

# Financial Management review and Strategic Planning

Date: 9-10 February 2022

Venue: COAST Charfassion Center,  
Charfassion, Bhola



## **Objectives of the Review:**

- ☐ To review the financial management, governance and internal control.
- ☐ To find out risk factors and its reduction
- ☐ Measuring the financial strength and its stability.
- ☐ To increase skill/capacity of human resources.
- ☐ To keep book and accounts in International Accounting standard.
- ☐ Review policy gaps comparing with country law and donor requirement
- ☐ SWOT analysis (Strengths, Weakness, Opportunity and Threat)

# Methodology of the Workshop:

- PPT Presentation
- Group Discussion and Presentation
- Teambuilding game
- Consultant opinion



## Participant: Total 19 participant including one external consultant

Sector/Office	Staff No
MF Branch	2p
UNCEF-Edn	1p
GIZ-Justice Project	1p
CJRF	1p
SDF-Aquaculture	1p
UNICEG-CP	1p
Tearfund	1p
ACCORD	1p
MJ-CEPI	1p
Principal Office	8p (including 1 from MF)
Consultant	1p
Total	19p

### Consultant:

Md. Moinul Haque, Director - Accounting and Finance **Room to Read Bangladesh**. Serve as lead person of Finance, Grants and Partnership management for almost last 18 years out 21 years career in different reputed national and international development organizations. He has remarkable working experience in Finance & Administration department at leading international organization like **Plan International Bangladesh, Room to Read Bangladesh, WaterAid Bangladesh, CARE Bangladesh, CONCERN Worldwide**, and leading grants channeling organization like **Manusher Jonno Foundation (MJF)** in Bangladesh.





## Know thyself:

Area of	Where we were ( 1999)	Where we are ( 2022)
<b>Financial position</b>	<ul style="list-style-type: none"> <li>➤ Capital fund – Tk. 57lakh</li> <li>➤ Fixed asset – Tk. 4.9cr</li> <li>➤ Current asset – Tk. 93 lakh</li> <li>➤ MF loan outstanding – Tk.6.1cr</li> <li>➤ Group member savings-Tk.2.7cr</li> <li>➤ Loan insurance – Tk.2.7cr</li> <li>➤ Yearly Donor grant – Tk.1.1cr</li> </ul>	<ul style="list-style-type: none"> <li>➤ Capital fund – Tk.39.5cr</li> <li>➤ Current asset –Tk. 86.5cr</li> <li>➤ Fixed Asset –Tk. 35.8cr</li> <li>➤ MF loan Outstanding-Tk. 309.2cr</li> <li>➤ Group member savings – Tk. 120.7cr</li> <li>➤ Staff Gratuity Fund – Tk. 19 cr</li> <li>➤ Staff Provident Fund – Tk. 13.9cr</li> <li>➤ Staff welfare Fund- Tk.5.9 cr</li> <li>➤ Member welfare Fund – Tk.12.7cr</li> <li>➤ Total annual budget -Tk. 929.8cr</li> <li>➤ Annual operational budget –Tk.87cr</li> <li>➤ Yearly donor grants –Tk.21cr</li> </ul>
<b>Human Resource</b>	<ul style="list-style-type: none"> <li>➤ 2 Br. accountant , 2 project accountant and 2 operational</li> <li>➤ No professional accountant</li> </ul>	<ul style="list-style-type: none"> <li>➤ 102 Br accountant, 15 project accountant , 9 in PO</li> <li>➤ Average educational background of senior is M.Com</li> <li>➤ 5 professional Accountant ( CA CC)</li> </ul>

