



Howladar Yunus & Co.
CHARTERED ACCOUNTANTS

3

**Draft Management Report
on the Financial Statements of
Management and Resources
Development Initiative (MRDI)
For the year ended 30 June 2008**

DRAFT

**Draft Management Report
on the Financial Statements of
Management and Resources
Development Initiative (MRDI)
For the year ended 30 June 2008**

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

07 October 2008



Howladar Yunus & Co.

CHARTERED ACCOUNTANTS
67, Dilkusha Commercial Area (2nd Floor)
Dhaka-1000, Bangladesh

HEAD OFFICE

Phone : 880-2-9554119, 9551872
Fax : 880-2-9552989
E-mail : hyc@howladaryunus.com
Web : www.howladaryunus.com

Executive Director

Management and Resources
Development Initiative (MRDI)
2/9, Sir Syed Road, Mohammadpur,
Dhaka -1209.

Dear Sir,

Draft Management Letter on the financial statements of Management and Resources Development Initiative (MRDI) for the period ended 30th June 2008.

Pursuant to the letter of appointment vide letter # MRDI/006/2008-09, dated-17 July 2008, we have audited the financial statements of Management and Resources Development Initiative (MRDI) for the period ended 30 June 2008.

We have prepared a draft management letter highlighting the matters observed during the time of our verification of the overall financial activities, fund management, assets management, internal control mechanism and finally the accounting of the financial transactions, systems, internal check, its recordings in the books of accounts and presentations of financial statements of the above program.

We are pleased to furnish our reports herewith based on the findings and observations noted during the course of our audit. This is the part of our continuous effort to perform the professional standards and to be of assistances to management of the organization.


Howladar Yunus & Co.
Chartered Accountants

Dated, Dhaka
07 October 2008

Executive Summary

1. Meetings were not held as per Company Act 1994 and Articles of Association rather all returns are pending. Besides, annual returns are yet to be submitted to RJSC since inception of the Company.
2. Contrary to section 16.C of financial and accounting manual-cash in hand has exceeded the cash holding limit in some cases. Contrary to section 22.1.6 of Financial and Accounting manual payments were made in cash exceeding Taka 10,000 in some cases. Contrary to section 17.1 of Financial and Accounting Manual of MRDI-Petty cash payments have made exceeded Taka 2,000 in some cases.
3. Applicable Laws and Regulations were not followed in some cases. We observe VAT has not been deducted in some cases. Deducted VAT at source was not deposited to the Government Exchequer within 10 days of following month as per provision of the VAT Act 1991. Contrary to section 52 A of Income Tax Ordinance1984 -Tax has not been deducted at source in some cases.
4. Contrary to section 18 of financial and accounting manual - depreciation has not been charged in accordance with the prescribed depreciation rates. Contrary to section 18(c) of financial and accounting manual - approval has not been taken from the board of director in case of disposal of fixed assets. Contrary to section 20.2 of the financial and accounting manual - procedures were not followed regarding purchase of fixed assets in some cases.
5. Contrary to section 8.2 of financial and accounting manual - Staff of the organization did not maintain their bank account at the same bank where the organization maintains its bank account.
6. Books of account have maintained by the organization as per section 26.1 of financial and accounting manual of MRDI except not maintaining the procurement register, Advance register and VAT and Tax register.
7. Contrary to section-18 of the financial and accounting manual of MRDI - fixed assets register has not maintained as per manual.
8. Irregularities observed in the record keeping of books of account. Ledger book's amount was altered through overwriting without any endorsement in some cases. Moreover, page total amount was written with pencil in most of the cases.
9. We observe expenditure of one head has been charged to another heads of expenditure in some cases.

Management / Internal Control Report

1. Meetings were not held as per Company Act 1994 and Articles of Association rather all returns are pending.

Fact:

MRDI is incorporated as a limited company under section 28 of the company Act 1994 on 31st may 2003. As per section 38 (A) of Articles of Association the company should have at least 4 board meeting in every year. On our verification we observe that only one board meeting was held during year. All returns are pending as per Companies Act.-1994. Besides, annual returns are yet to be submitted to RJSC since inception of the Company.

Recommendation:

The management of MRDI should regularize the above matter at an early date.

