

**PRIVATE & CONFIDENTIAL**

***Auditors' Report***  
**&**  
***Financial Statements***  
**of**  
***Microfinance Program***  
**of**  
**PEOPLE'S WELFARE FOUNDATION**  
**For the Year ended June 30, 2018**



**অমল এন্ড লীনা**

**Amal & Leena**

***Chartered Accountants***

**Office Address:**

Razzak Plaza (6th Floor),  
383, Tongi Diverson Road,  
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## People's Welfare Foundation

Village: Kaitra, Post Office: Uttar Gazipur Upazila: Laksam, District: Comilla Bangladesh

For the year ended June 30, 2018

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**INDEPENDENT AUDITORS' REPORT**

**To the Members of General Body**

People's Welfare Foundation  
Village: Kaitra, Post Office: Uttar Gazipur  
Upazila: Laksam, District: Comilla  
Bangladesh

We have audited the accompanying financial statements of the **People's Welfare Foundation** which comprise the Statement of financial position as on June 30, 2018, and the Statement of Comprehensive Income, Statement of Cash Flows, Receipts and Payment Statement, Statement of Changes in Equity for the year then ended June 30, 2018 and a summary of significant accounting policies and other explanatory information.

**Management Responsibility for the Financial Statements**

Management of People's Welfare Foundation is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA), as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in financial statements.

**Opinion**


In our opinion, the Financial Statements present fairly, in all material respect, the financial position of the People's Welfare Foundation as at June 30, 2018. And its financial performance and its cash flows for the year then ended June 30, 2018 in accordance with International Financial Reporting Standards (IFRS) and other applicable laws regulations including MRA guideline.

**We also report that:**

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof.
- In our opinion, proper books of accounts as required by law and MRA Act & Rules have been kept by the People's Welfare Foundation so far as it appeared from our examination of those books; and
- In our opinion, the statement of financial position and the statement of comprehensive income dealt with by the report are in agreement with the books of accounts.
- Guidelines on prevention of Money Laundering and Terrorist Financing issued by Bangladesh Bank have been complied with.

**Dated, Dhaka**  
08 September, 2018



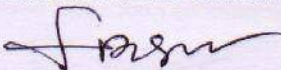
  
**Amal & Leena**  
Chartered Accountants

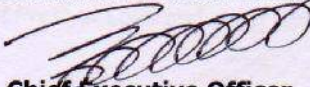
**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Statement of Financial Position**  
As at June 30, 2018

Properties and Assets	Notes	2017-2018 Taka	2016-2017 Taka
<b>Non-Current Assets</b>			
Property, plant and Equipment	6	173,979.00	175,528.00
<b>Total Non-Current Assets</b>		<b>173,979.00</b>	<b>175,528.00</b>
<b>Current Assets</b>			
Loan to Members	7	32,628,486.00	28,123,908.00
Short-term Investment	8	1,830,165.00	1,923,432.00
Advances, Deposits and Prepayments	9	1,059,500.00	336,900.00
Cash in Hand and at Bank	10	1,692,475.00	555,828.00
<b>Total Current Assets</b>		<b>37,210,626.00</b>	<b>30,940,068.00</b>
<b>Total Properties and Assets</b>		<b>37,384,605.00</b>	<b>31,115,596.00</b>
<b>Capital Fund and Liabilities</b>			
<b>Capital Fund</b>			
Cumulative Surplus	11	4,275,476.00	3,009,114.00
Reserve Fund	12	475,053.00	334,346.00
<b>Total Capital Fund</b>		<b>4,750,529.00</b>	<b>3,343,460.00</b>
<b>Current Liabilities:</b>			
Loan from Mac Foundation	13	-	60,000.00
Loan from Bank	14	13,083,330.00	11,816,666.00
Loan from Other Source	15	3,400,000.00	2,500,000.00
Members Savings Deposits	16	12,304,670.00	10,167,776.00
Members Apadkalin Fund	17	1,497,615.00	1,020,792.00
Loan Loss Provision	18	1,603,384.00	1,591,441.00
Staff Provident Fund	19	670,077.00	481,131.00
Staff Security Fund	20	75,000.00	58,000.00
Interest Provision for Loan		-	76,330.00
<b>Total Current Liabilities:</b>		<b>32,634,076.00</b>	<b>27,772,136.00</b>
<b>Total Capital fund and Liabilities</b>		<b>37,384,605.00</b>	<b>31,115,596.00</b>

The annexed notes form an integral part of the Statement of Financial Position.

  
**Chairman, Governing Body**  
People's Welfare Foundation

  
**Chief Executive Officer**  
People's Welfare Foundation

This is the Statement of Financial Position referred to in our separate report of even date.

Dated, Dhaka  
08 September, 2018

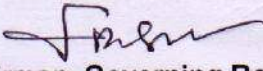
  
**Amal & Leena**  
Chartered Accountants

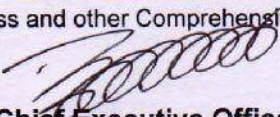


**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)  
**Statement of Profit or Loss and other Comprehensive Income**  
For the year ended June 30, 2018

Particulars	2017-2018 Taka	2016-2017 Taka
<b>Income</b>		
Service Charge on Loan	7,990,301	6,474,766
General Member Subscription Fees	2,000	2,000
Received from Admission Fees	10,705	9,000
Received from Loan Application Form	8,900	8,460
Received from Pass Book	14,410	13,040
Bank Interest	66,360	24,322
Bank Interest on FDR	71,213	110,780
Other Income	70,014	50,629
<b>Income</b>	<b>8,233,903</b>	<b>6,692,997</b>
<b>Expenditure</b>		
Salary and Allowance	3,014,097	2,478,064
Office Rent	167,100	142,000
Travelling and Transportation	313,547	226,623
Repairing and Maintenance	40,298	59,956
Electricity	56,506	39,952
Fuel and Lubricants	21,040	62,579
Postage, Telephone and Fax	40,332	30,612
Office Stationery	50,825	46,752
Printing	12,950	19,469
General Expenses	28,357	33,650
Bank Charge and Commission	51,816	37,152
Newspapers and Periodicals	5,165	7,972
Staff Training	4,500	-
Entertainment	35,094	39,467
Interest Paid on Savings Fund	550,242	468,695
Interest on Borrowed Fund	1,514,425	1,387,174
Interest on Staff Provident Fund	30,679	26,771
Audit Fees	7,000	5,000
Loan Loss Expenses	693,683	850,438
Service Charge Reabte	114,199	21,655
Software Maintenance	18,810	18,810
Depreciation	56,169	42,120
<b>Total Expenditure</b>	<b>6,826,834</b>	<b>6,044,911</b>
<b>Excess of Income over Expenditure</b>	<b>1,407,069</b>	<b>648,086</b>
<b>Total</b>	<b>8,233,903</b>	<b>6,692,997</b>

The annexed notes form an integral part of the Statement of Profit or Loss and other Comprehensive Income.

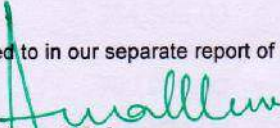
  
**Chairman, Governing Body**  
People's Welfare Foundation

  
**Chief Executive Officer**  
People's Welfare Foundation

This is the Statement of Profit or Loss and other Comprehensive Income referred to in our separate report of even date.