## Know thyself: ..... P2

Area of	Where we were ( 1999)	Where we are ( 2022)
<b>Governance</b>	<ul style="list-style-type: none"> <li>➤ Executive committee</li> <li>➤ External audit appoint by ED</li> </ul>	<ul style="list-style-type: none"> <li>➤ GC and EC committee</li> <li>➤ Audit committee</li> <li>➤ External auditor appointment by EC</li> <li>➤ At least four EC and one AGM meeting in a year</li> <li>➤ Professional and experience Treasurer (FCA)</li> <li>➤ Recognized Staff Provident Fund</li> <li>➤ Compliance with govt. rules and regulations</li> <li>➤ Preparation and submission income tax and withholding tax return</li> <li>➤ Applied for VAT registration</li> </ul>
<b>Policy guideline</b>	<ul style="list-style-type: none"> <li>➤ Finance policy</li> </ul>	<ul style="list-style-type: none"> <li>➤ Approved Financial, Procurement and Emergency procurement policy</li> <li>➤ Money laundering policy</li> <li>➤ Financial risk assessment policy</li> <li>➤ Anti-corruption policy</li> </ul>
<b>Accounting and reporting system</b>	<ul style="list-style-type: none"> <li>➤ Single entry</li> <li>➤ Manual book keeping and reporting system</li> <li>➤ Didn't follow International Accounting Standard</li> <li>➤ Error in Financial report</li> </ul>	<ul style="list-style-type: none"> <li>➤ Double entry system</li> <li>➤ Software based book keeping</li> <li>➤ Accounts maintain according to International Accounting system</li> <li>➤ Timely preparation and submission of financial report</li> <li>➤ Timely Preparation of consolidated accounts including external audit report.</li> <li>➤ Managing income tax and VAT related issues without third parties</li> <li>➤ Errorless financial reporting</li> </ul>

## Staff Qualification comparison:

Sector	2017				2022			
	Total Staff	Education background	CA Professional	Staff turnover rate	Total Staff	Education background	CA Professional	Staff turnover rate
MF	66	HSC	-	35%	102	HSC	-	20%
PO	7	M.Com	3	10%	9	M.COM	4	0%
Donor Project	16	B.Com	-	15%	15	B.Com	1	0%

## Financial policy gaps and laps comparing with country law and donor requirement

Need to be include	
<ul style="list-style-type: none"> <li>➤ Basis of accounting</li> <li>➤ Grants received, disbursement and management</li> <li>➤ Refunds of grants received</li> <li>➤ Valuation and keeping system of donation in kind</li> <li>➤ Income Tax VAT and other government compliance</li> <li>➤ Loan to project</li> <li>➤ Documentation retention policy (Both for the organization/ Donor and Government authority)</li> <li>➤ Data backup policy</li> </ul>	<ul style="list-style-type: none"> <li>➤ Unallowable Expenditure</li> <li>➤ Conflict of interest</li> <li>➤ Role of Finance staff</li> <li>➤ Cost sharing policy</li> <li>➤ Overhead policy</li> <li>➤ Calculation of ICR ( Indirect cost ratio )</li> <li>➤ Stakeholder/Staff/Vendor vetting system</li> <li>➤ Vendor enlistment</li> <li>➤ Insurance policy</li> </ul>

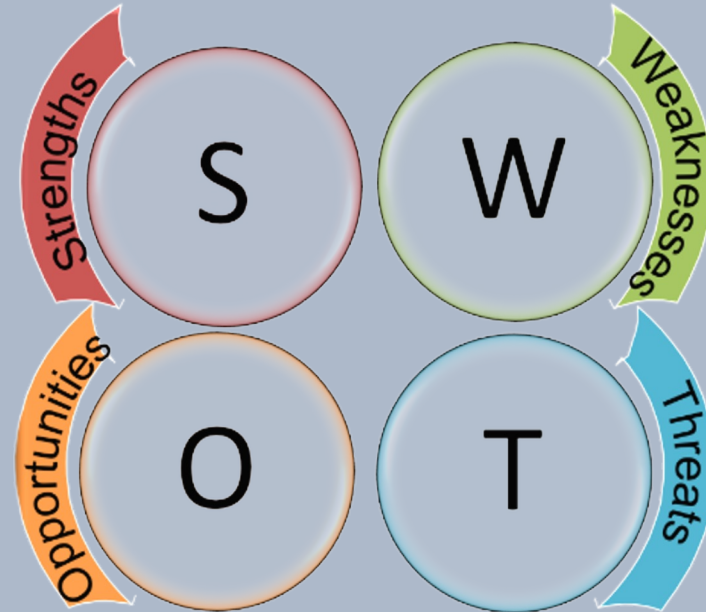
## Last 5 years budget (2017 to 2022)

