

Minutes of the 122nd Executive Committee (EC) Meeting (Face to Face and Virtual) of COAST Foundation held on 17th November 2023 at 10:00am

Member participated:

1. Professor Tofail Ahmed PhD, Chairperson
2. Gawher Nayeem Wahra, Vice-Chairperson
3. Mostafa Kamal Ahmed, FCA, Treasurer
4. Jasmeen Sultana Paru, Member-EC (Through Zoom)
5. M Rezaul Karim Chowdhury, Member Secretary (Executive Director, COAST Foundation)

Agenda transacted:

1. Review of the 121st Executive Committee (EC) Meeting minutes
2. Internal audit findings report discussion.
3. MF Trend Analysis
4. Financial report and Budget variance analysis
5. GRD and CRM report discussion
6. Legal case report status
7. HR policy revision and its change matrix
8. Finance policy revision and its change matrix
9. Money laundering compliances of MRA
10. Any other business (AoB).

The Chairperson started the meeting with a welcome note to all EC members and other COAST staff participants. It should be mentioned that Mrs. Anjulika Khisa who is not participating in the meeting as because she has gone abroad, she mentioned through e mail that, as it is an important meeting then she is agreed whatever the decision will be taken in this meeting.

The major discussions and decisions of the meeting are as follows.

1. Review of the last 121st Executive Committee (EC) Meeting Minutes:

- i. The Director-ME&IA informed that 30 MF branch and 02 donor project are audited during the period from April to June 2023. Total Tk. 1, 03,240 /- identified as misappropriation by 49 (25%) staff where 100% amount realized. The new audit approach facilitates scope for staff for balancing audit and reconciliation the balance if error happened during the period. There are some traditional irregularities like lack of procedural practices in loan disbursement and savings transaction are common observations but solved instantly. He also mentioned that two donor projects are audited. Audit has identified financial irregularities an amount of Tk. 18,202/-. The full amount is recovered from the staff and disciplinary actions have been taken against the staff responsible. The Treasurer advised that if there will be more audit then the trend of irregularities will be reduced. The Chairperson advised conducting a study after six months about the impact of the new audit approach comparing the previous.
- ii. The Director-Core Program presented the Micro Finance Trend Analysis up to June 2023. He mentioned that at the end of June 2023, total branches are 115. Total members are 1.59 lakh and number of loanee is 1.29 lakh (81% of member). He informed that total MF portfolio stands on June 2023 as Tk. 532.35 crore. Income over the period is Tk. 107.77 crore and expenditure made as Tk. 79.60 crore at the same time. The surplus amount is Tk. 28.17 crore and the rate of surplus 24%. He also mentioned that surplus is observed increasing during this financial year. Accumulated capital fund stands as Tk. 86.15 crore in June 2023. The PAR [Portfolio at Risk] is 6.3% is observed as static condition but the target is to go below 5%.

The Chairperson advised for conducting an impact study of ENRICH Program to know the situation. The ED mentioned that if possible, this program should be extended to other climate change hotspot areas. PKSF shares 70% cost and organization shares 30% in ENRICH Program. The Chairperson expressed his interest to visit the ENRICH Program. ED instructed Director-CP to arrange a plan including the Chair of PKSF.

- iii. The Director-Core Program presented the Business Plan for the financial year of 2023-24 where gross achievement of Business Plan 2022-23 reached 108.5%. The new target for 2023-24 is (i) Opening 15 new branch, (ii) Member target is 1.80 lac [14% growth projection], (iii) Loan disbursement Tk.1,293 crore [35%

growth], (iv) Outstanding Balance Tk.704 crore [30% growth], (v) Bank Financing Tk. 189 crore, (vi) Surplus amount is Tk. 34.26 crore, (vii) Capital Fund accumulation Tk. 121 crore [40% growth].

The Treasurer opined that the target should not be conservative, it should be competitive. The Chairperson advised preparing a road map for reaching Tk. 1000 crore of portfolio.

