

Deloitte.

Management Report
on 1A
The Audit of Consolidated Financial
Statements
of
Management and Resources Development
Initiative (MRDI)
For the year ended 30 June 2019

Nurul Faruk Hasan & Co
Chartered Accountants

Management Report
on
The Audit of Consolidated Financial
Statements
of
Management and Resources Development
Initiative (MRDI)
For the year ended 30 June 2019

14

29 November 2019

Mr. Hasibur Rahman

Executive Director
Management and Resources Development Initiative (MRDI)
8/19, Sir Syed Road (3rd Floor)
Block # A, Mohammadpur
Dhaka- 1207
Bangladesh

Subject: **Management report on the audit of consolidated financial statements Management and Resources Development Initiative (MRDI) for the year ended 30 June 2019**

Dear Sir,

In pursuance to the appointment letter for conducting audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2019, we have submitted auditors' report and audited financial statements separately.

We submit herewith our detailed management report on the audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2019. The report has been devised and presented in the following ways:

- Introduction and background
- Scope of work
- Methodology applied for the assignment
- Auditors' observations and findings

We have incorporated the management responses against each of our observations and findings in the final management report.

However, it may be mentioned here that there may exist some material weaknesses in the internal control system which are not revealed through our sample testing. To reveal those weaknesses a more in-depth approach of internal control testing is required which is basically not in the scope of our audit engagement of the financial statements.

We would like to keep on record our sincere thanks and gratitude to the management and staff members of audit of consolidated financial statements of Management and Resources Development Initiative (MRDI) for extending their cooperation in conducting the audit.

Thanking you.

Yours faithfully,



Nurul Faruk Hasan & Co
Chartered Accountants

Table of Contents

1.	Introduction and background	1
	1.1 MRDI project in Bangladesh	1
	1.2 MRDI and project objectives	2
	1.3 Beneficiary or Implementation Structure	7
2.	Scope of work	7
3.	Methodology applied for the assignment	8
4.	Auditors' observations and findings	10
	1. Monthly report was not provided by Unnayan Dhara Trust (UDT) to Management and Resources Development Initiative (MRDI)	10
	2. No Cooperative association is formed under Local Women and Children Affairs Bureau	10
	3. MRDI is conducting association named "Gaon Swapna" without any register certificate from Bangladesh Cooperative affairs Bureau or the Registrar of Joint Stock Companies and Firms	11
	4. Stock register was not up to date	12
5.	Follow up of the last year's auditors' observations and recommendations .	13

Detailed Report

1. Introduction and background

In Bangladesh, Management and Resources Development Initiative (MRDI) is 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 and Firms, Government of the People's Republic of Bangladesh under Section 28 of the Companies Act 1994 having incorporation # C-544 (57)/2003 dated 13 May 2003 as a Company limited by guarantee. It is also registered with the NGO affairs Bureau having registration # 1962 dated 21 September 2004 under the Foreign Donations Regulation Ordinance 1978 which was renewed on 24 July 2019 for a period of 10 years that will continue up to 20 September 2029.

The registered office of the organization was 2/8 Sir Syed Road (Ground floor), Block-A, Mohammadpur, Dhaka-1207. Currently the organization is sifted to 8/19 Sir Syed Road (3rd floor), Block-A, Mohammadpur, Dhaka-1207.

1.1 MRDI project in Bangladesh

Sl.#	Name of project	Name of donor
1.	Management and Resources Development Initiative (MRDI) <ul style="list-style-type: none"> • RTI Proactive disclosure assessment, • RTI survey, RTI helpdesk, • Right to know day & • Chittagong University Media conference 	The World Bank and DW Academy
2.	Improving qualitative journalism in Bangladesh (FOJO project)	Fojo Media Institute, Lineaus University, Sweden.
3.	Capable media for strong democracy (TAF-CMSD)	British High Commission, Bangladesh through The Asia Foundation
4.	Strengthening independent media in Bangladesh (SIMB -Internews)	Internews, Thailand
5.	Promoting news literacy and ethical journalism (UNICEF)	UNICEF Bangladesh
6.	Advancing women's right of access to information in Bangladesh (AWRAIB)	Manusher Jonno Foundation
7.	Better governance for better services (BGBS)	Manusher Jonno Foundation
8.	Livelihood programme for the women and health clinic for the community (MTB)	Mutual Trust Bank Limited
9.	Educational support for poor students (MRDI-City bank CSR project)	The City Bank Ltd.
10.	Understanding finance by the youth (MRDI-HSBC)	Hongkong and Shanghai Banking Corporation Ltd. (HSBC)
11.	MRDI CSR intervention (CSR project)	Reliance Insurance Limited
12.	Gaon Swapna	<ul style="list-style-type: none"> • The City Bank Ltd. • HSBC Bangladesh and • Manusher Jonno Foundation

