

## COAST Trust

### Meeting minutes of the 11<sup>th</sup> BoT Audit & Finance Committee meeting held on 30<sup>th</sup> April, 2016 at COAST Principal Office, Dhaka.

#### A. Member Participated

1. M. Zahirul Alam FCA, Treasurer, BoT (as BoT member participant)
2. Rezaul Karim Chowdhury, Executive Director (as staff participant)
3. Sanat K. Bhowmik, Director (as staff participant)
4. Aminul Hoque, Deputy Director-IA&ME (as staff participant)
5. Ahsanul Karim Babor, Deputy Director-FC &CA (as staff participant)
6. Tarik Sayed Harun, Asst. Director-Core Program. (as staff participant) and
7. Mostafa Kamal Akand, Asst. Director-HRM (as staff participant)

#### B. Agenda Transacted

1. Review of the last (10<sup>th</sup>) Audit Committee meeting minutes
2. Report from internal audit sections (MF program)
3. Report on Internal auditor's (Donor projects)
4. Micro finance and financial trend analysis
5. Project Information matrix
6. Statutory Fund Status report
7. Bad debt mobilization update
8. Legal procedures status (Case update)
9. Any other business

The meeting has presided by the Treasurer-BoT, COAST Trust and the major discussion and decisions of the meeting are as follows;

#### 1. Review of the last meeting minutes:

Deputy Director-ME & IA has reviewed the minutes and on its updated progress of 10<sup>th</sup> BoT audit committee meeting and the following decisions are taken for further actions;

- a. COAST management has decided to **start trial transaction through mobile banking with tow microfinance operating branch. These branches are Jinnahgor and Janatabazar** and the activities will start from May 2016. Since introducing of this mobile banking (i.e. Trans Fast, Western Union along with existing operator "Sure Cash"), there are no significant progresses observed due to its concern issue of paying "Service Charge for any transaction (either COAST or by group members)" yet to resolve. Nevertheless Meeting has advice to explore the possible strategies (through policy change advocacy with concern institution) and try to continue this action as this is a latest technology of financial management at present and for future.
- b. Meeting again expressed their concern following stagnation of checking financial security system of MF branches. Here decision made and **suggest to follow up must be done selecting top 10 branches from May 2016** based on the outstanding and volume of transaction. The follow up report will be presented in the BoT audit meeting.
- c. Meeting also informed from the management that the **cheque is being taken from staff instead of certificate to reduce misappropriation trend more effectively.** Apart from this, all BM (Branch Manager) will be oriented bi-monthly as refreshers on financial follow up process. This skill will support to our objective also.

## 2. Report from internal audit sections (MF program)

Internal audit section has presented the summary of audit findings on last quarter (Dec'15-Mar'2016). There 18 branches are audited where following major observation are critical based on the findings and related discussion;

- i. **Financial Misappropriation** Trend **observes increasing in MF program compared with last period of audit** and in terms of amount. **There are amount of tk. 5, 52,032/-** has found as misappropriation where tk. 1, 04,459/- is realized instantly and rest of the money (4, 44,573/-) did not realized as engaged staff has left the organization. Legal procedures already filed against these staff. However there are 47% staffs engaged with irregularities that reflects a reducing trend in case of engaging staff with irregularities. Meeting suggests enhancing onsite monitoring during field visit.
- ii. **Syndicate loan** There has a previous decision to declare syndicate loan by CDO instantaneously, but less reflection during latest quarter of audit. Latest audit observation reflects the number of syndicate loan is 36 in 09 branch out of 18 audited. **This 36 member has occupied 190 loans, where loan disbursed as tk. 44, 07,000. Among this disbursement, present outstanding is tk. 27, 32,846 where repayment stop from 104 members and the amount is tk. 13, 25,298.** Meeting also opined and emphasized on proper pre-investigation procedures of loan schedule to reduce the incidents.
- ii. **Transaction from daily collection** still in practice. **A few branches (06 branches found in latest audit 01-08 days).** This is a violation of PKSF rules and even impinging our internal monitoring and control system. RPCs daily monitoring seems very weak in this case; proper assessment needed why they are doing this and need to follow up with proper strategy.
- iii. Internal audit observed **fund transfer process without flowing proper process and approval** yet. The latest audit found this unauthorized fund transfer process amounting **1.08 crore among 04 branches.** Meeting has expressed deep concerned on it and recommended to make the fund transfer process through Core Operation approval that's following strictly.
- iv. **Preserving of Overdue member's documents** There was a previous decision to take approval from ED in case of documents missed of write-off members, but not followed. This is a problem especially for CDOs to identify the member those who works later and outstanding amounts are remain unrealized. However the latest audit observed in 10 branches where proper documentation and approval not done yet.

