



Howladar Yunus & Co.
CHARTERED ACCOUNTANTS



**Management Report
On the Financial Statements of
Management and Resources
Development Initiative (MRDI)
For the year ended 30 June 2009**

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Development Initiative (MRDI)
For the year ended 30 June 2009**

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

20 October 2009



Howladar Yunus & Co.

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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 30th June 2009.

With reference to our appointment, we are pleased to submit our report on the financial audit for the period from July 2008 to June 2009.

SCOPE OF WORK

The audit of financial statements for the period from July 2008 to June 2009, 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 2008 to June 2009 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.

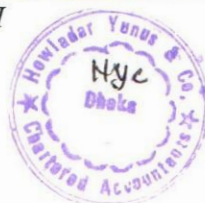
Yours truly,

Howladar Yunus & Co.
Chartered Accountants

Dated, Dhaka
October 20, 2009

Executive Summary

1. Contrary to section 16.C of financial and accounting manual-cash in hand has exceeded the cash holding limit of 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.
2. Applicable Laws and Regulations were not followed in some cases. We observed VAT has not been deducted at source in some cases. Deducted VAT at source was not deposited to the Government Treasury within 10 days of following month as per provision of the VAT Act 1991. Contrary to section 52A of Income Tax ordinance 1984-Tax has not been deducted at source in some cases and deducted Tax has been deposited to the Government Treasury within 10 days of the following month.
3. Contrary to section 18 of financial and accounting manual –depreciation has not been charged in accordance with the prescribed depreciation rates.
4. As per Financial and Accounting manual under section 19.3(ii), it is clearly mention that Request for advance must be submitted to the manager finance and Admin before at least 03 (three) working days from event take place. But on our verification we found violation of above procedure in some cases.
5. As per section 19.1.2 of Financial and Accounting manual, it is clearly mention that no additional advance was made before adjustment of earlier advance. But on our verification we observe that in some cases additional advance was given before adjustment of early advance.
6. As per section 13.2 of deed of agreement with MJF it is clear mentioned that the PO will prepare quarterly financial statements and progress reports for the project in developed formats and shall submit the same to the MJF by the tenth day of the following month at the end of each quarter. But the above rule is violated by MRDI in some cases.
7. While we verification of Head wise expenditure we did not found proper supporting documents in some cases.
8. On our verification of programme cost we found that the programme was not performed but expenditure already charges to programme cost.



Management / Internal Control Report

1. 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
14-07-2008	10,000	10,396	396
21-06-2009	10,000	10,361	361

Effect:

Non compliance of section 16.C of financial and accounting manual.

Management Response:

Exceed of Cash Limit on 14 July 2008

It is a calculation error happened while drawing cash for petty cash account.

Exceed of Cash Limit on 21 June 2009

The petty cash limit exceeded from receiving an amount of Tk.1,568.00 as reimbursement of cost from BME project.

Recommendation:

Financial and Accounting Manual should be complied with.

(b) Petty cash payment exceeds taka 2,000 in some cases.

Fact:

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
13-08-2008	JV#04	lunch cost	3,076
31-07-2008	JV#02	mobile bill paid	2,344
30-10-2008	JV#08	entertainment cost	2,400

Effect:

Non compliance of the Financial and Accounting Manual of the MRDI.

Management Response:

The above mentioned transaction incurred against small payments where cheque issues were irrelevant.



Recommendation:

Financial and Accounting Manual should be complied with.

2. Non-compliance with the applicable Laws and Regulations.

(a) VAT has not been deducted in some cases.

Fact:

On our 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 no.	Vendor Name	Project Name	Bill Amount	VAT Amount
07-07-2008	JV#03	Hotel Athena International	Amar Bangladesh	1,500	225
07-07-2008	JV#03	Hotel Royal International	Amar Bangladesh	3,000	450
30-06-2008	JV#02	Red Chilies	Amar Bangladesh	3,000	450
29-07-2008	JV#06	Hotel Furtune Garden	Amar Bangladesh	6,000	900
12-11-2008	JV#09	Hotel-Sonali	IRI	24,000	3,600
26-04-2009	JV#30	Hotel Hasan International	Katalyst	24,375	3,656
06-06-2009	JV#45	Hotel Hasan International	Katalyst	33,000	4,950

Effect:

A weak emphasize to deduct vat making payment to vendors or service providers was proved. A proper financial plan and a close supervision can ensure economy in executing an organization.

