

**PRIVATE AND CONFIDENTIAL**

**Management Letter on the Audit of Accounts  
Of  
Strengthening Food Security of Char Poor Peoples (SFSCP  
Project of SOLIDARITY  
For the period ended December 31, 2022.  
(Reporting Period – 3)**

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Executive Director  
Solidarity  
New Town, Kurigram,  
Bangladesh.

**Subject:** Management Letter on the Audit of Accounts of “Strengthening Food Security of Char Poor Peoples (SFSCP) Project”, implemented by SOLIDARITY, financed by the Bread for the World (BftW), Germany, for the six months period (i.e. the 3<sup>rd</sup> reporting period from July 01, 2022 to December 31, 2022) ended December 31, 2022.

Dear sir,

We have audited the financial report of the “Strengthening Food Security of Char Poor Peoples (SFSCP) Project”, implemented by SOLIDARITY under the financial support of the Bread for the World (BftW), Germany that comprising Statement of Income/Receipts and Expenditure/Payments for the six months period (i.e. the 3<sup>rd</sup> reporting period from July 01, 2022 to December 31, 2022) ended December 31, 2022 and Statement of Balance of the Project Funds and Cash Status as at that date and submitted the audited Financial Report and the Auditors’ Report thereon separately. We now present below our report on the audit to the Management of SOLIDARITY.

The Management of SOLIDARITY is responsible for the maintenance of proper accounting records and for the preparation of the Financial Report. They are also responsible for establishing and maintaining an appropriate system of internal control which includes adequate accounting records and procedures to safeguard the Project’s assets and for the prevention and detection of error, irregularities and frauds.

We have carried out our audit in accordance with the International Standards on Auditing (ISAs) as well as International Financial Reporting Standards (IFRSs) keeping in view the requirements of the Agreement of Cooperation signed by the SOLIDARITY and BftW on August 02, 2021 for financing the SFSCP Project of SOLIDARITY.

Our audit included the review of only those controls and systems of the Project upon which we wished to rely for the purpose of determining our auditing procedures. Accordingly, our audit may not have identified and our report should not be relied upon to have disclosed, all the control weaknesses that may have existed. Furthermore, our report should not be relied upon to have disclosed defalcations or other similar irregularities except for disclosure of any such irregularities detected during the course of our audit.

Our audit includes, on a test basis, examination of accounting procedures and records as think fit appropriate under the circumstances. We have carried out the audit at SOLIDARITY’s office located in Kurigram. Based on the audit; our observations and recommendations along with management responses thereof are set out below.



**01. Organization and Project:**

SOLIDARITY is a non-government voluntary development organization working for Food Security Livelihoods development, Humanitarian issues, Gender equality, Child protection, Socio-Economic development of the disadvantaged peoples of its working areas around in Kurigram district. The organization is registered with the Development of Social welfare vide registration No. 233/92 and with the NGO Affairs Bureau under the Foreign Donation (Voluntary Activities) Regulation Act, 2016, as amended, vide registration No. 1173 dated July 21, 1997 and has been renewed up to July 20, 2027 on February 06, 2018.

At this stage SOLIDARITY would like to support to the commitment of the Government of Bangladesh with technical support from Bread for the World (Bfdw) Germany. This Strengthening Food Security of Char Poor Peoples (SFSCP) Project has been implemented in 5 Upazilas of Kurigram district; combinedly through 5 offices included Kurigram head office since July, 2009 and consecutively continuing its 5th phase.

Under the current phase, the total project expenditure would be EURO 375,000 of which EURO 351,500 would be financed by BfdW and EURO 23,500 would be financed by SOLIDARITY. The Project is approved by the NGO Affairs Bureau, Government of the People's Republic of Bangladesh with a total budget of BDT 36,375,000 (earlier it was BDT 37,500,000) to be implemented in 3 years period commencing from July 01, 2021 to June 30, 2024.