Dated, Dhaka  
08 September, 2018



  
**Amal & Leena**  
Chartered Accountants

**People's Welfare Foundation**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**

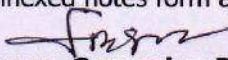
**Receipts and Payments Statements**  
**For the period 01.07.2017 to 30.06.2018**

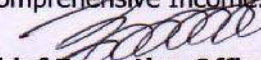
Particulars	2017-2018 Taka	2017-2018 Taka
<b>Receipts</b>		
<b>Opening Balance</b>		
Cash in Hand	19,493.00	62,536.00
Cash at Bank	536,335.00	905,146.00
Loan Recovery from Borrowers	55,480,174.00	45,576,871.00
Loan Received from Other Source	1,300,000.00	2,750,000.00
Loan from Mac Foundation	-	-
Loan from Bank	25,000,000.00	21,000,000.00
Savings Deposit	10,178,836.00	8,646,214.00
Advance Against Salary	121,400.00	53,162.00
Advance Against House Rent	20,000.00	9,000.00
Advance Against Motor Cycle Loan	40,500.00	34,500.00
Staff Provident Fund Deposit	194,395.00	156,814.00
Member Apadkalin Fund Deposit	607,540.00	499,290.00
Staff Security Fund	30,000.00	18,500.00
Service Charge on Loan	7,890,665.00	6,480,706.00
General Member Subscription Fees	2,000.00	2,000.00
Received from Admission Fees	10,645.00	9,000.00
Received from Loan Application Form	8,960.00	8,460.00
Received from Pass Book	14,410.00	13,040.00
Bank Interest	42,038.00	24,322.00
Bank Interest on FDR	108,806.00	96,980.00
Investment Encashment	458,073.00	386,566.00
Other Income	51,949.00	50,104.00
<b>Total Receipts</b>	<b>102,116,219.00</b>	<b>86,783,210.00</b>
<b>Payments</b>		
Furniture and Fixture	25,620.00	16,210.00
Equipments	29,000.00	29,080.00
Bicycle	-	-
Software	-	-
Loan Disbursed to Borrowers	60,672,000.00	49,835,000.00
Loan Refund to Other Source	400,000.00	3,050,000.00
Loan Refund to Mac Foundation	60,000.00	120,000.00
Loan Refund to Bank	23,733,336.00	20,683,334.00
Savings Refund	8,586,676.00	6,900,972.00
Investment on FDR	364,806.00	324,142.00
Advance Against Salary	204,500.00	96,000.00
Advance Against Office Rent	700,000.00	134,000.00
Staff Provident Fund Refund	18,063.00	34,770.00
Staff Security Fund Refund	13,000.00	10,000.00
Member Apadkalin Fund Refund	130,717.00	294,660.00
Salary and Allowance	3,014,097.00	2,478,064.00



Particulars	2017-2018 Taka	2017-2018 Taka
<b>Payments</b>		
Office Rent	167,100.00	142,000.00
Travelling and Transportation	313,547.00	226,623.00
Repairing and Maintenance	40,298.00	59,956.00
Electricity	56,506.00	39,952.00
Fuel and Lubricants	21,040.00	62,579.00
Postage, Telephone and Fax	40,332.00	30,612.00
Office Stationery	46,937.00	47,621.00
Printing	16,838.00	20,200.00
General Expenses	28,077.00	32,050.00
Bank Charge and Commission	60,653.00	35,982.00
Newspapers and Periodicals	5,445.00	7,972.00
Advertisement	-	1,170.00
Staff Training	8,934.00	-
Entertainment	35,094.00	39,467.00
Interest on Borrowed Fund	1,348,800.00	1,218,449.00
Provision of Interest on Loan paid	241,955.00	211,052.00
Service Charge Reabate	14,563.00	21,655.00
Audit Fees	7,000.00	5,000.00
Software Maintenance	18,810.00	18,810.00
<b>Closing Balance</b>		
Cash in Hand	31,749.00	19,493.00
Cash at Bank	1,660,726.00	536,335.00
<b>Total Payments</b>	<b>102,116,219.00</b>	<b>86,783,210.00</b>

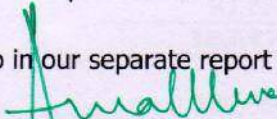
The annexed notes form an integral part of the Statement of Comprehensive Income.

  
**Chairman, Governing Body**  
People's Welfare Foundation

  
**Chief Executive Officer**  
People's Welfare Foundation

This is the Statement of Comprehensive Income referred to in our separate report of even date.

Dated, Dhaka  
08 September, 2018

  
**Amal & Leena**  
Chartered Accountants




**Peoples Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Statement of Cash Flows**  
For the period ended June 30, 2018

Particulars	2017-2018 Taka	2016-2017 Taka
<b>A. Cash Flows from Operating Activities:</b>		
Surplus for the period	1,407,069.00	648,086.00
<b>Add: Amount considered as non cash items:</b>		
Loan loss provision	693,683.00	850,438.00
Depreciation for the year	56,169.00	42,120.00
Savings interest for the year	550,242.00	468,695.00
Staff Training	(4,434.00)	
Bank Charge and Commission	(8,837.00)	
Service Charge on Loan	(99,636.00)	
Bank Interest	(24,322.00)	
Other Income	(18,065.00)	
Borrowing interest for the year	165,625.00	168,725.00
Provident fund interest for the year	30,679.00	26,771.00
Service Charge Reabte	99,636.00	
Investment interest for the year	37,593.00	13,800.00
<b>Sub total of non cash items</b>	<b>2,885,402.00</b>	<b>2,218,635.00</b>
Loan disbursed to borrowers	(5,191,826.00)	(4,258,129.00)
Increase/ Decrease in current assets	(722,600.00)	133,338.00
Increase/ Decrease in current liabilities	(241,955.00)	124,514.00
<b>Net cash used in operating activities</b>	<b>(3,270,979.00)</b>	<b>(1,781,642.00)</b>
<b>B. Cash Flows from Investing Activities:</b>		
Acquisition of Property, plant and equipment	(54,620.00)	(45,290.00)
Interest paid on Loans	-	(1,218,449.00)
Investment	93,267.00	(324,142.00)
<b>Net cash used in Investing Activities</b>	<b>38,647.00</b>	<b>(1,587,881.00)</b>
<b>C. Cash Flows from Financing Activities:</b>		
Loan received	2,106,664.00	(103,334.00)
Members savings	1,592,160.00	1,744,717.00
Other Funds	670,155.00	-
Members Apadkalin Fund		204,630.00
<b>Net cash used in Financing Activities</b>	<b>4,368,979.00</b>	<b>1,846,013.00</b>
<b>D. Net increase/ decrease (A+B+C)</b>	<b>1,136,647.00</b>	<b>(1,523,510.00)</b>
Add: Cash and Bank Balance at the beginning of the year	<b>555,828.00</b>	<b>967,682.00</b>
<b>Cash and Bank balance at the end of the year</b>	<b>1,692,475.00</b>	<b>555,828.00</b>

The annexed notes form an integral part of the Statement of Cash Flows

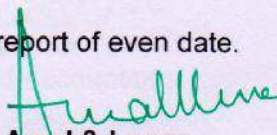
  
Chairman, Governing Body  
People's Welfare Foundation

  
Chief Executive Officer  
People's Welfare Foundation

This is the Statement of Cash Flows referred to in our separate report of even date.

Dated, Dhaka  
08 September, 2018



  
Amal & Leena  
Chartered Accountants



**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

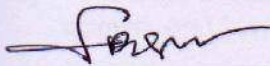
**Statement of Changes in Equity**  
as at June 30, 2018

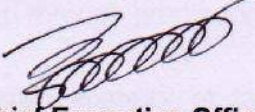
Particulars	Amount in Taka
<b>Accumulated Surplus</b>	
Opening Balance as at June 30, 2016	2,425,837
Add: Surplus for the year	648,086
Less: Transfer to Reserve Fund	64,809
<b>Closing Balance as at June 30, 2017</b>	<b>3,009,114</b>
<b>Opening Balance as at June 30, 2017</b>	<b>3,009,114</b>
Add: Surplus for the year	1,407,069
Less: Transfer to Reserve Fund	140,707
<b>Closing Balance as at June 30, 2018</b>	<b>4,275,476</b>

**Reserve Fund**  
(In Compliance with MRA Rule-20)  
as at June 30, 2018

Particulars	Amount in Taka
Opening Balance as at June 30, 2016	269,537
Add: Provision during the year	64,809
<b>Closing Balance as at June 30, 2017</b>	<b>334,346</b>
Opening Balance as at June 30, 2017	334,346
Add: Provision during the year	140,707
<b>Closing Balance as at June 30, 2018</b>	<b>475,053</b>

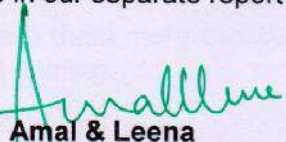
The annexed notes form an integral part of the Statements of Changes in equity

  
Chairman, Governing Body  
People's Welfare Foundation

  
Chief Executive Officer  
People's Welfare Foundation

This is the Statements of Changes in equity referred to in our separate report of even date.

