

## COAST Foundation

### Minutes on 32<sup>nd</sup> Pre-EC Finance & Audit Committee meeting.

Held on Zoom Online, Date: 28 July 2023, at 10.00am to 12.00pm.

#### A. Member Participated

1. Dr. Tofail Ahemd, Chairperson-GC/ and EC.
2. Md. Mostafa Kamal Ahmed, FCA (Treasurer-GC and EC)
3. Rezaul Karim Chowdhury, Executive Director [ED] and Member Secretary-GC and EC.
4. Sanat Kumar Bhowmik, Deputy Executive Director (as staff participant).
5. Aminul Hoque, Director- ME & IA (as staff participant).
6. Ahsanul Karim Babor, Director- FCC&EA (as staff participant)
7. Tarik Sayed Harun, Director- Core Program (as staff participant)
8. Mostafa Kamal Akand, Director- Admin & SR (as staff participant)

#### B. Agenda Transacted

1. Minutes [31<sup>st</sup> Meeting] Review.
2. Report from internal audit sections (MF program and Projects)
3. MF Trend Analysis [July 22 to Jun 2023].
4. Annual Business Plan of MF [2023-24 FY]
5. Financial Trend and Budget Variance [July 22-June 23].
6. Budget 2023-24 & Comparison Last Yr.
7. Income Statement 2022-23 & Plan 23-24
8. Operation Budget and Source of Fund.
9. Update on Legal Procedures [Cases against staff and Members]
10. External Audit for 2022-23 FY and update.
11. Any other Business (AoB).

#### C. Decision Matrix

| Sl | Agenda                          | Decision   | Remarks   |
|----|---------------------------------|--|---|
| 01 | 31 <sup>st</sup> Minutes Review | <p>- Executive Director reviewed the 31<sup>st</sup> meeting minutes and brief the following highlights as;</p> <p>i. <b>Gratuity Fund registration</b> is important for Tax exemption on staff final payments. ED discussed the new gratuity policy, that is being revised by following a balance and effective for COAST and staff. He also expresses the need to immediate submission to the NBR for registration purpose, but after primary approval from EC.</p> <p>Treasurer mentioned that he is interested to be involved here to expedite the registration process.</p> <p>ii. <b>Dinner meeting with Bankers</b> could not conduct according schedule but planning to do it very soon. ED mentioned that MRA and PKSf representatives will also be invited to this dinner. Treasurer advised that the dinner should be after the hot weather.</p> <p>iii. ED informed that the problems with Tax issues have been resolved and now he will directly handle the issues. He also mentioned that during the year of 2021-22 the Tax and VAT have deposited to the NBR with an amount of 1.10 crore and during 2022-23 it is 1.25 crore. He also mentioned that now we do not make any due of the deposition of tax and vat for the organization. A workshop will be arranged for all account and finance personnel to make them clear about the tax and vat issues.</p> | <p>Its ongoing.</p> <p>Revise plan needed.</p> <p>Its already solved.</p> |

| SI | Agenda                            | Decision  | Remarks                                 |
|----|-----------------------------------|---|---|
|    |                                   | <p>iv. <b>37 MF branch and 02 donor project are audited</b> during the previous meeting period and identified the misappropriation amount tk 7,741,40/-. Case filed against staff tk. 371792/- but after realization some amount now it stand as Tk. 2,20,432/-</p> <p>ED opined to give a flexibility with financial discount to settle the cases if possible. Director-CP informed, we can do it as the cases filed against the staff with increase figure some time giving discount to set-aside the cases.</p> <p>v. <b>MF portfolio run with Tk. 509.20 cr. outstanding</b> through operating of 110 branches on Mar 23 observed at last meeting. Capital fund accumulated as Tk. 77.00 crore during same period.</p> <p>ED informed that as per PKSf study COAST own capital fund is less than other MFIs. So, it should be increased. The Chairperson advised to make a plan to reach the capital fund with an amount of 100 crore by December 2023.</p>   | Performance satisfactory as per Target. |
| 02 | Report from Internal Audit        | <ul style="list-style-type: none"> <li>- <b>30 MF branch and 02 donor project are audited</b> during the period from April to June 2023.</li> <li>- <b>Tk. 1, 03,240 /- identified as misappropriation</b> by 49 (25%) staff where 100% amount realized. The new audit approach facilitate scope for staff for balancing audit and reconciliation the balance if error happened during the period. IA now focusing to audit the financial system practiced in the branches.</li> <li>- Apart some traditional irregularities like lack of procedural practice in loan disbursement and savings transaction are common observation during the audit but solved instantly.</li> </ul> <p>However, the Treasurer advised that if there will be more audit then the trend of irregularities will be reduced. <b>The Chairperson advised conducting a study after six months about the impact of the new approach comparing the previous.</b> ED mentioned that the new procurement policy is being implemented and now the procurement system is in place with minimum findings.</p> <ul style="list-style-type: none"> <li>- Two donor projects [UNICEF and Tear Fund projects] are audited from IA section. Audit has identified financial irregularities an amount of 34782/-. Tk. 18,202/- is recovery and disciplinary action taken against the staff responsible.</li> <li>- Apart a few observations are procedural especially lack of following the procurement and updating the documents. All are solved during audit.</li> </ul> | ==                                      |
| 03 | MF Trend Analysis up to June 2023 | <ul style="list-style-type: none"> <li>- At the end of June 2023, total branches are 115. Total member in MF program is 1.59 lac and number of loanee is 1.29 lac (81% of member). Performance trend observed as satisfactory growth as per target during the financial year.</li> <li>- Total MF portfolio is stand on June'23 as Tk. 532.35 cr. Income over the period is 107.77 corer and Expenditure made as 79.60 corer at the same time. Rate of Surplus 24%.</li> </ul>  |   |