**Management Response:**

*This Strengthening Food Security of Char Poor Peoples (SFSCP) Project has been implemented in 2 Upazilas named Rowmari & Rajibpur from July, 2009 to June, 2015 of Kurigram district previously. Next time this project was extent combined through 5 Upazillas are Kurigram Sadar, Ulipur, Chilmari, Rowmari and Rajibpur from July 2015 it has been continuing. But current phase is implementing for 3 years period beginning from July 01, 2021 to June 30, 2024 to 5 Upazillas are Kurigram Sadar, Ulipur, Chilmari, Rowmari and Rajibpur.*

**02. Management:**

The management of SOLIDARITY is vested to an Executive Committee consisting of 7 members elected by the General Members in the Annual General Meeting (AGM). The tenure of the Committee is for three years. The present Committee was elected in the last AGM held on 9<sup>th</sup> December, 2022. The elected Member Secretary to the Executive Committee acts as Executive Director of the organization. The meeting of the Executive Committee is held at four times in a year and if needed the Committee can convene emergency meeting too. The following persons are the members of the Executive Committee during the period:

Sl. No.	Name of Members	Position	Profession
1	Urmila Chakraborti	President	Lawyer, Social Worker
2	Sanchita Nandi	Vice President	Development Activist & Social Worker
3	Freedom Fighter Swapan Kumer Sarker	Vice President	Freedom Fighter, Businessman & Social Worker
4	Freedom Fighter S.M.Harun Or Rashid Lal	Member Secretary	Freedom Fighter, Executive Director & Social Worker

5	Joyanty Rani Barmon	Finance Secretary	House wife
6	Freedom Fighter Abdul Baten Sarker	Executive Member	Freedom Fighter & Social Worker
7	Mala Deb	Executive Member	Women Leader & Social Worker

The Executive Director is responsible for conducting the day to day affairs of SOLIDARITY. He in consultation with the Chairman will call the meeting of the Executive Committee.

**Management Response:**

*As per responsibilities of president of the Executive Committee call the meeting and as a Member Secretary has been conducting day to day activities of the organization. Other hand it is correct that the Executive committee executed their role and responsibilities for continuing the organizational activities. They have been take necessary steps according to the planning, budgeting and finance monitoring of the organization and approval for each year.*

**03. Internal Control System:**

We have reviewed the internal control system practiced by SOLIDARITY and observed that the financial authority is well defined, recording of transactions are properly documented and authenticated, payments are adequately checked and approved by the authorized person before payment, cash and bank balances are confirmed and reconciled regularly. Therefore, the internal control system practiced by SOLIDARITY appeared to be effective, minimize risk of fraud and ensure safe guard of the assets of the project. Moreover, SOLIDARITY has a Financial Manual describes in detailed the procedures of accounting, recording of transactions, delegation of financial power, maintenance of books of account, vouchers & documents, etc.

**Management Response:**

*The Project has been practicing internal control system properly where financial system management was appropriate.*

**04. Budget:**

SOLIDARITY has revised the Project's budget with an amount of BDT 36,375,000, earlier it was BDT 37,500,000, (equivalent to EURO 375,000) showing allocation for Project's activities over 3(three) years period and submitted to NGO Affairs Bureau in FD – 6 Format which has been approved by the Bureau vide its memo no. 03.07.2666.665.68.231.21-659 dated 30.08.2022. The fund clearance for the 2<sup>nd</sup> year of the Project has been accorded by the NGO Affairs Bureau vide its memo no. 03.07.2666.665.68.231.21-659 dated 30.08.2022 for BDT 13,091,797.

**Management Response:**

*It is okay SOLIDARITY has revised the Project's budget with an amount of BDT 36,375,000, instead of BDT 37,500,000, equivalent to EURO 375,000 which has been approved by the NGO Affairs Bureau of Bangladesh.*

**05. Donation from BftW:**

During the period under audit SOLIDARITY received donation amounting to EURO 52,000 equivalent to BDT 5,817,124.70 from BftW on September 29, 2022 through its

mother bank account No. 5208433002788 maintained with the Sonali Bank Limited, Kurigram. From the mother bank account, the entire fund has been transferred to the Project bank account on October 04, 2022. However, the amount credited to the Project bank account bearing no: 0200001522103 maintained with the Agrani Bank Ltd., Kurigram on October 10, 2022.

**Management Response:**

*From the mother bank account, the entire fund has been transferred to the Project bank account within very few times.*

**06. Project Partner's Own Fund:**

As per Agreement of Cooperation, SOLIDARITY is required to fund to the Project amounting to EURO 23,500 equivalent to BDT 2,279,500. However, during the reporting period under audit SOLIDARITY contributed total BDT 372,000 under the heads Own means and Domestic fund as against the planned contribution amounting to BDT 437,138 (50% of 2<sup>nd</sup> year planned contribution BDT 874,276). Thus there was a shortfall of BDT 65,138 in SOLIDARITY's contribution. However, SOLIDARITY's total contribution up to the current reporting period stood BDT 980,630 (as against the planned contribution of BDT 1,078,742) with a short-fall of BDT 98,112. The sources of contribution were from training center income, board members contribution, domestic source, etc. The contributed amounts were duly deposited in the Project bank account.

