification of the physical stock and assess the internal control structure and environment, etc.

4. Audit Methodologies

The methodology applied in relation to the audit of accounts of MRDI for the year ended 30 June 2013 included the following:

- i. Entrance meeting with the management of the auditee organization;
- ii. Reviewing and assessing the accounting system;
- iii. Reviewing and assessing the internal control structure and environment;



- iv. Audit planning, determination of scope and extent of audit work, preparation of work program and selection of skilled and competent audit team;
- v. Supervision and review of audit work by senior audit personnel;
- vi. Time to time discussion with the management regarding audit observations and disposal thereof;
- vii. Meeting with the management for preliminary discussion on the audit findings;
- viii. Review of audit work by engagement partner, review partner and audit manager;
- ix. Evaluation of audit evidences and observations;
- x. Documentation of audit evidences;
- xi. Preparation and submission of draft report;
- xii. Discussion meeting with the management on the draft report;
- xiii. Finalization of report.



5.00 SUMMARY OF AUDIT OBSERVATIONS AND RELATED RECOMMENDATIONS

Finding #	Observations	Recommendations
01	Number of the participants is not consistent with the fooding bill amount.	Management should be taken proper steps to ensure the effective control over activities.

6. Results obtained from audit

6.1 Issues regarding accounting system and compliances of established policies and procedures and applicable laws, rules and regulations.

This section covers significant audit findings along with their probable effects and recommendations thereon and MRDI's management responses to those findings and recommendations.

6.1.01 Accounting System

Finance and Accounts Department is responsible to ensure proper records of all financial transactions and to prepare various management and financial reports. To prepare accurate financial statements, MRDI management maintains general bank book, control Ledger, separate cash and ledger books for each project. All business and accounting vouchers are checked and authorized by the Manager (Finance) and approved by the Executive Director and recorded manually in the books of accounts. Daily cash receipts and payments report is approved by Executive Director.

In the current financial year, MRDI Management has implemented a software based accounting system with ERP 9 Multi-user's Edition of Tally Gold.

Every transaction is recorded in the system by different authorized users. Initial recording of the transactions provides outputs at different level of accounts management such as ledger accounts, trial balance and ultimately financial statements i.e. statement of financial position, statement of Income and statement of Receipts and Payments.

Any error is rectified by the concerned accounting personnel by reverse entry and preserved the printed copy.

The system is well protected by appropriate control features such as multiuser passwords, periodic data lockdown features and indication of users occurring errors.

Comments

The overall ERP accounting system of MRDI is found satisfactory without the following mentioned exceptions:

- (i) The printed copy of rectification entries should be preserved with the approval of concerned persons.
- (ii) Day to day transactions should be checked by a system administrative persons and periodic back up should be checked with periodic reports by the concerned authority.

**6.1.02. Internal Control Mechanism**

In assessing the entity's internal control environment, we have focused on key areas of operation.

(a) Vouchers Authorized Persons

Accounting vouchers up to Tk. 5,000 is prepared by accounts officer and checked and approved by Manager Finance and accounting vouchers above Tk. 5,000 is prepared by accounts officer and checked by Manager Finance and approved by Executive Director.

(b) Cheque Signatories

To maintain the control a mother account is maintained to receive fund from different sources. Then fund is transferred to different projects accounts. Two signatories control is maintained for the disbursement of Mother Account Fund. One is the Chairman and another is the Executive Director of the Organization.

Two signatories control also is maintained for the project bank account. One is the Executive Director and another is the Manger Finance or the Manager Program.

(c) Procurement Procedures

We observed that for any kind of procurement, the concerned section of MRDI places a requisition to the finance department. If the proposal agrees with budget then finance department send it to Executive Director for approval. After approval from concern authority, expenditures are incurred and related bill/ vouchers are sent to the finance department and payment are made. Accounts department collects the related bill/vouchers and prepares the accounting vouchers and records manually in the books of accounts. For other expenditure, requisition letter is sent to the procurement department and then after reviewing by concerned authority, purchases are made by the said department and bill/ vouchers are sent to the finance department and payments are made.

Moreover, for ensuring proper functioning of human resources, all kinds of controlling registers i.e. attendance register, movement register etc, are maintained by the management.