Dated, Dhaka  
08 September, 2018

  
Amal & Leena  
Chartered Accountants



**People's Welfare Foundation**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**

**Notes to Financial Statements**  
**For the year ended June 30, 2018**

**1.0 Background:**

People's Welfare Foundation established in 2004 is working as a non-government organization for promotion and enhancement of fundamental human rights of excluded poor, underprivileged minorities through implementation of community demand driven development initiatives in Bangladesh. At present People's Welfare Foundation is operating its program in 3 upazilas of Comilla district of Bangladesh covering 82 villages under 17 Unions. These programs are mainly initiated to contribute towards poverty alleviation along with education, literacy, training, health services, rehabilitation, agriculture and rural development, preservation and development of environmental issues, women empowerment, social development and behavioral changes in the community, research and publication under the technical and financial support of national and international development agencies as well as from individuals. For microcredit operation, generally its target clients are poor women. The corporate office of the organization is located at Village: Kaitra, P.O: Uttar Gazipur, Upazaila: Laksam, District: Comilla, Bangladesh

**Vision**

People's Welfare Foundation envisions a society free of human rights violations and ensuring social justice.

**Mission**

To improve the quality of life of the target communities and those of their immediate families.

**Objectives**

- a) To organize and mobilize the poor, illiterate and landless children, women and men in to viable groups at the village and grass roots level, so that they can plan implement, manage and control their activity targeted for their own socio-economic and cultural development.
- b) To improve economic position of the disadvantaged children, women and men through credit support to involve them in income and employment generating activities, which will help to reduce their social, economic and cultural vulnerability.
- c) To facilitate and ensure the accesses of the target people to resources and facilities provided by government and others.
- d) To improve health situation of the children, women and men through health education, mobilization of available health services and delivery of possible health services as and required.
- e) To change of the status of children, women and men through promotion of rights of children, women, and human rights as a whole.
- f) To enhance the potentiality, competency issue and capability of target people through training, education and learning by doing aimed at sustained improvement in their lives.
- g) Work as a complement and supplement of all government efforts and activities for development.
- h) To train target peoples and their families to make them more capable to earn by imparting them with basic education and sound vocational training.
- i) To establish of ecologically balance environment.
- j) To arrange all possible measure in proactive way to change the society upholding its interest.



**2.0 Corporate Information of the People's Welfare Foundation**

Sl. No.	Particulars				
1.	Year of establishment		2004 (Registrar Joint Stock Companies, Government of Bangladesh bearing the registration no. S-3663(452)/2004 dated 15/03/2004		
2.	Legal Entity (MRA Registration No.)		Microcredit Regulatory Authority bearing the registration no. 00257-00066-00627 dated 17/04/2012		
3.	Nature of operation (programs)		Microfinance Sewing Training and Distributing of Sewing Machine Wheel Chair Distribution Nursery and Plantation Goat Distribution Tube-well Installation Sanitary Latrine Distribution		
4.	Statutory Audit conducted up to		June 30, 2017		
5.	Name of statutory auditor for the last year		Irshadullah Patwary & Co. Chartered Accountants		
6.	Name of statutory auditor for current year		Amal & Leena Chartered Accountants		
7.	No. of Governing Body meeting held FY 2017-2018		6 (Six)		
8.	Date of last AGM		4 <sup>th</sup> November 2017		
9.	<b>List of Governing Body Members</b>				
	<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Profession</b>	<b>Present Address</b>
9.1	Kazi Fatema Begum	Chairman	BA, B.Ed	Social Worker	House: 254 (Flat B/5), Road: 1, Block-B, Bashundhra R/A, Dhaka
9.2	Mohammed Monowar Hossain	Vice-Chairman	M.Com, ACA	Private Service and Social Worker	Village: Kaitra, Post Office: Uttar Gazipur, Upazila: Laksam, District: Comilla
9.3	Mohammed Anisur Rahman	Treasurer	M Com, MBA (Major in Finance)	Private Service and Social Worker	Village: Raipura, Post Office & Upazila: Raipura, District: Narsingdi
9.4	Md. Shariful Islam	Member	MBA (Major in HRM)	Private Service and Social Worker	Village: Kaitra, Post Office: Uttar Gazipur, Upazila: Laksam, District: Comilla
9.5	Mohammad Iqbal Hossain	Member Secretary	MBA (Major in Finance)	Private Service and Social Worker	Village: Kamalpur Post Office: Kamalpur Upazila: Sadar South Comilla, District: Comilla
9.6	Ms. Mahmuda Akter	Member	BA (honors)	Social Worker	Village: Kadarpur, Post Office: Nimshar, Upazila: Burichang, District: Comilla
9.7	Ms. Rokeya Begum	Member	BA, B.Ed	School Teacher	Village: Lognashor, Post Office: Lognashor Bazar, Upazila: Barura, District: Comilla



## **Basis of Preparation of Financial Statements**

### **3.0 Basis of Accounting:**

People's Welfare Foundation prepares its financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). People's Welfare Foundation generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items except for service charge on loan to members, which are recognized on cash basis as, disclosed in the Summary of Significant Accounting Policies. People's Welfare Foundation maintains its books of account and records on a program or project basis. People's Welfare Foundation accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and internal reporting into funds established according to their nature and purposes based on the existence or absence of donor-imposed restrictions.

### **4.0 Summary of Significant Accounting Policies:**

The significant accounting policies followed in the preparation and presentation of these financial statements are summarized below.

#### **4.1 Currencies**

The financial statements are expressed in Bangladeshi Taka.

#### **4.2 Revenue Recognition**

##### **Service charge on loans**

Service charges on loans to members are recognized on cash basis as income. Income is recognized when cash is realized.

##### **Interest income**

Interest on bank accounts, revenue is recognized as the interest accrues unless collectibility is in doubt.

##### **Other income**

All other incomes are recognized when People's Welfare Foundation's right to receive such income has been reasonably determined and all conditions precedent is satisfied.

#### **4.3 Expenses**

Program related expenses arise from goods and services being distributed to beneficiaries in accordance with the program objectives and activities.

#### **4.4 Fixed Assets and Depreciation**

##### **i) Recognition:**

An asset, which meets the following criteria, is recognized as property, plant and equipment:

- a) Its cost exceeds Tk. 1,000.
- b) Its expected useful life is more than one year.
- c) It is tangible assets and
- d) Future Economic benefits associated with the item will flow to entity.

##### **ii) Depreciation:**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for on a straight-line basis over the estimated useful lives at the following annual rates:

<b>Item</b>	<b>Annual Depreciation Rate (%)</b>
Furniture & Fixtures	10
Equipment	15
Computer	20
Bicycles	15
Motorcycles	15



**iii) Subsequent recognition:**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the organization and its cost reliably measured. The cost of the day-to-day servicing of the property, plant and equipment are recognized in the statement of income and expenditure as incurred expenditure.