**Management Responses:**

*SOLIDARITY contributed Own means and Domestic fund as against the total expenditure that is why happened shortfall. So we will be contributed according to the recommendation of the Auditors as well as recommendation of FMSE, India from the next time. Here is mention that SOLIDARITY has maintain the conventional rules as own means depend on expenditure.*

**07. Personnel Cost:**

We observed that as per approved budget the personnel cost included cost sharing against the following positions:

Name of Position	Rate of Sharing
1. Executive Director	10%
2. Additional Executive Director	10%
3. Head of Finance	5%
4. Monitoring & Evaluation Officer	10%

The payments to the above persons were made as per approved budget of the Project and their involvement in the Project activities appeared to be reasonable. We have been informed that the rest amount of their salaries is charged in the SOLIDARTY's general account and other projects.

**Management Responses:**

*The respective Management staffs strengthen and continuation of project activities appeared too reasonable.*



**08. Fixed Assets:**

A fixed assets register is maintained for the assets acquired for the project mentioning the particulars and value of the assets. The assets were marked with chronological number and name. At the time of our audit, we checked the assets physically and found them in place. We have been informed that the registration of the motorcycle in the name of SOLIDARITY has yet been completed.

**Management Responses:**

*It is okay the asset were marked with chronological number physically and found it has in place.*

**09. Vouching:**

In course of our verification, we have checked most of the significant transactions and the related vouchers in support of the transactions and found them to be in order. The vouchers were found stamped with Project PAID seal. We found that the revenue stamp was affixed on the other side of the payment vouchers, which, in our opinion, should be affixed on the face of the vouchers.

**Management Responses:**

*In future will be affixed revenue stamp of the payment vouchers on the in front of the vouchers.*

**10. Cash at Bank:**

The closing cash at bank was lying with following Project banks:

Name of Project Bank	Account Number	Amount in BDT
Again Bank Limited, Kurigram	0200001522103	185,620.25
Sonali Bank Limited, Rowmari	5216736000772	5,802.70
Sonali Bank Limited, Rajibpur	5215110000070	3,378.42
	<b>Total:</b>	<b>194,801.37</b>

The above balances have been duly reconciled with the balances appeared in the bank statements issued by the respective banks. .

**Management Responses:**

*It is okay the mention balances have been properly reconciled*

**11. Seed Money Support:**

During the reporting period the Project distributed seed money among the selected beneficiaries who were selected by the Village Development Committee (VDC) from the members of the VDC. Like previous period the payments were given through bearer cheque. We feel that the payment of seed money should be made through banking channel/mobile banking to ensure that payment was received by beneficiary concerned.

**Management Responses:**

*Project handed over seed money support by bearer cheque to the beneficiaries with the proper verification of Identity card but by mobile banking payment is not possible because mobile banking charges and cost of SIM of Mobile has not available in the budget.*

**12. Budget Analysis:**

The budget (revised) for the 3<sup>rd</sup> reporting period, i.e. six months from July 01, 2022 to December 31, 2022, of year-2 of SFSCP Project worked out to be BDT 6,983,036.50; against which the actual expenditure incurred by SFSCP for implementation of the Project activities was amounting to BDT 7,080,165. Therefore, it appeared that the budget was fully utilized by SOLIDARITY.

***Management Responses:***

*SOLIDARITY management provided assistance and planned to implement all the activities to the Project that is why budget was fully utilized.*

**13. Follow Up:**

13.01 Internal control: The finance manager position in the committee as member secretary.

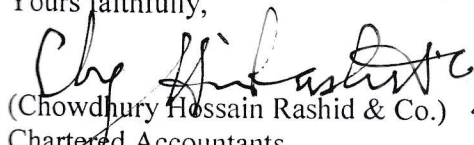
13.02 Vouching: Project name added in the paid seal.

**14. Acknowledgement:**

We would hereby like to put on record our appreciation for the co-operation and assistance extended to us by the officers and staff members of the Project as well as SOLIDARITY at the time of conduct audit.

Thank you very much.

Yours faithfully,

  
(Chowdhury Hossain Rashid & Co.)  
Chartered Accountants.  
Mohammad Hamidur Rashid, FCA

Dated, Dhaka, March 18, 2023.