1.2 MRDI and project objectives

Sl.#	Name of project	Objective
1	Management and Resources Development Initiative (MRDI core)	To endeavor for developing the standards of media, skills and ethics of media professions, physical and mental health and well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the population.
2	Improving qualitative journalism in Bangladesh (FOJO project)	<p>Improving Qualitative Journalism in Bangladesh is a two year project starting from 01 September 2016 to 31 August 2018. The project is funded by the Fojo Media Institute, Linnaeus University, Sweden. The project initially started with a target of improving Media in Bangladesh contributes to strengthened democracy and gender equality, greater respect for human rights and freedom from oppression.</p> <p>1. Overall objective:</p> <ul style="list-style-type: none"> • Improving Qualitative Journalism in Bangladesh aims to improve Media in Bangladesh contribute to strengthened democracy and gender equality, greater respect for human rights and freedom from oppression. The project facilitates implementation of Management and Resources Development Initiative (MRDI) in Dhaka. • Enhancement of journalists as media manager and trainer. <p>2. Program Activities:</p> <ul style="list-style-type: none"> • Workshop on RTI for Investigative Journalism • Media Monitoring • Investigative Journalism Partnership (First & second call) • Investigative Journalism Partnership Launching Ceremony • Trainee programme for potential future editor-in-chiefs and media managers • Safety programme's and training • Safety and Security Training for selected IJ partners • Sharing launch with editors/newsroom staffs • Two-day training for MRDI staff and Coordinators on Safety and Security Activities • Development of safety and security guideline • Promotional video • Journalist mentorship programme on one thematic issue • Journalist field trip under mentorship programme • Regional dialogue with editors' council • Capacity building for journalist association • Developing social media guideline for MRDI • Thematic seminar with policy makers • ToT for PIB Trainers • RTI Help Desk

Sl.#	Name of project	Objective
3	Capable media for strong democracy (TAF-CMSD)	<p>The project is titled "Capable Media for Strong Democracy" and it is funded by The Asia Foundation (The Foundation). The project period was from 01 August 2018 to 30 April and subsequently, it was extended to 31 May 2019 vide amending Letter of Grant, Amendmend-2, LOG-2019/1729-2 dated 25 April 2019.</p> <p>The project will build media's capacity on election reporting to strengthen democracy creating capable newsrooms and new generation of journalists skilled to perform vigilant reporting.</p> <p>The project will build media's capacity on election reporting to strengthen democracy creating capable newsrooms and new generation of journalists skilled to perform vigilant reporting.</p> <p>370 journalists of national and local media will be trained improving quality election reporting. Enhanced skills of journalists will positively impact media's overall capacity. It can be achieved through a three-tier training approach catering to the need of journalists with different roles. Editors will be requested to nominate their reporters/sub-editors to participate in the programme.</p> <p>In-house training for managers, reporters and photographers/camera crew will be organized who have separate but coordinated roles covering election.</p> <p>Parallel trainings for district level journalists are playing the most important role in election news gathering but are generally deprived of skills development initiatives.</p> <p>Election Commission beat reporters will be trained and followed up through study circles to help them plan reporting and share security risks.</p> <p>CSO-media linkage will facilitate objective election reporting.</p> <p>Handbook with a code of ethics will serve as a guideline for setting a standard for reporting in the coming elections.</p> <p>Election related reports, stories and articles published in media will be monitored and analyzed to depict a picture of election in media's perspective.</p> <p>The initiative will enable media investigate candidates' quality, campaign finance, violence, irregularities and follow-up whether the promises are kept by the elected.</p>