Program	2021-22	2020-21	2019-20	2018-19	2017-18	Budget increase in last 5yr (%)
	Budget in Cr	Budget in Cr	Budget in Cr	Budget in Cr	Budget in Cr	
Micro Finance	62.31	48.43	48.17	40.72	38.33	63%
	29%	0.54%	18%	6%	54%	
Donor Project	21.27	18.74	32.01	18.30	8.89	139%
	14%	-41%	75%	106%	-11%	
Central Oper	3.81	2.74	2.34	2.15	1.86	105%
	39%	17%	9%	16%	-47%	
Total Budget	87.39	69.90	82.52	61.17	49.08	78%



## SWOT (Strength, Weakness, Opportunity and Threat) Analysis:

- a) Staff capacity (Human Resource)
- b) Governance
- c) Reporting System
- d) Compliance
- e) Stock and Asset Management
- f) Internal control policy
- g) Maintaining Books of Accounts
- h) Grant Management



## SWOT : Staff Capacity (Human Resource)

Strength	Weakness
<ul style="list-style-type: none"> <li>a) Sector based sufficient finance staff</li> <li>b) Less % of staff turnover</li> <li>c) Experience &amp; Professional accountant in PO</li> <li>d) Can handle all type of financial activities</li> <li>e) Error free financial report preparation</li> <li>f) Timely report preparation and submission</li> <li>g) Knowledge in Govt. and donor compliance</li> <li>h) Operate accounting software</li> <li>i) Can do work independently</li> <li>j) Aware about policy and guidelines</li> <li>k) Budget preparation</li> <li>l) Donor communication</li> <li>m) Deadline maintain</li> </ul>	<ul style="list-style-type: none"> <li>a) Less experience staff in field level</li> <li>b) No professional accountant in field level</li> <li>c) HSC background branch level accountants</li> <li>d) Supportive supervision</li> <li>e) Insufficient number of professional accountant</li> <li>f) Written job responsibility</li> <li>g) Field level and branch level staff are not well aware about govt. compliance, specially VAT &amp; TAX issues</li> <li>h) In preparation of the financial statement, most of the project accountants are dependent on central level staff</li> <li>i) Not comfortable taking risk</li> <li>j) Job Insecurity</li> <li>k) Self-critical/sensitivity</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>a) Can handle more projects and Br. accounts.</li> <li>b) Need based orientation and in-house training may enhance the capacity of the existing staff</li> </ul>	<ul style="list-style-type: none"> <li>a) Due to job insecurity staff turnover may increase</li> <li>b) Lack of specific job responsibility for respective staff may</li> <li>c) Lack of knowledge on govt. compliance may create legal threat</li> <li>d) Inadequate experience in respective sector can</li> </ul>

## SWOT : Financial Reporting System and Record keeping

Strength	Weakness
<ul style="list-style-type: none"> <li>a) Software based recording system</li> <li>b) Able to generate financial report by software</li> <li>c) Auto generated reporting system</li> <li>d) Monthly expenditure tracking system</li> <li>e) Reporting system as per requirement of PKSF, NGOAB, MRA and Donors</li> <li>f) Management reporting system</li> <li>g) Sector wise financial statement preparation</li> <li>h) Preparing consolidated accounts</li> <li>i) Daily basis cash book closing and control cash in hand and CQ book</li> </ul>	<ul style="list-style-type: none"> <li>a) Oper. and project accounting software is not online based</li> <li>b) All staff are not capable to operate accounting software</li> <li>c) Different accounting software for different sector</li> <li>d) Difficult to generate financial statement as per requirement</li> <li>e) Final payment transfer from PO to staff a/c through EFT</li> <li>f) No financial dashboard for management to know the overall financial position at a glance</li> <li>g) In some cases project manipulate the financial figure</li> <li>h) FIS/Budget variance not review by PC/TL properly.</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>a) Software based accounting system decrease error in recording and save working hours</li> <li>b) Management can bring all the financial sector under one umbrella (one software for all)</li> <li>c) By following accounting guidelines for fund management system, legal threat can be avoid.</li> </ul>	<ul style="list-style-type: none"> <li>a) Fund accounting and reporting system may cases legal issues</li> <li>b) Manipulated financial report will create financial threat</li> </ul>