Management Response (MRDI): Nil

2. Cash Management

a) Cash limit has exceeded in some cases.

Fact:

Contrary to section 16.C of financial and accounting manual-cash in hand has exceeded the cash holding limit in some cases. Instances are given below:

Date	Approved limit	Holding amount	Exceed amount
21.07.07	10,000	18,979	8,979
22.07.07	10,000	16,597	6,597
23.07.07	10,000	10,735	735
03.10.07	10,000	11,305	1,305
17.10.07	10,000	13,973	3,973

Recommendation:

Financial and Accounting manual should be complied with.

Management response:

On 21.07.07 Tk. 11,500 was withdrawn from bank to pay telephone bill & purchase staff mobile card. The bills were paid within 23.07.07. On 03.10.2007 an amount of Tk. 15,700 was withdrawn from Bank through an approved indent to purchase (i) a mobile set Tk. 4,395 (ii) purchase mobile card for staffs Tk. 3,245 (iii) purchase a glass for a table Tk. 5,600 & (iv)for petty cash Tk. 2,460 which were spent & disbursed within 06.10.07. On 17.10.2007 there is no any cash in hand.

b) Payment made in cash exceeding Taka 10,000.

Contrary to section 22.1.6 of Financial and Accounting manual payments were made in cash exceeding Taka 10,000 in some cases. Instances are given below:

Date	Voucher no.	Particulars	Amount
16.09.07	BDV-56	National Fan Ltd .for fan purchases	26,350
10.06.08	JV-57	Nabarupa Electronics for electric parts purchases	72,700
30.06.08	CDV-17	Hasibur Rahman for Transportation allowance	15,000

Recommendation:

Financial and Accounting manual should be complied with.

Management response:

BDV-56: Tk. 26,350: MRDI purchased 17 pieces of National fan (Tongi) at a discount rate. To get delivery of the fans advance price in cash had to be deposited to the authorized dealer of the company. So a cash cheque had to be issued.

JV-57: Tk. 72,700: Recently MRDI set up a satellite dish receiver for its electronic media monitoring activities. Different parts of the dish package had to be purchased from stadium market in cash. So the authority approved an advance for purchasing the said equipments. This is not a direct payment against any party bill.

CDV-17: 15,000: This is not a party payment. This amount was received against an advance. On the same day the accounts department disbursed the amount against transportation.

c) Petty cash payment exceeds Taka 2,000 in some cases.

As per section 17.1 of Financial and Accounting Manual of MRDI-“Petty cash payments are defined as small cash transactions not exceeding Taka 2,000(Two Thousand).”But on our verification, it is observed that petty cash payments have exceeded Taka 2,000 in some cases. Instances are given below:

Date	Voucher no.	Particulars	Amount
31.07.07	JV#3	Payment made to Md. Rasel Mia as advance salary.	2,500
31.07.07	JV#3	Payment made to Md. Kamal sarder as advance salary.	3,500
31.07.07	JV#3	Payment made against telephone bill.	2,084
31.07.07	JV#3	Payment made to Aktel against Mobile Bill.	5,436

Recommendation:

Financial and Accounting manual should be complied with.

Management Response (MRDI):

JV-03: On 31.07.07 the above amount were withdrawn from bank through an approved indent. But the entries were passed through petty cash book instead of main cash book.

3. Non-compliance with the applicable Laws and Regulations

a) VAT has not been deducted in some cases.

Fact:

On verification of payments against bills, we observe that the organization did not deduct VAT at source in some cases. Instances are given below:

Date & Voucher #	Particulars		Bill Amount	VAT Amount
	Vendor Name	Project Name		
27.03.08 JV# 07	Red Chillies Restaurant	UNIFEM	14,000	315
30.04.08 JV#10	Hotel Royal International	UNIFEM	10,050	226
30.04.08 JV#10	Hotel Royal International	UNIFEM	14,500	326
27.03.08 JV# 07	The Source	UNIFEM	14,500	326
02.01.07 JV# 08	Toyota Motors and Rent a Car	KATALYST	6,600	149
17.12.07 JV# 09	Toyota Motors and Rent a Car	KATALYST	6,600	149
20.01.08 JV# 13	Toyota Motors and Rent a Car	KATALYST	5,700	128

Recommendation:

VAT Act 1991 should be complied with.