Apart from the above branches are also in practice **delivering open cheque in case of loan disbursement and vendor** payment, **salary paid without having any transfer (02 cases) and clearance letter.** These are common phenomenon and similarly critical for monitoring and financial discipline.

## 3. Report on Internal auditor's (Donor projects)

During the last quartet, Internal Audit section has audited only one donor project that is SEEDS, but there external audit conduct by the donors on CLS and RUP. The major observations are found on process irregularities and responded accordingly with necessary action.

## 4. MF Trend analysis:

Head-CO has presented the latest (July'15-Mar'16) performance of MF where it's viewed the following;

- i. COAST **micro finance program has reached its portfolio outstanding as Tk 114 crore in March 2016.** Simultaneously, the portfolio is also running with increasing trend on its member, savings accumulation and surplus generation.
- ii. **Overdue seen as increasing trend** (net increased 50 lac during the financial period) which reflecting 4.39% as PAR. Level of quality disbursement can be minimized option for this concern.
- iii. **Surplus is earned during the financial period Tk2.70 corer** as net and will be reached @ 3.00 crore end of the financial year. **The capital fund is tk. 11.00 corer** at the end of March 2016.

But the analysis has projected **a shortfall of required fund mobilization for the period of 2016 that's amount as 11.98 corer.** Following to meet up this gap, Bank financing is being explored and already Midland bank has approved tk. 5.00 crore that will be received in time. Also BRAC Bank and One Bank is pipe line and hope they will response immediately.

Head-CO also informed to the meeting to get **PKSF approval of new 06 branches opening at Noakhali and Chittagong** region those will start operation as soon as possible. Computer automation have is completed all of MF branches. Now **need to improve reporting quality with fine tuning through web-based server development**. Following the performance, meeting also suggests to study and assessment of existing product performance toward internal fund mobilization savings generation. Staff welfare fund also need to be operationalized in the regard.

**5. Project Information Matrix:**

The Director has presented a matrix on the latest scenario of ongoing project and their progress in to the meeting. **Total projects are 11 in number and total fund is taka 381.97 million**. Till the date, the projects have received the amount of tk. 171.23 million and the **fund utilization rate is 95%**.

The Executive Director has opined to reduce project dependency as the volume of MF has been increasing in COAST and its minimum portfolio would be stand @ 200 crore by 2020, where proper management emphasis will be needed.

**6. Statutory Fund Statement:**

DD-FC &CA has presented the statutory fund report and its detail status. The following assessment is made based on the reporting;

- i. There is a deficit account (1.80 lac) observed in case of LLPE which must be minimized by June 2016.
- ii. **Organization liabilities to PF and Gratuity funds have net reduced** which is an amount of 8.41 lac and 0.62 lac respectively. Meeting suggested to clear of regular PF & Gratuity of COAST operational part.
- iii. The consolidate achievement of PF investment is 45% (net fund available + Org loans), but net investment is 99.32% based on the present fund availability. In case Gratuity investment, it is (1.56 crore) 73% of total fund.

**7. Bad-debt Mobilization:**

The Director has presented the latest performance and progress on bad debt mobilization and shown that **there is 46% achievement against the target on bad debt collection during last three years**. Meeting has suggested to present CREP performance along with.

**8. Legal procedures status (Case update):**

The Asst. Director has presented the latest updating on legal actions taken against the staff engaged with misappropriation. There are **39 no of cases ongoing and 08 case will be dismissed by June 2016**. However, COAST has able to realize the amount tk. 9.27 lac in against of spending amount 5.57 lac up to the date.

**9. AoB:** There were no agenda in AoB.

The meeting has concluded with thanks from all participants having no other discussion.

Prepared by

Approved by

Aminul Hoque  
Secretary of the meeting  
COAST Trust

Dated : 30 April' 2016

M. Zahirul Alam FCA  
Treasurer- BoT  
COAST Trust