Sl.#	Name of project	Objective
4	Strengthening independent media in Bangladesh (SIMB - Internews)	<p>Steady growth of media in Bangladesh in terms of size and depth has raised the challenges in maintaining quality and ethical aspects of news reporting. In the wake of the growth of media and subsequent challenges, it is strongly felt that proper interventions are needed to develop capacity of the journalists to identify, produce and finally publish high quality in-depth reports on areas of public interest. The project's goal is to foster media independence in Bangladesh by strengthening investigative journalism capacity, building skills in digital and physical security, reducing self-censorship, and addressing lack of media freedoms. Activities of the project are designed to address gaps in core journalism capacities that form the basis of high quality, objective, and unbiased reporting and also to strengthen linkages and collaboration between media and NGOs to address self-censorship and media freedom issues will be mobilized.</p> <ul style="list-style-type: none"> • Increase independent media capacity for unbiased and objective reporting, and to conduct effective investigations; • Strengthen linkages and collaboration between individual journalists, media organizations, and NGOs to address self-censorship and lack of media freedoms.
5	Promoting news literacy and ethical journalism (UNICEF)	<p>The programme proposes to support the parliamentary caucus on child rights with a view to ensure that parliament responds effectively to the rights of the children. MRDI with its experience and expertise in doing social advocacy and media monitoring, will support the programmatic vision and missions of UNICEF's intervention by carrying out 2nd national survey on news literacy with especial focus on children issues, monitoring the parliamentary committees and ministries to help achieve the greater goal for realizing and ensuring the rights of the children.</p> <p>Activities:</p> <ul style="list-style-type: none"> • National survey on news literacy with special focus on children • News literacy assessment sharing meeting with parliament standing committees • Lobby meeting with 4 parliamentary standing committees • Mapping of discussion-trend on child issues in national parliament • Baseline through monitoring of session proceedings and interviews with parliamentarians • Continuous monitoring of parliamentary sessions • Continuation of Media Monitoring Support to National Human Rights Commission

Sl.#	Name of project	Objective
6	Advancing women's right of access to information in Bangladesh (AWRAIB)	<p>In Bangladesh, Advancing a meaningful right of access to information for women in Bangladesh through the project. The major objectives of the project are:</p> <ul style="list-style-type: none"> • Awareness raising material design and production • Orientation of woman entrepreneurs on RTI • Orientation of informal sector women workers • Advocacy meeting with individual NGOs • CSOs on RTI Capacity development of NGOs • CSOs on RTI orientation at the upazila level • Courtyard meeting Programme with Bangladesh • Betar RTI for slum dwellers TV talk show Leaflet • Campaign on RTI in 2 wards of DCC North and South RTI Helpdesk • RTI follow up support • Observance of Right to Know day
7	Better governance for better services (BGBS)	<p>Goal: Improve transparency and accountability of public service institutes by keeping the demand-supply chain of information and service increasingly operative.</p> <p>Outcome-1: Service providers become more capable and prepared to deliver information and services to the people, particularly marginalized groups including women.</p> <p>Outcome-2: Target beneficiaries are more aware and empowered to claim information and service from the authorities.</p> <p>Outcome-3: Policy planners are in a better position to make the governance tools more operative.</p> <p>Major activities:</p> <ul style="list-style-type: none"> • Activate/form JANAK, a citizen support group for popularizing the RTI • Introduce RTI E&M learning certified course for Youth - mobile and web based RTI learning course • Boot camp for RTI E&M learning course certified youth • RTI Camp and follow-up camp • Campaign among school students • Conduct social audit on service delivery • Nationwide promotion of RTI help desk • Develop template on web-based disclosure for ministries • Communication strategy on WBPA • Develop modules of the RTI training manual for self-administered online/visual training for the DOs of NGOs • Conduct political mapping on RTI implementation • Conduct youth perception survey on RTI • Study on 2nd generation Citizen Charter • Advocacy for forming Parliamentary Caucus on RTI
8	Livelihood programme for the women and health clinic for the community (MTB)	<p>The main purpose of this project is to work for development of the standard and quality of the media, enhancing physical and mental well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the</p>