| SI | Agenda                             | Decision  | Remarks |
|----|------------------------------------|---|---------|
|    | MF Trend Analysis up to June 2023. | <ul style="list-style-type: none"> <li>- Surplus is observed increasing trend [180% achievement than target] during this financial year. In 2022-23 financial year, MF program has made a net surplus as tk. 28.17 cr.</li> <li>- Accumulated Capital fund is stand as tk. 86.15cr. in June 2023.</li> <li>- PAR [Portfolio at Risk] is 6.3% is observe as static condition but the target is to go below 5%.</li> </ul> <p>- Director also presented an analysis on following portfolio management indicators.</p> <ul style="list-style-type: none"> <li>- Salary cost 38% of total operational expenditure which is below national standard and average.</li> <li>- Cost of fund 22% a little bit high due to fluctuation of funding &amp; interest provision.</li> <li>- Admin cost is 10%.</li> <li>- Bank Liability is 87.34 cr. at present which is 15% of total fund. and</li> <li>- Debt to Equity” ratio is 5.22:1. Portfolio yield is 21.04% and Return on Asset is 5.69%. Based on the indicators, organization has gained the Credit Rating “A” for long term and ST-3 for short term perspective with stable outlook.</li> </ul> <p>The Chairperson advised to prepare the road map for reaching 1000 crore portfolio by 2027. He also mentioned that for ENRICH Program there should be conducted an impact study to know the situation. The ED also mentioned that if possible, this program should be extended to other climate change hotspot areas. PKSf shares 70% cost and organization shares 30%. The Chairperson expressed his interest to visit the ENRICH Program. ED instructed D-CP to arrange a plan including the Chair of PKSf.</p> <p>The ED mentioned that we should start the separate unit for enterprise development on tourism, education, crab culture, dry fish etc. ED said that we should start the campaign for accessing in the foreign fund and stock market. He also mentioned that we will try to start digital banking and it will be possible if the capital fund will be 100 crores.</p> <p>Director-Core Program informed that for any transaction, the borrowers receive a mobile SMS. He also informed that an agreement with bKash has been made so that the borrower can pay the instalment through MFS [Mobile Financial Service]. ED informed that we are trying to make Micro Finance Program as cashless system. The Chairperson advised taking more funds from banks and other financial institutions. He also advised to present the asset and depreciation status in the next meeting.</p> |         |
| 04 | MF Business Plan 2023-24           | <p>Director-CP presented the BP of financial year 2023-24 where gross achievement is calculated 108.5% during last financial year 2022-23.</p> <p>100% achievement is done in the sector of Members, Savings collection, Capital Fund accumulation and Expenditure control etc. but less achievement is observed in Loan disbursement due to fund shortage. He presents the new target for 2023-24 as following.</p> <ul style="list-style-type: none"> <li>i. New branch open 10-15.</li> <li>ii. Member target 1.80 lac [14% growth projection]</li> </ul>  |         |

| SI | Agenda   | Decision   | Remarks |
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|    |  | iii. Loan disbursement Tk. =1293 cr. [35% growth]<br>iv. Outstanding Balance Tk. =704 Cr. [30% growth]<br>v. Bank Financing Tk. =189 Cr.<br>vi. Capital Fund accumulation Tk. = 121 Cr. [40% growth]<br><br>However, the Treasurer opined that the target should not be conservative, it should be competitive. Then the capacity of the staff as well as the organization will be increased.  |         |
| 05 | Financial Trend and Budget Variance [July-June' 2023 | This not presented due to shortage of time and detail will be presented in EC Meeting tomorrow on 29 July.   |         |
| 06 | Update Legal Procedures [Cases against staff]        | <ul style="list-style-type: none"> <li>- As on the end of June 2023, there are 103 cases are running. During the auditing quarter 05 new cases added and 01 case has reached the solution. New cases are filed against the member beneficiaries due to made them loan defaulter.</li> <li>- Director-Admin. &amp; SR informed that by next meeting at least 20 police cases will be resolved. He also informed that the negotiation is being continued with the family of Faruk Hossain to settle his case and he expected by next month this case will be settled down.</li> </ul> <p>The Chairperson advised to reduce the police case as much as possible. The ED mentioned that we are trying to negotiate the cases with the accused persons and their families to settle the case by giving them some subsidy.</p> <p>The treasurer advised that if we strengthen the monitoring then the misappropriation will be reduced and simultaneously filing of police cases will also be reduced.</p> |         |
| 07 | Update on Selecting the External Auditor             | <ul style="list-style-type: none"> <li>- Director- ME &amp; IA informed that SF Ahmed &amp; CO. is finally selected for 2022-23 financial auditing and they will start their work from 30 July. Financial statement of MF program is prepared and submitted to auditor and the work going on to compile the organizational Financial Statement and completed by this month.</li> </ul>   |         |

**Aminul Hoque.**  
**COAST Foundation.**