**5.0 Significant organization policies**

**5.01 Members Savings Deposits:**

All savings are payable to the beneficiaries on demand before maintaining all formalities of the organization. The People's Welfare Foundation offers savings products to all members keeping in view of the following:

- a) The members have a formidable capacity of savings. The People's Welfare Foundation provides a secured place to keep savings, increasing financial strength and capital growth of the members with view to reduce their dependency on external resources; and
- b) Improving the sustainability of the institution by developing a relatively stable means to finance its loan portfolio;
- c) The rate of interest on both compulsory and voluntary savings is 6% per annum;

**5.02 Loan to Members:**

People's Welfare Foundation stresses on supporting economic activities to generate employment and income to reduce inequality among the disadvantage and the poor. The loan products have been developed in response to the demand of its beneficiaries. Policy on loan services of the following:

- a) People's Welfare Foundation gives loans when beneficiaries want them to support their economic activities;
- b) Loans are not linked to savings balances, loans and savings have been completely de-linked and made entirely voluntary;
- c) Loans to members without collateral;
- d) Loan repayments are made weekly installment;
- e) Service charges are 25% to 27% (Declining) per annum on loan disbursed respectively;

**5.03 Provision for Loan Losses**

Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. At the end of the each quarter, People's Welfare Foundation calculate required provision for loan loss based on the loan classification and provisioning methodology which is shown below and any adjustment, if required, are made and accounted for in the financial statements.

<b>Loan Classification</b>	<b>Days in Arrears</b>	<b>Provision required (%)</b>
Regular	Current (no arrears)	1
Watchful	1 - 30	5
Sub-standard	31 - 180	25
Doubtful	181 - 365	75
Bad	Over 365	100



### **Loans Written off**

The write off of loans, if necessary, are charged against the provision for loan losses. Loans within their maturity period are classified as "current loan". Loan which remains outstanding over a year of their maturity period is considered as "Bad loans".

Loan recovery efforts for delinquent loans over two years have been taken but loan collectability has proved extremely difficult. The list of such loans is presented to Governing Body for write-off approval. Generally loans are written off twice a year. Any collections realized from loans previously written off are credited to the statement of income and expenditure.

### **5.04 Members Apadkalin Fund:**

Member Apadkalin Fund is a comprehensive micro-insurance program established by People's Welfare Foundation's in 2009 to provide social protection and security to its member and their families. Its have three components: Life, Education and Marriage. Member Apadkalin Fund is mandatory to People's Welfare Foundation's microfinance members. A premium of 1% of the loan amount is paid annually and is adjusted each year in order to ensure financial viability. Premiums are based on family of five, extended family members are excluded. An additional fee is charged for the inclusion of additional family members. Policy on this claim settlement of the following:

- a) **Life and Loan:** Life insurance provides support to beneficiaries families in the event of death of an adult in the family thereby easing the burned of loan and also includes provision of death benefits. Upon death of the policy holder and in most cases, the spouse, BDT 2,000 cash death benefits is paid and the remaining balance of the loan is waived;
- b) **Education:** This program works with talented children, grooming them as future leaders. One child from each family is eligible for up to BDT 200 per month as long as they meet and maintain a set of strict criteria;

### **5.05 Employees' Provident Fund**

People's Welfare Foundation maintains contributory provident fund for its eligible permanent employees. All confirmed employees are contributing 10% of their basic salary as subscription of the fund. People's Welfare Foundation also contributes equal amount of the employees' contribution to the fund each month. Interest earned from the investment is credited to the employees' accounts on a yearly basis.

### **5.06 Comparative Figures**

Certain comparative figures have been reclassified to confirm with current year's presentation.



Notes on Balance Sheet (As on 30 June, 2018) :

	<b>2017-2018</b> <b>Taka</b>	<b>2016-2017</b> <b>Taka</b>
<b>6.00 Property, plant and Equipment:</b>		
<b>Cost</b>		
Balance 01.07.2017	433,500.00	388,210.00
Add: Addition during the year	54,620.00	45,290.00
Less: Disposal during the year	(80,500.00)	-
<b>Balance 30.06.2018</b>	<b>407,620.00</b>	<b>433,500.00</b>
<b>Depreciation</b>		
Balance 01.07.2017	257,972.00	215,852.00
Add: Addition during the year	56,169.00	42,120.00
Less: Disposal during the year	(80,500.00)	-
<b>Balance as on 30.06.2018</b>	<b>233,641.00</b>	<b>257,972.00</b>
<b>Written Down Value as on 30.06.2018</b> (Schedule Annex-1)	<b>173,979.00</b>	<b>175,528.00</b>
<b>7.00 Loans to Members</b>		
Balance 01.07.2017	28,123,908	23,871,719
Add: Disbursed	60,672,000	49,835,000
Less: Realized	(55,485,682)	(45,582,811)
Less: Software Adjustment	-	-
Less: Loan write-off	(681,740)	-
<b>Balance as on 30.06.2018</b>	<b>32,628,486</b>	<b>28,123,908</b>
<b>8.00 Short-term Investment</b>		
Balance 01.07.2017	1,923,432.43	1,972,055.43
Add: Deposit	364,806.00	324,142.00
Less: Encashment	(458,073.00)	(372,765.00)
<b>Balance as on 30.06.2018</b>	<b>1,830,165</b>	<b>1,923,432.43</b>
<b>Savings Fund Investment</b>	<b>1,370,115/-</b>	
<b>Reserve Fund Investment</b>	<b>460,050/-</b>	
<b>Investment in FDR (Midland Bank Ltd. Gulshan Branch, Dhaka) Tk. 1,371,288/-</b> <b>Investment in FDR (Bangladesh Commerce Bank Ltd. Comilla Branch) Tk. 210,050/-</b> <b>Investment in Mac Foundation Tk. 248,827/-</b>		
<b>9.00 Advances, deposits and prepayments</b>		
Balance 01.07.2017	336,900.00	203,562.00
Add: Paid	904,500.00	230,000.00
Less: Recovery	(181,900.00)	(96,662.00)
<b>Balance as on 30.06.2018</b>	<b>1,059,500</b>	<b>336,900</b>
<b>10.00 Cash in Hand and at Bank</b>		
Cash in Hand	31,749.00	19,493.00
Cash at Bank	1,660,726.00	536,335.00
<b>Balance as on 30.06.2018</b>	<b>1,692,475</b>	<b>555,828</b>



• The above noted bank balance as on June 30, 2018 have been verified with the related paper, documents and confirmed.  
Details of Bank Accounts are as follows:

Sl. No.	Name of Bank	Account Number	Amount in Taka	
			30.06.2018	30.06.2017
1.	Midland Bank Limited Gulshan Branch, Dhaka	CD-0011-1490000367	1,513,449	8,390
2.	Exim Bank Limited Laksam Branch, Comilla	STD-01613100272177	70,173	23,849
3.	Meghna Bank Limited Comilla Branch, Comilla	STD-211413500000002	9,930	0
4.	Bangladesh Commerce Bank Limited Comilla Branch, Comilla	SND-02632000039	5,776	1,623
5.	AB Bank Limited Comilla Branch, Comilla	STD-4131-757049-430	486	0
6.	Southest Bank Limited Mia Bazar Branch, Comilla	STD-008611100000600	4,120	0
7.	Agrani Bank Limited Nashratpur Branch Laksam, Comilla	CD-33000504	0	0
8.	ONE Bank Limited Laksam Branch Laksam, Comilla	STD-0363000000189	11,278	199,694
9.	Mutual Trust Bank Limited Laksam SME/Agri Branch, Comilla	STD-0503-0320000488	1,584	0
10.	Rupali Bank Limited Bagmara Branch, Comilla	CD-2238020000920	402	1,702
11.	Exim Bank Limited Bagmara Branch, Comilla	STD-07413100079993	20,621	144,066
12.	Exim Bank Limited Mudaforgonj Banch, Comilla	STD-03613100344156	22,907	157,011
	<b>Total</b>		<b>1,660,726</b>	<b>536,335</b>
<b>11.00</b>	<b>Cumulative Surplus</b>			
	Balance 01.07.2017		3,009,114.00	2,425,837.00
	Add: Prior year adjustment during the year		-	-
	Less: Prior year adjustment during the year		-	-
	Excess of income over expenditure		1,407,069.00	648,086.00
	Less: Transfer to Reserve Fund		140,707	64,809.00
	<b>Balance as on 30.06.2018</b>		<b>4,275,476</b>	<b>3,009,114</b>