Management Response:

We had to face the above reality outside Dhaka. In most cases, the organizations have no VAT Registration & they are reluctant on deducting vat/issue in Mushak-11.

Recommendation:

VAT Act 1991 should be complied with.

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

Fact:

As per provision of VAT Act 1991 deducted VAT has been deposited to the Government Treasury within 10 days of the following month. But on our verification, we observe that in some cases deducted VAT at source was not deposited to the Government Treasury within prescribed time. Instances are given below:



Date & Voucher no.	Vendor Name	Project Name	Amount	Deducted Date	Deposited Date	Delay time
22.07.08 BDV#14	Green Planet Communication	Amar Bangladesh	21,534	22.07.08	16.09.08	37 days
23.11.08 BDV#59	Impress Telefilm Ltd.	Amar Bangladesh	72,000	23.11.08	13.01.09	34 days

Effect:

A weak emphasize to deposit VAT within due time was proved.

Management Response:

BDV#14: The contract with the above vendors signifies discontinuation of work on unsatisfactory output at any given period of time through prior notice. The payments were made accordingly through installments on satisfactorily receiving the services. Thus all deductions were made accordingly.

BDV#59: The VAT on final payment was finalized on 6 January 2009 and submitted without delay on 13 January 2009, prior to 7-days of submission.

Recommendation:

VAT Act 1991 should be complied with.

(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 10% (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 at source in some cases. Instances are given below:

Date	Voucher no.	Account Head	Project Name	Bill Amount
30-10-2008	BDV#88	Honorarium for Resource person	IRI	75,000
05-11-2008	BDV#97	Honorarium for Resource person	IRI	75,000
31-08-2008	BDV#28	Honorarium to Al-kamal Md. Ziaul haoque	Amar Bangladesh	20,000



24-06-2008	BDV#05	Honorarium to Lazeena Muna	Amar Bangladesh	50,000
19-08-2008	BDV#22	Honorarium to Showkat Hossain	MCAP	50,000

Effect:

A weak emphasize to deduct tax making payment to resource person honorarium was proved.

Management Response:

We were not aware of regulations of deducting tax on honorarium in the beginning. After clearing doubts, we now hold the practice of the tax deduction on honorarium.

Recommendation:

Income Tax Ordinance 1984 should be complied with.

(d) Deducted Tax at source was not deposited to Govt. Treasury within prescribe time.

Fact:

As per Income Tax Ordinance 1984 deducted Tax has been deposited to the Government Treasury within 10 days of the following month. But on our verification, we observe that in some cases deducted Tax at source was not deposited to the Government Treasury within prescribed time. Instances are given below:

Date & Voucher no.	Vendor Name	Project Name	Amount	Deducted Date	Deposited Date	Delay time
22.07.08 BDV#14	Green Planet Communication	Amar Bangladesh	38,283	22.07.08	16.09.08	37 days

Effect:

A weak emphasize to deposit tax within due time was proved. A proper financial plan and a close supervision can ensure economy in executing a organization.

Management Response:

BDV#14: The contract with the above vendors signifies discontinuation of work on unsatisfactory output at any given period of time through prior notice. The payments were made accordingly through installments on satisfactorily receiving the services. Thus all deductions were made accordingly.

Recommendation:

Income Tax Ordinance 1984 should be complied with.



3. Irregularities observed in fixed assets management.

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 amount		Variance
		As per manual	As per charge	HYC	MRDI	
Table	194,941	20%	15%	38,988	29,243	9,745
Chair sofa	76,084	20%	30%	15,217	16,062	(845)
Shelf, paper stand etc.	150,185	20%	15%	30,037	22,527	7,510
Wall fan	7,900	20%	25%	1,975	1,624	351
Aluminum ladder	1,980	20%	50%	396	1,979	(1,583)
Bicycle	3,900	25%	20%	975	780	195
Furniture and fixture	94,712	20%	18%	18,942	16,960	1,982

Effect:

Non compliance of Financial and Accounting manual.

Management Response:

We charged depreciation on the basis of real usage of fixed assets. Our financial manual is under the review of Howladar Yunus & Co. Chartered Accountants. After review of the financial manual the above rate will be agreed upon.

Recommendation:

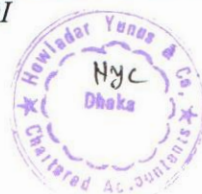
Financial and Accounting manual should be complied with.