Sl.#	Name of project	Objective
		<p>population at Char Kukri Mukri of Bhola District by facilitating the local community with livelihood opportunities and health services.</p> <ul style="list-style-type: none"> • Construction of training center and health clinic. • Construction of deep tube well and solar panel. • Providing tailoring training to women. • Providing training to 2 paramedics for health clinic.
9	Educational support for poor students (MRDI-City bank CSR project)	<p>In Bangladesh, Livelihood Program for Women in Basatpur and Educational Support for Poor Students (MRDI-City Bank CSR project) is implemented by Gramer Kagoj and Banchte Shekha and Development Partner Manusher Jonno Foundation. The project objectives are respectively:</p> <ul style="list-style-type: none"> • To identify the specific needs of the community in terms of women's living condition and livelihood options. • To set up a training centre, equipped with all necessary equipment, materials and personnel, in order to help the target women attain self-reliance. • To create work opportunities for 160 marginalized women in three years by providing them with training in tailoring, embroidery and block print. • To form a sustainable women's association in the village for livelihood and empowerment of women. • To facilitate smooth continuation of samity members' children's education
10	Understanding finance by the youth (MRDI-HSBC)	<p>In Bangladesh, Understanding finance by the youth (MRDI-HSBC) project is worked with workers and labour for their awareness. The project major activities are:</p> <ul style="list-style-type: none"> • Basics of financial literacy Lectures session at schools; • Awareness building on financial literacy for EPZ workers; • Advance Training of Trainers (ToT) of EPZ labor counselors; <p>Objectives:</p> <ul style="list-style-type: none"> • Create awareness among the EPZ workers on needs and benefits of financial literacy; • Enhance capacity of labor counselors on financial literacy to develop them as trainers; • Develop capacity of and create a positive mindset among young learners on financial literacy
11	MRDI CSR intervention (CSR project)	<p>The project is in partnership with Reliance Insurance Limited. The aim of the project is to provide financial support to some teachers of a non govt. primary school to maintain continuity of a school 'Dakshin Andermanik A Zaman Primary school' situated in Char Dakshin Andermanik an offshore island of Laxmipur district which is yet to be enlisted of MPO scheme. The school is not receiving any support from govt. or any other organization.</p>
12	Gaon Swapna	<p>MRDI has created this fund from the completed projects "Livelihood Programme for Women" implemented for the poor and marginalized women in Basatpur, Jessore and Bonlaodob, Kailashgonj &</p>

Sl.#	Name of project	Objective
		<p>Dhangmari in the Sundarbans. This fund is meant for the capacity building of the beneficiaries of the project for betterment of their life and livelihoods. The beneficiaries of the four areas formed four Samities under District Women and Children Affairs Office under the Ministry of Women and Children Affairs. Through Gaon Swapna, MRDI is aiming to showcase and sells the hand made products of the Samities to the people living at urban area and abroad. The objective of Gaon Swapna fund is to generate income for the disadvantaged women under a common brand. The fund is operated following the policy of MRDI. To ensure the transparency of the fund operation, a separate set of books of account along with a separate bank account have been maintained by MRDI which is brought under the external audit.</p>

1.3 Beneficiary or Implementation Structure

Management and Resources Development Initiative (MRDI) has implemented various projects funded by various foreign and local donors for developing the standards of media, skills & ethics of the media professionals, physical and mental health and well-being of the people and empowerment of women, adolescents, children, minority and other marginalized sections of the populations in Bangladesh. MRDI's mandates and activities are managed and implemented by a group of highly qualified professionals under the leadership of its Executive Director and the broader guidance and supervision of the Board of Directors/Executive Committee and apart from the directors, the full-time staff members including managers, researchers, mid-level and field personnel having specialised skills carry out the organisation's project activities in social development activities principally stem from the presence of quality professionals in its fold and the professional consultants associated with the organisation under its pooling system. The consultants having substantial experiences in their respective areas help MRDI executive staff members carry out their activities.

2. Scope of work

The auditor is required to plan, execute and report on the financial review engagement in order to form a professional judgment on the following matters:

i. Principles of orderliness (financial regularity)

- a. Authorisations/approvals of expenditures and validity with supporting documents;
- b. Details of funds received for the project in combination with the information supplied by Management and Resources Development Initiative (MRDI);
- c. Orderly procurement of goods and services;
- d. Physical existence of fixed assets representing the property of the project (fixed assets, inventory items, current assets).

ii. Conformity with the facility objectives and adherence to the contract conditions

- a. Agreement of transactions, expenditures and receipts by comparison with the agreed project documents;
- b. Verification whether the clauses of the project agreement have been respected.

