



Grant Thornton

Howladar Yunus & Co.

Management Letter on the Financial Statements of
Management and Resources Development Initiative (MRDI)
For the year ended 30 June 2023

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

**Management Letter on the Financial Statements of
Management and Resources Development Initiative (MRDI)
For the year ended 30 June 2023**

Submitted by-
Howladar Yunus & Co.
Chartered Accountants

05 November 2023

Ref.: HYC/MF/Audit/MRDI/2023-24/0264

05 November 2023

The Executive Director**Management and Resources Development Initiative (MRDI)**

8/19 Sir Syed Road (3rd floor)

Block-A, Mohammadpur

Dhaka-1207, Bangladesh

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 Management and Resources Development Initiative (MRDI) audit for the year ended 30 June 2023.

We have audited the financial statements of Management and Resources Development Initiative (MRDI) for the period ended 30 June 2023 and are pleased to submit our management letter herewith.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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 on 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. Therefore, they do not necessarily uncover all the weaknesses in the internal controls and accounting procedures system, which a more exhaustive special review of the system might do.

We have the pleasure of 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 the test of compliance with applicable rules and regulations, disclosed certain instances of internal control weaknesses and non-compliance or lapses in compliance with rules, regulations, policies and procedures. All these are reported in the attached memorandum under the head "Observation" with four sections:



Chartered Accountants

Member firm of Grant Thornton International Ltd

Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered independently by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

granthornton.com.bd

We have divided each point contained in this report as:

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

The response received from the management of “Management and Resources Development Initiative (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 the organization and it should not be relied upon to disclose all irregularities that may exist or to disclose errors that are not material in relation to those financial statements.

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,



Howard Sam
Chartered Accountants

Contents

- 1 Purpose of this letter
- 2 Scope of services
- 3 Our methodology
 - 3.1 Audit methodology
 - 3.2 Auditing to International Standards
 - 3.3 Communication with Management and those Charged with Governance
 - 3.4 Management Letter
- 4 Observations



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 period ended June 30, 2023 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 consolidated financial statements for the period ended June 30 2023, 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 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. Lack of physical control over the Gaon Swapno product at the Unimart showroom

Fact:

During our audit, we observed that MRDI have an agreement to sell handicraft product of Gaon Swapno by unimart. MRDI provided stock report and the unimart stock report didn't match due to a lack of physical verification in unimart by MRDI. The management also failed to provide us with any valid arrangement deed/documents with unimart for selling of products of the Gaon Swapno fund in the showroom of unimart. We have found an agreement without any execution date.

Implications:

- The balance of inventory shown in the financial statements may be overstated.

Recommendations:

Management should take steps to reconcile the inventory.



Management response:

The Gaon Swapna is a voluntary initiative of MRDI and for Unimart it is under their CSR programme. Considering the volume of sales Unimart is reluctant to provide stock reports. MRDI is continuously requesting them for the stock report. We consider it as a limitation and will give our best effort to resolve it. Regarding the agreement with Unimart we have to follow their system which does not require any such agreement. As per their requirement they requested us to fill up their vendor registration form which we did and made available during the audit.

2. Insurance policy was not taken for all fixed assets

Fact:

As per para # 15.7 of chapter XV 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 there is no insurance policy to cover the risks of the assets:

Sl. No.	Assets Name	Cost	Written Down Value
1.	Furniture and fixture	1,418,720	176,621
2.	Office equipment;	1,688,262	34,914
3.	Computer, printer, and multimedia	2,505,822	162,505
4.	Other assets	65,930	2
5.	Project assets	6,731,243	6,731,243

Implications:

- It indicates non-compliance with financial & administrative manuals.
- Lack of internal control.

Recommendations:

Management should take the necessary steps to recover the amount from the project fund before the close of the project grant.

Management response:

Considering the volume and funding size of the organization and its projects it is the reality that insurance policy for fixed asset is not viable. Also during negotiation with donor it is also difficult to convince them on the provision of our policy. However, to comply with the recommendation our effort will continue in reference to your finding.