	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Taka</b>	<b>Taka</b>
<b>12.00 Reserve Fund</b>		
Balance 01.07.2017	334,346.00	269,537.00
Add: Addition during the year	140,707	64,809.00
<b>Balance as on 30.06.2018</b>	<b>475,053</b>	<b>334,346.00</b>
In compliance with MRA rules No.20 Page no. 421, People's Welfare Foundation makes reserve at 10% of cumulative surplus of its cut off date and invest in FDR against the said reserve fund.		
<b>13.00 Loan from Mac Foundation</b>		
Balance 01.07.2017	60,000.00	180,000.00
Add: Received	-	-
Less: Paid	(60,000.00)	(120,000.00)
<b>Balance as on 30.06.2018</b>	<b>-</b>	<b>60,000.00</b>
• All repayments obligations in respect of the loan have been met and no amounts were in arrears as on June 30, 2018. The loans were obtained to support various microfinance undertake by the People's Welfare		
<b>14.00 Loan from Banks</b>		
Balance 01.07.2017	11,816,666	11,500,000
Add: Received	25,000,000	21,000,000
Less: Paid	(23,733,336)	(20,683,334)
<b>Balance as on 30.06.2018</b>	<b>13,083,330</b>	<b>11,816,666</b>
• All repayments obligations in respect of the loan have been met and no amounts were in arrears as on June 30, 2018. The loans were obtained to support various microfinance undertake by the People's Welfare Foundation and for working capital purpose. The interest rate of the loan are 9% annually.		
• Bangladesh Commerce Bank Ltd. , Comilla Branch, Comilla. Tk. 583,330/-		
<b>15.00 Loan from Other Source</b>		
Balance 01.07.2017	2,500,000	2,800,000
Add: Received	1,300,000	2,750,000
Less: Paid	(400,000)	(3,050,000)
<b>Balance as on 30.06.2018</b>	<b>3,400,000</b>	<b>2,500,000</b>
• All repayments obligations in respect of the loan have been met and no amounts were in arrears as on June 30, 2018. The loans were obtained to support various microfinance undertake by the People's Welfare		
<b>16.00 Members Savings Deposit</b>		
Balance 01.07.2017	10,167,776	7,954,364
Add: Deposits	10,178,836	8,646,214
Less: Refund/ Withdrawal	(8,592,184)	(6,901,497)
Add: Software Adjustment	-	-
Add: Interest Credited	550,242	468,695
<b>Balance as on 30.06.2018</b>	<b>12,304,670</b>	<b>10,167,776</b>
<b>17.00 Members Apadkalin Fund</b>		
Balance 01.07.2017	1,020,792	816,162
Add: Received	607,540	499,290
Less: Paid	(130,717)	(294,660)
<b>Balance as on 30.06.2018</b>	<b>1,497,615</b>	<b>1,020,792</b>



	<b>2017-2018</b> <b>Taka</b>	<b>2016-2017</b> <b>Taka</b>
<b>23.00 Loan Loss Provision</b>		
Balance 01.07.2017	1,591,441.00	741,003.00
Add: Provision made during the year	693,683.00	850,438.00
Less: Written-off	(681,740.00)	-
<b>Balance as on 30.06.2018</b>	<b><u>1,603,384</u></b>	<b><u>1,591,441.00</u></b>
<b>24.00 Staff Provident Fund</b>		
Balance 01.07.2017	481,131.00	332,316.00
Add: Received	194,395.00	156,814.00
Less: Paid	(36,128.00)	(34,770.00)
Add: Interest Credited	30,679.00	26,771.00
<b>Balance as on 30.06.2018</b>	<b><u>670,077.00</u></b>	<b><u>481,131.00</u></b>
<b>25.00 Staff Security Fund</b>		
Balance 01.07.2017	58,000.00	49,500.00
Add: Received	30,000.00	18,500.00
Less: Paid	(13,000.00)	(10,000.00)
<b>Balance as on 30.06.2018</b>	<b><u>75,000.00</u></b>	<b><u>58,000.00</u></b>

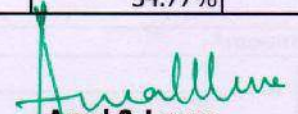


**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Eligibility Criteria Compliance Certification**  
For the year ended June 30, 2018

Sl. No.	Eligibility Criteria	Audited Figures or Compliance	
		FY 2017-2018	FY 2016-2017
1.	Minimum Loan recovery rates, computed quarterly, based on the following:		
i.	95% minimum cumulative loan collection ratio on total dues:  <u>Actual Cumulative Collections X 100</u> Cumulative Collectibles	99.32%	99.11%
ii.	92-100% minimum loan collection ratio on current dues (on running 12 month basis)  <u>Actual Collections during the past 12 months on current dues</u> Collectibles on current dues	98.05%	98.14%
2.	Minimum liquidity ratio of 10%	9.11%	16.95%
3.	Minimum current ratio of 2.0:1	1.26:1	1.21:1
4.	Minimum capital adequacy ratio of 15%	13.93%	11.58%
5.	Minimum debt service cover ratio of 1.25:1	1.05:1	1.03:1
6.	Debt Capital Ratio 9:1	6.53	7.83
7.	Minimum Rate of Return on capital of 1%	34.77%	21.46%

Dated, Dhaka  
05 September, 2018

  
**Amal & Leena**  
Chartered Accountants



**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Portfolio Report**  
For the year ended June 30, 2018

**Review of Loan Classifications and Provisions**

(i) Classification of Loan and Loan Provision

Sl. No.	Particulars	No. of days Outstanding	Outstanding Loan	Required Provision	
			Amount (Tk)	Rate	Amount (Tk)
1	Total Loan Outstanding		32,628,486		
2	Total Overdue		1,653,921		
3	Regular	Loan with no overdue installments	30,788,177	1%	307,882
4	Watchful	Loan default duration between 1 and 30 days	50,764	5%	2,538
5	Sub-standard	Loan default duration between 31 and 180 days	486,461	25%	121,615
6	Doubtful	Loan default duration between 181 and 365 days	526,940	75%	395,205
7	Bad	Loan default duration above 365 days	776,144	100%	776,144
<b>Total</b>			<b>32,628,486</b>		<b>1,603,384</b>

(ii) Loan Loss Provision (LLP) status

Particulars	Amount (TK)
Required Provision fund as per MRA policy shown above in	1,603,384
Actual Provision made by the People's Welfare Foundation	1,603,384
Excess/ Shortfall of Provision	0
Comment on LLP: Its appeared from the above computation that People's Welfare Foundation has made adequate provision on its outstanding loan balance.	
<b>Disclosure on Written off Loan:</b>	-
Loan Written off balance 01.07.2018	597,027.00
Loan Written off during the year 01.07.2017 to 30.06.2018	681,740.00
Written off Loan Recovery during the year 01.07.2017 to 30.06.2018	46,186.00
Loan Written off balance as on 30.06.2018	1,232,581.00



Annexure-A/3 (Continued)

(iii) Loan Operational Report

Sl. No.	Particulars	FY 2017-2018			FY 2016-2017		
		M	F	Total	M	F	Total
1	<b>Financial Service Product:</b>						
	<b>Loan Product:</b>						
	Jagoron & Agriculture		32,628,486			28,123,908	
	<b>Savings Product:</b>						
	Compulsory Savings		11,277,123			9,170,177	
	Voluntary Savings		1,027,547			997,599	
	<b>Insurance Product (Member Apadkalin Fund):</b>		1,497,615			1,020,792	
	Life and loan						
	Education						
	Marriage						
2	Number of branches	3			3		
3	Number of samities	M	F	Total	M	F	Total
		1	134	135	2	121	123
4	Number of members	2	2,300	2,302	14	2,325	2,339
5	Number of borrowers	1	1,764	1,765	4	1,725	1,729
6	Number of staff	14	4	18	6	11	17
7	Amount (Taka) of loan outstanding with samities members	1,920	32,626,566	32,628,486	27,439	28,096,469	28,123,908
8	Member: Borrower	100:50	100:77	100:77	100:29	100:74	100:74
9	Average loan size	60,000	34,005	31,000	50,000	29,441	29,453