- c. Conformity with the organisational rules and regulations of Management and Resources Development Initiative (MRDI) in Bangladesh;
- a. Verification whether the organisational rules and regulations have been respected;
- b. Verification whether the organisational rules and regulations are adequate to guarantee the regular, transparent and truthful utilisation of any funds.

iii. Accounting related matters

- a. Arithmetic exactness of the accounts, supporting documents and financial statements and reports;
- b. Correctness of the accounting entries;
- c. Timeliness of recording of economic events and transactions in the general ledger accounts;
- d. Financial statements and report information in agreement with the general ledger accounts;
- e. Adequacy and completeness of revenues, revenues are booked correctly;
- f. Assessment of accounts receivable and advances; justification for overdue/unpaid amounts;
- g. Reconciliation of balances of cash in hand and in banks with the general ledger accounts.

3. Methodology applied for the assignment

In order to achieve a high quality of the audit, the following activities will be undertaken by the team members:

- Formation of an audit team comprising 1 Engagement Partner, 1 Audit Manager, 1 Audit-in-Charge and 3 Team Members;
- Arrangement of an entrance meeting to introduce the team members with the Management and Resources Development Initiative (MRDI's) Management;
- Obtain and study the relevant manuals, policies, project documents etc. to gather understanding of the terms of reference of the organization;
- Perform an analytical review of the financial statements to identify the major financial involved areas as well as major deviated areas compared to Budget, if any;
- Documentation of the existing internal control system in practice over the major financial transaction areas, like-cash payment procedures, bank payment procedures and procurement procedures, etc. using description of the processes step-by-step or flow chart techniques;
- Identify the control points of the existing internal control systems and these control points have been tested/assessed with selected transactions to know actual compliances of the documented/exiting internal control systems;
- Document step by step the existing bookkeeping and accounting system (Tally ERP9) starting from the preparation of vouchers (cash voucher, bank voucher and journal voucher, if any) , its recording in the books (cash book, bank book, general ledger, subsidiary ledger /register, if any) and finally preparation of the financial statements to confirm the following:
 - The accounts kept for the project must be accurate and up-to-date;
 - The accounts and expenditure relating to the project must be easily identifiable and verifiable;

- The records and accounts must cover all activities financed by all sources of financing, including the own resources, if any.
- Conducted walk through test in major financial areas to confirm the recording track at different stages;
- Conducted audit trail test to know the flow of the primary documents to the recording system and vice versa;
- Conducted the routine check which includes reconciling the information in the books of accounts with the trail balance and trail balance with the general ledger and sub-ledger, if any;
- Prepared a risk assessment statement to assess the risk of material errors or misstatements in the expenditure and revenue stated in the financial statements;
- Selected the items on sampling basis for audit testing;
- Performed substantive procedures for each selected expenditure item following:
 - C - Cost, whether the price is genuine
 - E - Existence, whether it has existence
 - A - Accuracy, whether total cost is correct
 - V - Valuation, rightly valued
 - O - Ownership, who is the owner of the assets
 - P - Presentation in the financial statements
- Pay specific attention to the following areas:
 - Documentation, filing and record keeping for project expenditure and income
 - Eligibility of project expenditure and income
 - Procurement and origin rules insofar these conditions are relevant to determine the eligibility of project expenditure and income
 - Asset management (including procurement process and procedures, management and control of project fixed assets such as vehicles, equipment, etc.)
 - Cash and bank management (treasury)
 - Computerized information systems (IT), if any
 - Budgetary and expenditure control (including procurement process and procedures)
 - Human resources, payroll processed and time management
 - Internal controls notably financial internal controls
- We have also visited all location offices to check the recording procedures as well as physically inspected some of the assets;
- Obtaining the written letter of representation from the Management and Resources Development Initiative (MRDI's) management;
- Arranging an Exit Meeting with Management and Resources Development Initiative (MRDI's) management for having a discussion on our findings at MRDI office;
- Issuing the draft report to the management and arrange a discussion meeting to discuss the issues noted during our audit;
- On receipt of the responses and incorporating these responses, we shall issue Final Report.