4. Irregularities observed in advance requisition procedure.

Fact:

As per Financial and Accounting manual under section 19.3(ii), it is clearly mention that Request for advance must be submitted to the manager finance and Admin before at least 03 (three) working days from event take place. But on our verification we found violation of above procedure in some cases. Instances are given bellow:

Date and Voucher No.	Program name	Program date	Requisition date	Request on before program date
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JV.36 16-05-09	Facilitating journalist Association SME and Developing SME pages with local media houses.	14-05-09	12-05-09	2 days
JV.-30 26-04-09	A-4 orientation session on business journalist	25-04-09	23-04-09	2 days
JV.-21 24-02-09	Need Assessment Workshop	23-02-09	22-02-09	1 day

Effect:

The lack of internal control system was apparent at the time of advance payment procedure.

Management Response:

As we organize programmes in rush, the above procedures are sometimes difficult to maintain. Apart from this our accounts department & administration are prompt in serving as per requirement of the programme.

Recommendation:

Financial and Accounting manual should be complied with.

5. Advance was made before adjustment of earlier advance

Fact:

As per section 19.1.2 of Financial and Accounting manual, it is clearly mention that no additional advance was made before adjustment of earlier advance. But on our verification we observe that in some cases additional advance was given before adjustment of early advance. Instances are given bellow:

Date	Voucher No.	Particulars	Amount
19-06-08	BDV-003	Advance to Hasibur Rahman	40,500
29-06-08	BDV-008	Advance to Hasibur Rahman	108,750
05-07-08	BDV-011	Advance to Hasibur Rahman	58,750
27-10-08	BDV-053	Advance to Mizanur Rahman	40,000
22-01-09	BDV-092	Advance to sazzad hossain	57,800

Effect:

The lack of internal control system was apparent at the time of advance payment.



Management Response:

The above mentioned advances were related to the same nature of expenses. So, to finalize the expenses the advances have to continue.

Recommendation:

The management of the organization should be more sincere regarding the advance payment procedure.

6. Violation of MJF guideline.

Quarterly report was not sent to the MJF within the prescribed time.

Fact:

As per section 13.2 of deed of agreement it is clear mentioned that the PO will prepare quarterly financial statements and progress reports for the project in developed formats and shall submit the same to the MJF by the tenth day of the following month at the end of each quarter. But the above rule is violated by MRDI in the following case.

Quarter	As per Deed of Agreement	Submitted Date to MJF	Delay
4th	10-04-09	16-04-09	6 days

Effect:

Quarterly financial and progress reports were not submitted to MJF within due time. As a result, implementation of project activities could not be performed as scheduled

Management Response:

The delay incurred with consent from MJF as they asked to submit the quarterly report with the revised budget.

Recommendation:

The organization management should be more sincere regarding the submission of quarterly financial and progress reports to MJF within due time.

7. Cost / Expenditure which are not fully supported with adequate documents.

Fact:

While we verification of Head wise expenditure we did not found proper supporting documents in some cases. Instances are given below:

Date	Voucher no.	Particulars	Project Name	Amount	Remarks
12-11-2008	JV#09	IRI Suprovat Bangladesh	IRI	24,000	Food purchase for 30 persons for two days but



		& Election Reporting Training			as per attendance sheet only 22 persons in every day. Hence excess cost is Taka 6,400.00 (8*2*400)
06-06-2009	JV#45	B-7 Dialogue with business persons	Katalyst	33,000	Food purchase for 75 persons but attendance only 52 persons. Hence excess cost is Tk. 9,200 (23*400)

Effect:

The accounting administration seems to lack from a close and effective supervision which is not only a weak area of the management.

Management Response:

Apart from the participants there are resource persons, MRDI staffs, Members of Media houses, drivers of resource persons, representatives of donor who are involved with the programmes. So verifying the number of food with number of attendants is irrelevant. In some cases we have to confirm number of food in advance.

Recommendation:

The organization should be more sincere in relation to this kind of expenses.

8. Expenditure charged to the accounts without perform programme.

Fact:

On our verification of programme cost we found that the programme was not performed but expenditure already charges to programme cost. Details are given below

Date	Voucher no.	Particulars	Project Name	Amount
28-02-2009	JV#22	Orientation session on business Journalism in Jessore	Katalyst	12,840

Effect:

Lack of internal control system was observed.

Management Response:

The programme on 25th February was interrupted by BDR mutiny, leaving it unfinished but partial expenses incurred.

Recommendation:

Expenses should be charged after perform of programme.