**People's Welfare Foundation**  
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Fixed Assets Schedule**  
as at June 30, 2018

Annexure A/4

Asset Category	Cost			Depreciation			Written down value 30-06-2018	Written down value 30-06-2017	
	Opening balance 01-07-2017	Addition during the year	Disposal during the year	Closing balance 30-06-2018	Opening balance 01-07-2017	Charged during the year			Adjustment for disposal during the year
Furniture & Fixtures	155,650	25,620	-	181,270	75,997	17,321	-	93,318	87,952
Equipment	25,250	-	-	25,250	9,300	810	-	10,110	15,141
Computer	53,605	29,000	-	82,605	25,979	14,594	-	40,573	42,032
Mobile	-	-	-	-	-	-	-	-	-
Software	31,500	-	-	31,500	9,975	10,395	-	20,370	11,130
Motor Cycle	167,495	-	80,500	86,995	136,722	13,049	80,500	69,271	17,724
<b>Total</b>	<b>433,500</b>	<b>54,620</b>	<b>80,500</b>	<b>407,620</b>	<b>257,972</b>	<b>56,169</b>	<b>80,500</b>	<b>233,641</b>	<b>173,979</b>
									<b>175,528</b>



**Management Report on the Financial Statements of People's Welfare Foundation for the year ended 30 June 2018**

**Current year's (2017-2018) observations:**

**Review of internal control system of Financial Management System ensuring accountability and transparency:**

**I. Accounting System:**

The Financial statements have been prepared in accordance with Bangladesh Financial Reporting Standard (BFRS) under historical cost convention except service charges which are accounted on cash basis. Branch authorities disburse loans to beneficiaries as per policy and procedures and rules and regulations and record transactions in manual system. Transactions are recorded in the systems on daily basis and produces vouchers, ledger, trial balance and financial statements on periodical basis.

Branch office prepared financial statements and submits to head office monthly basis. All collected amounts are deposited to bank account by the branch. Head office maintains control ledger and other subsidiary books of accounts based on monthly statements of branch offices and prepares consolidated financial statements.

**II. Investments**

Investment of People's Welfare Foundation represents fixed deposit with banks. All investments in the FDR are duly approved by the appropriate authority of People's Welfare Foundation. Encashment of FDR and interest accrued during the year were properly accounted for. During the course of our audit we did not find any shortcomings in this area to report to the management.

**III. Fixed Asset management**

**Matters Arising**

**Fixed assets were kept in unused and ID number was not found**

**Fact**

During the course of our audit while reviewing fixed assets, we observed that some fixed assets were kept in unused and ID number were missing.

**Effect**

It indicates lack of monitoring of fixed asset in the Hospital and also the weakness of internal control system.

**Recommendation:**

Management should take necessary step to proper monitor on fixed asset in the Hospital.

**Management Response**

Some fixed assets were kept in the store for repair and hospital use. We have already taken necessary initiative to tag assets ID on the assets. This happened inadvertently. The concerned persons have been advised against making these mistakes in future.



#### **IV. Payables and Accruals**

We have reviewed the payables and accruals on a sample basis and found that these were within the normal course of business and were accounted for properly. We did not find any shortcomings in this area to report to the management.

#### **V. Commercial Loan**

We observed that People's Welfare Foundation has received loan funds from various banks/financial institutions which have been used for loan disbursement to the microfinance borrowers of the organizations. We have reviewed the sanction letters/approval including relevant documents and found that People's Welfare Foundation has complied with all relevant provisions of the loan agreements. It was also noted that all the installments payable were paid in due time and no exception was noted.

#### **VI. Loan Operation Management**

People's Welfare Foundation has developed a detailed operational manual to execute, control and monitor microfinance operations. The manual has clearly described in detail the policies and procedures regarding disbursement and collection of loans. Internal control system relating to the loan operation management was found satisfactory.

During the audit at branch offices, we found that loans were disbursed to the target people who are unable to obtain credit from mainstream banks due to lack of necessary collateral and referrals. The loans were disbursed among targeted people by maintaining all formalities as introduced by People's Welfare Foundation following the MRA guidelines.

#### **VII. Savings Deposits**

##### **Two types of member's Savings a) Compulsory Savings b) Voluntary Savings**

##### **a) Compulsory Savings**

People's Welfare Foundation's Microfinance program has a compulsory savings provision, with a view to facilitating and encouraging savings by Village Organization (VO). The interest rate on compulsory savings is 6%. Saving amounts are decided at the center level with a minimum weekly savings requirement of Tk.50. Each VO members deposits a minimum of Tk.50 in a weekly meeting. During the first loan period members are unable to withdrawal savings. For consecutive loans members are eligible to withdrawal savings as long as they maintain a saving balance of 10% of the loan amount. This savings is to be mentioned in the Pass book, Collection Ledger, General ledger separately.

##### **b) Voluntary Savings**

People's Welfare Foundation implemented voluntary savings. The interest on this program is 6% annually, compounded monthly. The special savings accounts are like a current account. Beneficiaries can save monthly one time or withdraw the amount on demand .This savings stands for those who deposit voluntarily beyond their regular savings. This savings is to be mentioned in the Pass book, Collection Ledger, General ledger separately.

#### **VIII. Management & Accounting Information System and software implementation**

People's Welfare Foundation maintains uses software "Grameen Communication" for recording its day to day transactions. The present software has Savings and Credit Module is in operation at branch level as well as head office level for recording and accounting daily transaction. Sufficient financial and monitoring reporting is generated there from.





**IX. Insurance/Kalayan Tahabil Policy**

Member Apadkalin Fund is a comprehensive micro-insurance program established by People's Welfare Foundation's in 2009 to provide social protection and security to its member and their families. Its have three components: Life, Education and Marriage. Member Apadkalin Fund is mandatory to People's Welfare Foundation's microfinance members. A premium of 1% of the loan amount is paid annually and is adjusted each year in order to ensure financial viability. Premiums are based on family of five, extended family members are excluded. An additional fee is charged for the inclusion of additional family members.

Besides People's Welfare Foundation maintain Provident Fund Account of its employees'. The related policy of the above mentioned tahabil is applied properly by the organization in maintaining its financial information.

**X. ED'S total Remuneration and Lowest Salary of the Staff**

Chief Executive Officer total remuneration and lowest salary of the staff has been mentioned below:

Designation	Remuneration / Salary per month (Taka)
Chief Executive Officer	24,772
Community Organizer (lowest salary)	11,000

**XI. Loan Application Form: Matters Arising**

- i. This indicates irregularity and inadequacy in the verification and the record keeping process of loan activities;
- ii. It indicates lack of monitoring and review of the loan activities which reflects the weakness in the internal control system;

**Recommendation**

Management should ensure the proper documentation for Jagoron loans' files and must take strict action to inform Community Organizer & Branch Manager regarding the filling up the normal loan application properly.

**Management Response**

It happened unintentionally. We have already taken necessary steps to fill up application form properly with correct information and proper documentation for avoid the above-mentioned irregularities. The concerned persons have been advised against making these mistakes in future.

**XII. Compliance with the Guidelines on Prevention of Money Laundering and Terrorist Financing for NGO/NPO Sector (Prevention of Money Laundering Act. 2012, 2(ba)(a)(1) and (2))**

People's Welfare Foundation fully comply the guidelines of Money Laundering and Terrorist Financing. For all the transactions People's Welfare Foundation made through bank transfer and Account Payee cheque. Apart from banking channel People's Welfare Foundation does not use any other channel to transact money.