4. Auditors' observations and findings

During performing of audit of Consolidated Financial Statements of Management and Resources Development Initiative (MRDI) for the year ended 30 June 2019, we have received necessary support and cooperation from staff member. We didn't find any major loopholes, which require top management's immediate attention. However, we have noted some of the areas where management can take necessary steps for further improvement of their existing internal control system. Those are listed below in brief:

1. Monthly report was not provided by Unnayan Dhara Trust (UDT) to Management and Resources Development Initiative (MRDI)

Name of project: MTB

Observation:

MRDI signed a contract with the organization named Unnayan Dhara Trust (UDT) for implementing the project in the Bhola region. As per clause no 1.18 of agreement between MRDI and UDT, it is mentioned that UDT will submit monthly report according to their monthly activity to MRDI within first week of the next month and will submit a yearly report at the end of the year. But we noted that Unnayan Dhara Trust (UDT) did not submit any monthly/annually report to MRDI instead they submit invoices of the expenditure.

Implication:

Noncompliance with clause no 1.18 of the agreement between MRDI and UDT.

Recommendation:

Management should monitor the requirements of the Agreement strictly to have a sound internal control culture in the Organization.

Management response:

We will take care of internal control in future.

2. No Cooperative association is formed under Local Women and Children Affairs Bureau

Name of project: MTB

Observation:

As per approved agreement clause 1.11, Unnayan Dhara Trust (UDT) will form a Cooperative association (Samity) with all trained women under registration from Local Women and Children Affairs Bureau (LWCAB). But we noted that UDT did not form any Cooperative association (Samity) with batch trained women.

Implication:

Noncompliance with clause no 1.11 of the agreement between MRDI and UDT.

Recommendation:

Management should monitor the requirements of the Agreement strictly to have a sound internal control culture in the Organization.

Management response:

During the auditing period the registration of the local somity under the directorate of women and children affairs under the Ministry of Women and Children Affairs was in process which is now completed from the district level office of the directorate.

3. MRDI is conducting association named "Gaon Swapna" without any register certificate from Bangladesh Cooperative affairs Bureau or the Registrar of Joint Stock Companies and Firms**Name of project: Gaon Swapna****Observation:**

MRDI has created this fund from the completed projects "Livelihood Programme for Women" implemented for the poor and marginalized women in Basatpur, Jessore and Bonlaodob, Kailashgonj and Dhangmari in the Sundarbans. This fund is meant for the capacity building of the beneficiaries of the projects for betterment of their life and livelihoods. The beneficiaries of the four areas formed four Samities under District Women and Children Affairs Office under the Ministry of Women and Children Affairs. MRDI had implemented four projects where three projects were funded by Manusher Jonno Foundation (MJF) and one was CSR project. When projects were completed more than six years ago they had unutilized fund which was taken by MDRI and created four samity's in Khulna and Jassore naming them as:

- a) Bon Loudob (Shundarbon) Mahila O Shishu Unnayan,
- b) Kailash Gonj Akota Mohila O Shishu Unnayan,
- c) Basotpur Mohila O Shishu Unnayan Sangostha and
- d) Dhang Mari Bonbichitra Mohila O Shishu Unnayan Somity.

Together with these four samity it is named "Gaon Swapna" and a separate bank account was opened to run the fund. MRDI had trained up samity members in handicraft items to develop their life. MRDI has collected handicraft items from the samity's which are made by samity's member and provided the price of handicraft items with a profit to samity from Gaon Swapna fund. MRDI has agreement with Unimart for selling Gaon Swapna's product. Unimart collects Gaon Swapna's goods from MRDI. After selling the product Unimart transfers items price in Gaon Swapna fund bank account. Besides this MRDI also tries to sell products from MRDI office. By the activity of the Gaon Shapna's it is clearly working as a cooperative society but we did not find any decision of the executive committee to run such type of cooperative society. We could not find any register certificate for the Gaon Shapna from the Cooperative Affairs Bureau or Registrar of Joint Stock Companies And Firms.

Implication:

A separate entity with bank statement is operational without any approval and registration.

Recommendation:

Legal registration should be obtained and complied with the rules and regulations.