## SWOT : Stock and Asset Management

Strength	Weakness
<ul style="list-style-type: none"><li>a) Sector, Branch and project wise Fixed asset and inventory register</li><li>b) Asset management policy</li><li>c) Asset user agreement system</li><li>d) Monthly reporting system for essential asset</li><li>e) Quarterly reporting system</li><li>f) Asset verification system</li><li>g) Asset record and deprecation system according to Int. Accounting standard</li></ul>	<ul style="list-style-type: none"><li>a) No software based asset management system</li><li>b) Lack of systematic and periodic inventory system</li><li>c) Weak asset transfer system</li><li>d) Over valuation of fixed asset</li><li>e) No policy for valuation and recording of donation in kind</li><li>f) No adequate insurance policy</li><li>g) Do not maintain inward and outward register</li><li>h) Inventory value shown in financial statement, but physically there is no inventory</li></ul>
Opportunity	Threat
<ul style="list-style-type: none"><li>a) By establishing a digital and systematic asset management system organization can save its asset and stock</li><li>b) Proper valuation and evaluation of asset, reduce financial risk and loss of organization.</li></ul>	<ul style="list-style-type: none"><li>a) Overvaluation of asset may causes financial loss</li><li>b) Due to weak asset management system, it may lost or theft</li><li>c) As all the assets are not under insurance coverage so there is limited scope to recovery accidental benefit</li></ul>

## SWOT : Internal Control Policy

Strength	Weakness
<ul style="list-style-type: none"> <li>a) Proper delegation of authority</li> <li>b) Segregation of duty</li> <li>c) Separate Internal Audit Department</li> <li>d) Experience audit team</li> <li>e) Head of internal audit directly reportable to ED</li> <li>f) Finance staff cannot join in any procurement</li> <li>g) Finance staff cannot be cheque signatory</li> <li>h) Software based accounting system</li> <li>i) Online and off line monitoring</li> <li>j) Monthly audit meeting</li> <li>k) Audit hearing based on audit findings</li> <li>l) Pre-EC Audit and finance meeting by Treasurer-EC</li> <li>m) Separate procurement committee</li> </ul>	<ul style="list-style-type: none"> <li>a) Financial approval without recommendations of fiancé department</li> <li>b) Project budget finalize without recommendation of finance department</li> <li>c) Lack of professional and capable internal auditor</li> <li>d) Lack of analysis risk management</li> <li>e) Selection of delegation of authority</li> <li>f) Lack of onsite and offsite monitoring</li> <li>g) Weak reporting system</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>a) By strengthening financial monitoring system organization can secure its assets and resources</li> <li>b) By introducing a software based audit system, organization can reduce financial risk</li> </ul>	<ul style="list-style-type: none"> <li>a) Inappropriate selection of delegation authority may increase financial risk</li> </ul>

## SWOT : Grants Management

Strength	Weakness
<ul style="list-style-type: none"> <li>a) All grants received through mother bank account</li> <li>b) Every project has separate bank account</li> <li>c) Fund transfer from mothers account to project account within 3 days</li> <li>d) Chairperson, Treasurer and ED are signatory of mother bank account</li> <li>e) Bank operate by joint signature</li> <li>f) Grant refund through mother account</li> <li>g) Take pre-approval from NGOAB for loan to project.</li> <li>h) Projects FD-4 accounts for NGOAB</li> </ul>	<ul style="list-style-type: none"> <li>a) No separate for grant management.</li> <li>b) Less grants than others equivalent organization</li> <li>c) Less experience project accountant</li> <li>d) Management behavior (with PC or avoiding PC and communicate with lower staff)</li> <li>e) Most of the running project are FDMN related</li> <li>f) Project approval from NGOAB</li> <li>g) Getting Local authority certificate</li> <li>h) Relation with local authority and stakeholder</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>a) Organization has capacity to handle more grants and projects</li> <li>b) Strengthening, relationships with local authority and stakeholders may eliminate the local obstacle</li> </ul>	<ul style="list-style-type: none"> <li>a) Receive grants from UN blacklisted agency</li> <li>b) Organization can be blacklisted if receive grants or others benefit from blacklisted organization/Person</li> <li>c) Project overhead and management cost reduced</li> <li>d) Getting approval from NGOAB and certificate from local authority, going difficult.</li> <li>e) IP contribution is going higher than any time</li> </ul>



# Thank You ...

Team:

**Faruk, Tariqul, Ali Abbas, Sipon, Anwar, AKB**