Management Response (MRDI):

Observation-03: The above payments were made during conducting the programme outside Dhaka. The payments were made on spot. So there is no scope of deducting VAT/tax on the payment. Moreover, VAT registration no. & TIN are not available everywhere.

b) Deducted VAT at source was not deposited to Govt. exchequer within prescribe time.

Fact:

We observe deducted VAT at source was not deposited with Government Exchequer within prescribed time. As per provision of the VAT Act 1991 deducted VAT has to be deposited in to the Bangladesh Bank within 10 days of following month. Instances are given below:

Date & Voucher no.	Particulars		Amount	Deducted Date	Deposited Date	Delay Time
	Vendor Name	Project Name				
30.06.08 BDV-45	Straight Communication	UNIFEM	198	13.04.08	Not deposit	
02.12.08 BDV-42	Straight Communication	KATALYST	396	02.12.07	23.04.08	104 days
08.03.08 JV-16	Straight Communication	KATALYST	198	14.02.08	23.04.08	44 days
30.12.07 BDV-50	Straight Communication	KATALYST	495	30.12.07	23.04.08	104 days
25.11.07 BDV - 37	Straight Communication	KATALYST	495	25.11.07	23.04.08	135 days

Recommendation:

VAT Act 1991 should be complied with.

Management Response (MRDI):

The Straight Communication is a new organization. They had no VAT Registration & VAT. We insisted them to get the numbers. After getting the numbers we did not delay.

c) Tax has not been deducted at source in some cases.

Fact:

As per Income Tax Ordinance-1984 under section 52A-"any Non-Government organization registered with NGO Affairs Bureau, responsible for deduct ten percent tax at source from making any payment on account of royalty or technical know-how fee of professional and Technical person. But such Tax has not been deducted in some cases. Instances are given below:

Date	Voucher no.	Account Head	Project Name	Bill Amount
23.10.07	BDV-23	Marketing Plan	KATALYST	17,500
16.09.07	BDV-08	In house Training	KATALYST	34,200
16.09.07	BDV-08	Copy Editions	KATALYST	34,200
16.09.07	BDV-08	Designers	KATALYST	20,200
18.12.07	BDV-46	Marketing Plan	KATALYST	52,500

Recommendation:

Income Tax Ordinance-1984 should be complied with.

Management Response (MRDI):

The above payments were made as honorarium. So VAT/Tax is not applicable to them.

4. Irregularities observed in fixed assets management.

(i) Depreciation has not been charged as per Financial and Accounting Manual.

Fact:

Contrary to section 18 of Financial and Accounting manual - Depreciation has not been charged in accordance with rates presented for each type of assets in some cases. Instances are given below:

Name of Assets	Value of assets	Depreciation rate		Depreciation as per		Variance
		Manual	charge	HYC	MRDI	
Table	164,610	20%	15%	32,922	24,692	8,230
Chair sofa etc.	65,914	20%	30%	13,183	19,774	(6,591)
Shelf, paper stand etc.	147,635	20%	15%	29,527	22,145	7,382
Wall fan	7,900	20%	25%	1,580	1,975	(395)
Aluminum Ladder	1,980	20%	50%	396	990	(594)

(ii) Approval has not been taken from the board of director regarding disposal of fixed assets.

Fact:

As per section 18(c) of financial and accounting manual sales and disposal of fixed assets should be made only after obtaining specific approval of the board of director. On our verification we observe that no approval of board of director has been taken regarding disposal of fixed assets for an amounting to Taka 58,300.

(iii) Procedures were not followed in case of purchase of fixed assets.

Fact:

On verification of addition to fixed assets we observe that procedures regarding purchase of fixed assets were not followed in some cases though required under section 20.2 of the Financial and Accounting manual. Instances are given below:

Date & Voucher #	Vendor Name	Amount	Remarks
27.09.07 BDV #61	Air-cooler purchase from Confidence Refrigeration and Co.	30,000	Quotation and procurement committee list not attached with voucher.
20.03.08 BDV #247	Purchase of table and chair from Rahmat Furniture	28,347	Approval of Procurement committee and requisition form not found.
10.06.08 JV #57	Purchase of Electric parts from Nabarupa Electronics	75,185	Approval of Procurement committee and requisition form not found.