At the end of each day, after making all transactions, the accounts officer counts the cash physically and records on a cash reconciliation statement and submits to the Head of Finance. The cash book is totaled at the end of each month. Cash book is signed by the Executive Director and Head of Finance.

(d) Monitoring /Visit of the Projects

For the proper implementation of the project activities periodic monitoring on the basis of plan is essential. Management should visit the activities to ensure the practical achievement of the organization vision, mission and objectives. MRDI management follow a visit plan as per requirement of donor for proper monitoring of the project activities.



(e) Day to day Supervision and Monitoring of the Organization activities

The day to day transactions of the organization activities is recorded in the books of accounts and software system. Before recording the transactions business vouchers i.e. bills and supporting documents related to the transactions is checked and reviewed by the concerned personnel and accounting vouchers is prepared by the concerned persons of the accounting department and checked and approved by the Manager finance and Executive Director respectively.

Comments

The organization seems to have a sound internal control system on its operation to be maintained for providing relevant accounting information. In some cases the management may strengthen the control mechanism by ensuring the involvement of the senior management. All vouchers below or the above Tk. 5,000 should be approved by the Executive Director.

A yearly visit plan should be ensured for successful implementation of the project activities.

Recommendation

The management of MRDI should review the operational activities with the organizational policy and procedures. If any gap observed between the operational activities and existing policy and procedures management should take required action by updating policy and procedures with the current activities.

6.1.03. Fund Management System

MRDI receives its funds from donors as per agreement and from other sources viz. local contribution/donation, member's subscription, service charges from different projects, consultancy and training fees etc. Fund receipts from foreign sources are deposited in Mother Bank Account and then transferred to the separate bank account maintained for each project. MRDI receives funds either by bank transfer or cheque/demand draft. The Board of Directors of the organization is the custodian of all funds.

Comments

The overall fund management system of MRDI was found satisfactory and in accordance with the policies and procedures of the organization.

6.1.04. Fixed Assets management System

Fixed assets are procured at the name of the organization and projects. The Executive director on behalf of the Board of Directors is acting as the Chief Custodian of all assets. All fixed assets are recorded in the Fixed Asset Register with required information and an ID number for each individual item. Fixed assets which are in poor condition or no longer required for use is disposed of either by sale or scrapping with the approval of the Board.

Comments

The fixed assets management system of the organization is under sound control.



6.1.04. Administrative and Financial Management

The management of MRDI follows an administrative and financial management manual for the smooth operation of the administrative and financial matters. From our review of the manual and existing activities we consider that the policy and procedures of the manual is effectively followed as a benchmark in the running of the organizational activities.

Comments

The organization's overall administrative and financial management is at a satisfactory level.

Recommendations

The Management of the organization may edit or extend any clause of the manual to keep consistency with the running activities.

Details of Audit Findings

Finding # 01

Number of the participants is not consistent with the fooding bill amount.

Fact

During our checking of vouchers and relevant supporting documents we observed that a payment was made against food bill for Study Circle (Monthly Session) organized by MRDI supported by World Bank Institute at MRDI Conference Room held on 07 July 2012. The bill amount was not consistent with the number of participants. Details are given below:

Date	Particulars	Voucher #	Amount Per person	Participants		Difference	Excess Amount in Taka
				As per Bill	As per Attendance Sheet		
07.07.12	Food Bill	JV-005	520	25	12	13	6,760
02.07.12	Food Bill	Dv-053	850	35	19	16	13,600

Effect

It indicates weak control over operations.

Recommendation

Management should be taken proper steps to ensure the effective control over activities.

Management Response

As part of the capacity building process, MRDI organized study circle (Monthly learning Session) for 20 journalists who participated in the 3-day residential training on investigative journalism under World Bank Institute supported project. Apart from the participants, experts and project staffs attended study circles.

So MRDI had to arrange food for the invited persons of the preplanned study circle. The journalists could not attend the programme due to emergency assignment by their media houses. So the difference was created due to absence of some participants.

Status of last year audit findings

Sl.	Findings	Action taken or not
1	Fluid used in ledger book	Action taken
2	Fully depreciated fixed assets has been utilized without revaluation	Action taken