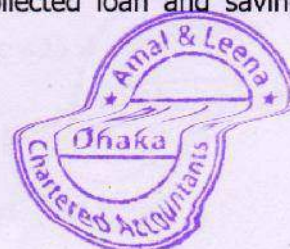
**XIII. Compliance status of the prior year (2016-2017) external audit observation**

Sl. No.	Observation	Implementation Status
1	Fixed asset register was not updated	Resolved
2	Antivirus was not updated	Not Resolved
3	Cash-in hand exceed the approval limit	Resolved



**As required by the Micro-credit Regulatory Authority, we further report that:**

- A) The organization has prepared its financial statements as per International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) Reporting.
- B) We examine and found that the organization has not taken any activity, which is involved in the transaction or provided services that is contrary to "Micro credit Regulatory Authority Act-2006." Micro credit Regulatory Authority Act-2010. We also verify and found that no transaction has been made against the interest of different donors, beneficiaries of the organization.
- C) We have examined and found that the closing balance of last year's audited financial statement was carried forward as opening balance in current year's accounts.
- D) We examined and observed that the organization has maintained proper books of accounts for sector-wise receipt of fund and whether they properly comply with the rules and regulation as per accounting manual provided by authority.
- E) We examine and observed that the organization has kept the record separately for the collected fund under various components of micro credit activities and submit separate reports on that basis.
- F) We examined and observed that the organization has properly recorded and accounted for the receipt and disbursement of fund from different donor organization and utilized them as per their principles/terms and conditions of the agreement with the donors.
- G) We examined and observed that the organization has properly recorded in account and the collected loan and savings amount deposited into the bank with some irregularities. Besides, whether collection and refund of savings are paid to members and also examine rate of interest etc.
- H) We check and found that the organization has maintained the formalities and properly complied with the provision in the rules mentioned before disbursing loan among the beneficiaries.
- I) We checked whether the documents i.e. passbook/savings collection schedule and loan application form regarding loan write off, bad loan and found that have preserved separately.
- J) The organization has properly complied with the rules & regulation relating to the constitutions particularly in respect of formation and meetings of General Body and Governing Body.
- K) There were fixed assets in the Microcredit Program. So we have physically verified the existence of fixed assets in **People's Welfare Foundation** which acquired out of surplus service charge (income surplus) and fund received from different sources for institutional development as loan or grants.
- L) We checked test basis whether the loans was properly utilized for the beneficiary member and found in order.
- M) All transaction related with collection of savings and disbursements of microcredit were made in cash.
- N) From our test check, we found that the collected loan and savings accounts are not duly deposited into bank on daily basis.



- O) From our test check, we found that the amount collected from Samity members are duly accounted for as per applicable policy and procedure at member and group level with very little exceptions.
- P) **People's Welfare Foundation** which is collecting service charges from beneficiaries at a decline Rate of 25%-27% per annum calculated on the loan provide to them. The principal loan and proportional service charges are collected in equal weekly installments, Service Charge are accounted on cash basis and the amount of service charges from the beneficiaries is recognized as income. On the other side, the service charges receivable is not recognized as income.
- Q) Provision for loan loss has been duly calculated and sufficient Provision accounted for as Micro-credit Regulatory Authority Act 2006 and Micro-credit Regulatory Authority Act 2010.
- R) We have physically counted the cash in hand during course of our audit and confirmed bank balances with the bank statement on a test basis and also examined the bank reconciliation statements and found them satisfactory.
- S) We have checked the vouchers on a test basis and found that payments were made upon the approval of appropriate authority and we have examine the budgetary control system of the organization and have not found any issue to mention in the report.
- T) We have checked the papers / document in supporting of utilized of fund and found that no existence of any unused fund.
- U) We have verified the financial statements submitted to various donor organizations, regulatory agencies and other authorities by the **People's Welfare Foundation** which with proper justification and did find any issue mention in the report.
- V) As per Sixth Schedule Part-A, Para 1A on Income Tax Ordinance, 1984 (ITO) income from microfinance activities are tax exempted. The **People's Welfare Foundation** which not deducts tax and VAT at sources as per the provisions of ITO 1984 and VAT Act. 1991.
- W) We observed that the Organization has introduced and established policies for procurement, human resource, loan and savings and complies with the above policies for microfinance operations.
- X) The organization has no Internal Audit Department for conducting internal audit and monitor the Organization at a regular interval.
- Y) We have checked the microfinance activities funded by Own fund and Bank/NGO, loaned fund, donated fund and such activities from own sources, adequacy of MIS system, internal control system, adequacy of classification of loan, provision policy, adequacy of collection percentage of loan and found satisfactory.
- Z) We have checked cost sharing between of microcredit and other program and found in order.
- AA) We check and found that the bank transaction was not satisfactory because transaction made both cash and bank.
- BB) We observed that the audit fee has been shown under separate head in financial statement which are not fixed on the basis of loan portfolio and cost centers/branches.
- CC) We examine and found that the organization has not taken any activity, which is involved in the transaction or provided services that are contrary to " Money Laundering Prevention Act (MLAPA) 2012 and Anti Terrorism Act (ATA) 2009".



**People's Welfare Foundation**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Budget Variance Report**  
**Financial Year: 2017-2018**  
**Certificate No : 00257-00066-00627**

Description	2017-2018		
	Projected	Actual	Variance (%)
<b>1. Area Coverage:</b>			
District	0	0	0%
Thana/Upazilla	0	0	0%
Union	2	1	-50%
Village	6	3	-50%
2. Branch Opening	1	0	-100%
3. Group/Samity Formation	51	12	-76%
4. Add New Member	1,135	-37	-103%
5. Add New Borrower	1,050	36	-97%
6. Recruitment (Number)	11	5	-55%
7. Deposits Collection	14,094,713	10,178,836	-28%
8. Refund Deposit	9,396,475	8,586,676	-9%
9. Loan Recovery (Principal)	72,070,008	55,480,174	-23%
10. Loan Disbursement	79,902,000	60,672,000	-24%
11. Loan Received (Borrowing)	13,000,000	26,300,000	102%
12. Loan Returns (Borrowing)	9,625,555	24,193,336	151%
13. Received against Insurance Service	799,020	607,540	-24%
14. Insurance Benefits Given	399,510	130,717	-67%
15. Total Income	8,539,226	10,777,355	26%
16. Total Expenditure	7,512,277	9,370,286	25%

Description	Current Balance as of 30 June 2018
<b>1. Area Coverage:</b>	
District	1
Thana/Upazilla	3
Union	17
Village	82
2. Number of Branch	3
3. Number of Group	135
4. Number of Member	2,302
5. Number of Borrower	1,765
6. Manpower (Number)	18
7. Deposit Balance	12,304,670
8. Loan Outstanding	32,628,486
9. Loan Received/Borrowing Balance	16,483,330
10. Insurance Fund	1,497,615
11. Cumulative Surplus	4,727,613



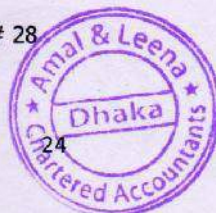
Annexure-A/3 (Continued)