Recommendation:

Financial and Accounting manual should be complied with.

Management Response (MRDI):

(i) It is fact that the rate of depreciation is not matching with the rate fixed in the manual. We have been practicing the rate on which we calculated the depreciation for previous years. We are in a process to review the financial manual where the above rates will be modified.

(ii) At the end of the year, during stock taking & physical verification, we listed the assets which should be disposed. No meeting of the Boards was scheduled close to the audit period. So it was not possible to take any decision by the board. The issue will be placed before the board along with the financial report in the AGM.

(iii) BDV-61: This is a part payment. Full set of documents have been attached with the voucher of final payment. Procurement file was produced before the audit team during their investigation.

(iv) BDV-247: This payment was made against two individual bills of different months (03.01.2008 Tk. 14,000 & 27.02.2008 Tk. 15,000). Purchase of this amount does not require quotation as per financial manual.

(v) JV-57: This is the procurement of several parts of dish antenna set up. This procurement had to be made through spot quotation. Three spot quotations along with requisition have been attached with the vouchers.

5. Payroll and related cost.

Fact:

Contrary to section 8.2 of Financial and Accounting manual-the office staff should open personal bank account with the same bank where the organization maintains its account but at the time of verification of salary payment we observe that the staff of the organization did not maintain their bank account in the same bank.

Recommendation:

The management should be more sincere to follow the compliance of the financial and accounting manual and adequate recruitment policy should be adopted.

Management Response (MRDI):

We are implementing the procedure from June 2008.

6. Maintenance of books of account.

Fact:

Books of accounts maintained by the organization as per section 26.1 of financial and accounting manual of MRDI except maintenance of procurement register, Advance register and VAT and Tax register.

Recommendation:

The management of the organization should be cautious to comply with the Financial and Accounting manual.

Management Response (MRDI):

Only one or two persons receive the advances regarding small purchase & programme. The numbers of advances are not so much. So we controlled through ledger. We maintain a computerized schedule for vat & taxes. So we have not maintained the VAT & Tax register.

7. Fixed assets register has not maintained as per Financial and accounting Manual.

Fact:

On verification of the fixed assets register, we observe that fixed assets register not maintained as per Financial and accounting Manual. As per manual under section- 18 it is clearly mention that the fixed assets register will includes the column- Date of purchase, Source of funding (Project), Description of assets, Quantity of assets, value of assets, Depreciation rate, annual depreciation, Accumulated depreciation, written down value, Location, ID no. and Other information. But the MRDI maintained fixed assets register except the following column-

Source of Fund, Depreciation rate, Annual Depreciation, Accumulated depreciation, written down value, Location and other Information.

Recommendation:

The management of the organization should be maintained the fixed assets register as per organization Financial and Accounting manual.

Management Response (MRDI):

We are maintaining the same format since 2004. No objection /recommendation have not come before. Otherwise we maintain movements register for the assets. We will make our register in compliance with the manual.

8. Irregularities observed in the record keeping of books of account.

Fact:

On verification of the record keeping of ledger book it is observed that amount was altered by overwriting without endorsement some cases. Moreover page total amount written with pencil in most cases. (Page reference no. 1, 5, 7, 24, 33, 41, 61, 73, 74, 75, 83, 81, 86, 89, 91, 94, 101, 105, 119, 121, 123.)

Recommendation:

The management of the organization should be take adequate step to prevent the above irregularities to improve quality of record keeping system acceptable to all concern.

Management Response (MRDI):

This is the first time we have the observation on sub-total with pencil. We have already made the total with pen.

9. Expenditure one head charged to another head.

Fact:

On verification of head wise expenditure, we observe that the following case expenditure of one head has been charged to another head. Instance is given below:

Date & Voucher No.	Particulars Head	Wrongly charged head	Amount
30.05.08 JV #12	Postage, Telegram ,Telephone and courier etc.	Local Conveyance	12
30.06.08 JV #16	Postage, Telegram ,Telephone and courier etc.	Local Conveyance	60

Recommendation:

The organization management should be more sincere regarding the budgetary control.

Management Response (MRDI): Nil