

COAST Trust

Minutes of the 14th Pre-BoT Audit & Finance Committee meeting held on 15 April' 2017 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- ME & IA (as staff participant)
5. Ahsanul Karim Babor, Deputy Director-FC &CA (as staff participant) and

B. Agenda Transacted

1. Review of the last (13th) Audit Committee meeting minutes
2. Report from internal audit sections (MF program)
3. Micro finance and financial trend analysis
4. Project Information and progress
5. Report on bad debt mobilization
6. Report on legal action and procedures
7. Any other Business (AoB)

The meeting has been 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:

Executive Director has reviewed the minutes and on its updated progress of 13th BoT audit committee meeting and the following decisions have been taken for further actions;

- a. **Agent Banking:** COAST has renewed its focus on agent banking system instead of mobile banking as the mobile banking is not able to reach to the client of micro finance facing potential barriers like high cost of transaction and other infrastructure deficiencies. At present Midland Bank has agreed to work with COAST introducing agent banking and negotiation is ongoing with Bank Asia for this purpose. COAST also started negotiation with DBBL mobile banking [Rocket mobile banking] service as this has introduce new package for MF clients which assumed low cost.
- b. **Follow up top-10 branches based on the outstanding:** Chokoria and Lalmohon branches will be divided into two separate official branches as because of its outstanding has crossed more than 5.00 corers each. **The meeting has advised to put extra follow up in view of financial security measures** and advised to DD-FC&CA developing format selecting specific monitoring indicator for security checking of top-10 outstanding branch and will submit formal report for BoT meetings.

2. Report from internal audit sections (MF program)

Internal audit section has presented the summary of audit findings on last quarter (Dec'16-March'17). There 29 branches are audited and following major observations are critical based on the findings and related discussion;

- i. **Financial Misappropriation:** Misappropriation **observe increased in latest audit**. The amount of misappropriated money is **tk. 9, 21,236/-**. The major portion of misappropriation happened in two branch (Eidgah-6, 13,292/- and Vatiary-1, 54,472/-). **126 staff (66%) staff found engaged with these incidents though amount is small in case of others**. Following the scenario, senior management have expressed their worried and concerned for lack of appropriate legal action in

some cases (e.g. Mahabub Alam, BM-Halisahar). **Meeting also advised to take following actions** in view of future improvement of MF management;

- i. Audit summary must be produced instantly after audit and will be discussed among Core-Op group. Also audit hearing will be complete within week those are engaged with irregularities.
- ii. AM/RPC will come in audit hearing if OD (Overdue) increase or any management fault.
- iii. Study on Eidgah and Vatiary financial irregularities [Committee members are DD-ME&IA]
- iv. Study on migration issues in Halisahar branch [by DD-ME &IA]
- v. Study on syndicate loans where reported [Director]

Meeting **suggested to filing case against BM-Mahabub Alam** and suspended equal amount of PF/gratuity of Md. Farid (H-CoP) and respective AM who are responsible to follow up dealing the issues.

- ii. **Syndicate loan** Latest audit observation reflects the number of syndicate loans in 21 branches out of 29 audited. There are **70 member have captured 362 no of loans. Present outstanding of these loans are as tk. 64, 18,566/- and overdue is tk. 14, 62,718/- (23% of outstanding loan) which is increasing trend.** This scenario looks high trend and chair of the meeting has expressed his concern and advised to place the detail study and action plan on syndicate loan in the meeting.

Apart from the above observations, audited branches are also in practice of fund transferring without taking any formal approval, loan disbursement violating rules & process and salary paid without clearance letter. These are common phenomena and similarly critical for monitoring and financial discipline.

3. MF Trend analysis: DD-ME & IA presented the latest (July'16-Feb'17) performance of MF where it's viewed the following;

- i. **COAST micro finance program has reached its portfolio outstanding as BDT 153 corer in Feb' 2017.** Simultaneously, the portfolio is also running with increasing trend on its member (1.03 lac.), savings accumulation (51.19 cr.) and surplus generation (6.87 cr.) during last 07 month.
- ii. **Overdue seen as increasing trend** (net overdue is stand as 4.95 crore in reported month Feb'17) which reflecting 3.9% as PAR. Vertical growth of disbursement and portfolio has minimized this option of current OD trend.
- iii. **Accumulated Surplus:** The accumulated surplus has created the capital balance as 20.30 crore in Feb'17. Currents surplus is also observing as increasing trend with net figure 1.00 corer plus in every month.

Nevertheless, the **meeting has expressed their opinion** on following issues;

- a. Member accumulation observe as static and net member accumulation is negative (-219) figure at the end of Feb'17 comparing with July'16. **So package need to review ASAP.**
- b. Study on non-borrower member, in view of savings mobilization and disbursement etc.
- c. Detail information on bank financing to be placed in regular basis in BoT meeting.
- d. Budget analysis will be presented in case organizational expenditure made during the period.

4. 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 14 in number up to March 2017 where three projects have closed as their implementation period over. The calculated budget for these projects were taka 349.73 million. Till the date, the projects have received the amount of tk. 222.73 million and the fund utilization rate is 95%.

5. Bad-debt Mobilization:

The Director has presented the latest performance and progress on bad debt mobilization and shown that there is 37% achievement against the target on bad debt collection during last year's. Meeting suggests resume to presenting CREP overdue performance in the meeting.

Meeting advised to DD-FC& CA to check the source documentation process on bad-debt collection in field with sitting weekly review by Director and AD-SA&DRR.

- 6. Legal procedures status (Case update):** There are 37 no of cases ongoing following the latest information on March'2017. However, COAST has able to realize the amount tk. 8.81 lac in against of spending tk. 5.17 lac up to the date. Negotiation is running and hopes to set aside at least five cases by May 2017.

AoB: There were no agenda for discussion in AoB.

Chair of the meeting has concluded with thanks to all participants as there has no other discussion.

Prepared by

Approved by

Aminul Hoque
Secretary of the meeting
COAST Trust

Dated: 15 April' 2017

M. Zahirul Alam FCA
Treasurer- BoT
COAST Trust