SI No.	Description	2017-2018		
		Projected	Actual	Variance (%)
1	<b>Loan Recovery:</b>			
	Jagoron	32,431,504	33,369,600	3%
	Agrosor			
	Buniad			
	Others (Agriculture)	39,638,504	22,110,574	-44%
	<b>Total</b>	<b>72,070,008</b>	<b>55,480,174</b>	<b>-23%</b>
2	<b>Fund Collection:</b>			
	<b>1.Savings Collection:</b>			
	Force Savings	11,745,594	9,239,706	-21%
	Voluntary Savings	2,349,119	939,130	-60%
	Fixed Deposit			
	<b>Total</b>	<b>14,094,713</b>	<b>10,178,836</b>	<b>-28%</b>
	<b>MFI Borrowing</b>			
	2.PKSF Loan	0	0	
	3.Bank Loan	10000000	25,000,000	150%
	4.Loan from Financial Institution	0		
	5.Loan from other Institution	0	0	
	6.Donation (Conditional)			
	7.General/EC Member loan			
8.Others Loan	3,000,000	1,300,000	-57%	
3	<b>Insurance Fund Collection</b>	799,020	607,540	-24%
	<b>Total</b>	<b>13,799,020</b>	<b>26,907,540</b>	<b>95%</b>
4	<b>Utilization of Fund</b>			
	Jagoron Disbursement	35,955,900	27,302,400	-24%
	Agrosor Disbursement			
	Buniad Disbursement			
	Others (Agriculture)	43,946,100	33,369,600	-24%
	<b>Total</b>	<b>79,902,000</b>	<b>60,672,000</b>	<b>-24%</b>
	<b>2.Savings Returns:</b>			
	Force Savings	8,221,916	7,625,865	-7%
	Voluntary Savings	1,174,559	960,811	-18%
	Fixed Deposit			
	<b>Total</b>	<b>9,396,475</b>	<b>8,586,676</b>	<b>-9%</b>
	<b>3. Loan Repayment:</b>			
	PKSF Loan	0	0	
	Bank Loan	6,425,555	23,733,336	269%
	Loan to Financial Institution			
	Loan to other Institution	200,000	60,000	-70%
	General/EC Member loan	0	0	
	Others Loan	3,000,000	400,000	-87%
	<b>Total</b>	<b>9,625,555</b>	<b>24,193,336</b>	<b>151%</b>
5	<b>Insurance Service (Claims)</b>	399,510	130,717	-67%
6	<b>Acquisition of Fixed Assets</b>			
	Land Purchase			
	Land Development			
	Building Construction			
	Motor Vehicles		0	
	Furniture & Fixtures	50,000	25,620	-49%
	Office Equipments	10,000	0	
	Electric Equipments			
	Computer & Accessories	90,000	29,000	-68%
	Computer Software	0	0	0%
	<b>Total</b>	<b>150,000</b>	<b>54,620</b>	<b>-64%</b>



Annexure-A/3 (Continued)

SL No.	Description	2017-2018			
		Projected	Actual	Variance (%)	
7	<b>Income:</b>				
	1. Service Charge	8,330,375	7,990,301	-4%	
	2. Interest on Investment	129,930	71,213	-45%	
	3. Other Interest	15,000	66,360	342%	
	4. Entry Fees/ Member Admission Fees	13,922	10,705	-23%	
	5. Sale of Passbook	15,000	14,410	-4%	
	6. Sale of Forms	10,000	8,900	-11%	
	7. Donation				
	8. Others Income	5,000	25,828	417%	
	9. Recovery of Written off Loan	20,000	46,186	131%	
	10. Overhead cost from others Program				
	<b>Total Income</b>	<b>8,539,226</b>	<b>8,233,903</b>	<b>-4%</b>	
8	<b>Expenses:</b>				
	<b>Financial Expense:</b>				
	1. Savings Interest	751,014	550,242	-27%	
	2. Interest of PKSF Loan	0	0		
	3. Interest on Bank loan	1,391,389	1,342,800	-3%	
	4. Interest on Committee loan				
	5. Interest on Others Institutional loan	15,000	6,000	-60%	
	6. Others	200,000	196,304	-2%	
		<b>Total Financial Expenses</b>	<b>2,357,403</b>	<b>2,095,346</b>	<b>-11%</b>
	<b>General &amp; Administrative Expenses:</b>				
	7. Salary & Allowances				
	Basic Pay	3,385,500	2,654,097	-22%	
	Special Allowance				
	Dearness Allowance				
	House Rent Allowance				
	Medical Allowance	150,000	180,000	20%	
	Festival Allowance				
	Rest & Recreation Allowance				
	Lunch Allowance				
	Conveyance Allowance	150,000	180,000	20%	
	Telephone Allowance				
	Educational Allowance				
	Fixed Travel Allowance				
	Overtime Allowance				
	Others Allowance-If any				
		<b>Total</b>	<b>3,685,500</b>	<b>3,014,097</b>	<b>-18%</b>
	8. House Rent	240,000	167,100	-30%	
	9. Printing & Stationeries:				
	Printing & Binding	43,200	12,950	-70%	
	Stationary, Seal & Stamps	52,800	50,825	-4%	
		<b>Total</b>	<b>96,000</b>	<b>63,775</b>	<b>-34%</b>
	10. Travel Expense:				
	a) Domestic	288,000	229,547	-20%	
b) Foreign					
	<b>Total</b>	<b>288,000</b>	<b>229,547</b>	<b>-20%</b>	
11. Telephone & Postal:					
Telephone, Telex, Fax, Internet	52,600	34,777	-34%		
Postal & Courier Service	5,000	5,555	11%		
	<b>Total</b>	<b>57,600</b>	<b>40,332</b>	<b>-30%</b>	



Annexure-A/4 (Continued)

SL No.	Description	2017-2018		
		Projected	Actual	Variance (%)
12.	Repairs & Maintenance:			
	Office Building			
	Motor Vehicles	107,000	84,000	-21%
	Others	20,000	35,116	76%
	<b>Total</b>	<b>127,000</b>	<b>119,116</b>	<b>-6%</b>
13.	Fuel Expenses	65,000	21,040	-68%
14.	Gas, Electricity & Water bill	48,000	56,506	18%
15.	Entertainment	48,000	35,094	-27%
16.	Advertisement	10,000	0	-100%
17.	Newspaper & Publication:			
	Newspaper & Magazine	14,400	5,165	-64%
	Books & Publication			
	<b>Total</b>	<b>14,400</b>	<b>5,165</b>	<b>-64%</b>
18.	Bank Charge	48,000	51,816	8%
19.	Training Expense:			
	Local Training	24,000	4,500	-81%
	Foreign Training			
	<b>Total</b>	<b>24,000</b>	<b>4,500</b>	<b>-81%</b>
20.	Seminar, Conference & Workshop Expense			
21.	Legal Expense	5,000	0	-100%
22.	Meeting Expense			
23.	Registration fees/Renewal fees	20,000	5,750	-71%
24.	Others Operational Expense	44,000	46,599	6%
25.	Audit Fees	10,000	7,000	-30%
26.	Honorarium for EC Members			
27.	Other Honorarium			
28.	Tax:			
	Land Tax			
	Income Tax			
	Other Tax			
	Customs Duty/VAT			
	<b>Total</b>	<b>0</b>	<b>0</b>	
29.	Subscriptions & Donation/ Rebate	48,000	114,199	138%
30.	Depreciation	70,020	56,169	-20%
31.	Cost Sharing Expenses			
32.	Consultancy Service			
<b>33.</b>	<b>Total Operational Expenses</b>	<b>7,305,923</b>	<b>6,133,151</b>	<b>-16%</b>
<b>34.</b>	<b>Loan Loss Provision</b>	<b>206,354</b>	<b>693,683</b>	<b>236%</b>
<b>35.</b>	<b>Net Surplus</b>	<b>1,026,950</b>	<b>1,407,069</b>	<b>37%</b>
<b>36.</b>	<b>Transfer to Various Fund:</b>			
	Reserve Fund	102,695	140,707	37%
	DMF	0		
	Others	0		
	<b>Total</b>	<b>102,695</b>	<b>140,707</b>	<b>37%</b>



## Certificate

We examine and found that People's Welfare Foundation has not taken any activity, which is involved in the transaction or provided services that are contrary to " Money Laundering Prevention Act (MLAPA) 2012 and Anti Terrorism Act (ATA) 2009". We also verify and found that no transaction has been made against the interest of different donors, beneficiaries of the organization.

**Dated, Dhaka**  
08 September, 2018

  
**Amal & Leena**  
Chartered Accountants