Management response:

Gaon Swapna fund is meant for the capacity building of the beneficiaries under the 4 (four) Govt. registered women association in Bastpur, Jessore and Bonlaodob, Kailashgonj & Dhangmari in the Sundarbans. Poor and marginalized women are the members of the association. Under the umbrella of Gaon Swapna, MRDI is aiming to showcase use of CSR as a sustainable alternative source of development fund and market the hand made products of women living in the mentioned rural area to generate income for their better life and livelihood. MRDI is only the temporary custodian of the fund as the associations don't have adequate knowledge on fund management. In the process of fund management, they already opened separate bank account and trying to maintain their receipts and payments. MRDI is providing support in maintaining their documents. When MRDI feels they have gained adequate knowledge on fund management and maintaining proper books of account, MRDI will hand over the responsibility to them. So MRDI authority thinks that no separate policy is required against the fund of the above-mentioned registered associations.

Gaon Swapna is operating under the policy and practice of MRDI. So there is no any lack of governance system. Considering the size of fund, earning profit per year and procedural cost of the Cooperative Association, MRDI top management found that the formation of cooperative association at this stage is not financially viable.

4. Stock register was not up to date**Name of the project: Gaon Swapna****Observation:**

As per financial and administrative manual clause 15.19, all inventory movements will be recorded in the Register which would contain information regarding quantity, price, date of receipt and date of issue, name of recipient and source of materials and balances of materials. But we noted that Gaon Swapna stock register was not up to date.

While verifying physical quantity of stock with stock register, we noted that quantity shown in the stock register did not match with physical quantity found. We counted on 09 September 2019 but client stock register was updated up to 30 June 2019. As a result, we could not reconcile the counted items with the Stock Register.

Implication:

Lack of internal control in practice.

Recommendation:

MRDI should maintain and update Stock Register regularly.

Management response:

Due to shifting the responsibility to a new staff it was temporarily backlogged. Now the register is updated.

5. Follow up of the last year's auditors' observations and recommendations

We have taken the latest implementation status of the last year's auditors' recommendations and these are shown as follows:

Sl. no.	Area	Previous Auditor's Recommendation	Latest Status
1	Stock of Gaon Swapna products	MRDI authority should perform physical stock count of Gaon Swapna products at the period end and make necessary adjustment if found any shortage or excess	Physical stock count in the current year found as on 30 June 2019.
2	NGO Affairs Bureau's instructions for cash payment over Tk. 10,000	MRDI authority should make payment over Tk. 10,000 using account payee cheque for the compliance with NGOAB's instructions to avoid any legal complicity.	Some of the payments over Tk. 10,000 also paid in cash in current year.
3	Advance payment practice made to staff	MRDI authority should avoid its risk of cash payment as much as possible	Employee advance payment practice remained same as previous year.
4	Employee provident fund having not been audited	Yearly accounts of the provident fund of MRDI should be audited by a recognized audit firm as per requirement of Bangladesh Labour Rules 2015	Provident fund is audited in the current year.
5	Income Tax Ordinance 1984 and Income Tax Rules 1984	MRDI authority should comply with the requirements of Income Tax Ordinance (ITO) 1984 and Income Tax Rules 1984	Submission of the half yearly return of withholding tax is made within the time frame.

Management response:

1. Physical verification of the stock has been done properly and copy of statement provided to auditors.
2. MRDI always abides by the instructions of NGOAB. The above-mentioned cash payments were made in very exceptional cases. To organize programme outside Dhaka the cash payment is necessary for the service provider's business policy. They do not take cheque payment. Also, the retail shops do not accept cheque payment. So MRDI could not avoid cash payment in all the cases.
3. As per MRDI policy for advance, the programme advances are made to the staff for organizing training, workshop, seminar etc. in Dhaka and outside Dhaka. Cash payment is required for hiring some venues outside Dhaka, food, travel, accommodation and daily allowance of participants and MRDI staff. It is very much in compliance with our policy.

Nurul Faruk Hasan & Co

Chartered Accountants

Vertex Prominent (1st Floor)
GA-16/1 Mohakhali
Dhaka-1212, Bangladesh

Tel : +88-09611002202
: +88 09610468200
Web : www.deloitte.com/bd

Nurul Faruk Hasan & Co is a Deloitte network entity in Bangladesh. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.