- iv. The Director-FCC&EA presented the budget for the year of 2023-24 in the meeting. He mentioned that the total budget for 2023-24 will be Tk. 1,541.50 crore with the surplus amount of BDT 34.26 crore. The operating budget is BDT 111.32 crore with the surplus amount of BDT 33.12 crore (\$ 3.15 m). Total budget has been increased 28% than FY2022-23 (BDT 1204.20 crore). Here the program and administrative costs are 93% and 7% respectively. This year the budget of the donor grant is BDT 29.25 crore which is 16% more than that of last year (BDT 22.16 crore). The deficit of RLF BDT 194 crore will be met up through borrowing from commercial banks, BDT 114.00 crore, from PKSF, BDT 70 crore and from statutory fund, BDT crore.
- v. The Joint Director-GT&CR presented the change matrix of the revision of COAST Gender Policy. She mentioned that the policy was part of the HR Policy and now it has been separated. She mentioned that the policy has been prepared with gender friendly. Ms. Jesmeen Sultana Paru (Member-EC) discussed that the policy should be maintained strictly, and all staff will be oriented.
- vi. The Deputy Executive Director presented the revised version of Code of Conducts for COAST staff. The Protection of Sexual Exploitation and Abuse (PSEA) and Sexual Exploitation and Abuse (SEA) have been included in the revised version.
- vii. Anjulika Khisa (Member-EC) proposed, and Mostofa Akamal Ahmed FCA (Treasurer-EC) supported her to approve the minutes and then the minutes was approved anonymously.

2. Internal audit findings report discussion

Director-IA&ME has presented the major findings from internal audit section as follows,

Microfinance:

- Total 95 MF branch and 04 donor project are audited during the period from June to October' 23.
- Tk. 2, 55,164 /- identified as misappropriation by 108 (18%) staff where tk. 2,12,495 is realized. Rest of the amount [42699] will be realized from the final payment as these staff left the job. 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.
- Apart some traditional irregularities like lack of procedural practice in loan disbursement and savings transaction, fake sign etc. are common observation but solved instantly during the audit.
- Audit will present some qualified and quantified information branch wise those will reflect the financial performance as well.
- Executive Director opined to assess the future management, monitoring approach and the audit approach & strategies in the face of introducing DFS [Digitalized Financial System] in MF program.

Projects:

- Four donor projects [SSF-Gender Mainstreaming, Aquaculture, UNICEF-Education and SCP projects] are audited from IA section. Audit has not identified any financial misappropriation during audit.
- Apart a few observations are procedural especially lack of following the approval process and updating the documents. All are solved during the audit.
- Treasurer suggested orienting the accounts staff, strengthening follow up and monitoring in this regard.

3. MF Trend Analysis

The Director-Core Programs presented the Micro Finance trend analysis up to February, 2022, where major observations are;

- i. At the end of Oct 2023, total branches are 125 after opening new 10 branches in Cumilla. Total member is 1.62 lac and loanee is 1.31 lac (81% of member). Performance trend observed as positive growth due to increased demand in the field.
- ii. Total MF portfolio is stand on Oct'23 as Tk.541.8 cr is satisfactory as it has increased about 1% from the balance end of June'23.

- iii. Surplus is observed increasing during this financial year. From July'23 to Oct'23 i.e. by this 4 months MF has made a net surplus of Tk.3.30 cr which is 10% excess than in the surplus of July'23.
- iv. End of Oct'23, the accumulated surplus/Capital fund is stood as Tk.97.88 cr which is 10% excess than in the capital of end of July'23.
- v. End of Oct'23 the Portfolio at Risk [PAR] is 7.5% which was 6.4% end of July'23. It is indicated that the overdue is increasing. End of Oct'23 total OD is Tk.32.21cr which is increased Tk.3.92 cr (13.9%) than end of June'23 OD balance (Tk.28.29cr). The meeting has advised to give highest emphasis on arresting OD.
- vi. End of Oct'23 the total MF fund is Tk.628cr. Among them Capital fund is 16%, Savings fund is 37%, PKSF fund is 13%, Bank is 19%, and Others (PF, Gratuity, Reserve, SF, etc.) is 14%.
- vii. End of Oct'23, total bank liability is Tk.120.68cr which is 19% of total fund of Tk.628cr. And
- viii. Debt to Equity ratio is 4:88. Portfolio yield is 23.36%, rate of surplus 27.82%, and Rate of Return on capital is 12.85%. Based on the indicators, organization has gained a Credit Rating "A" for long term and ST-3 for short-term perspective.
- ix. The meeting has given thanks to MF Operation for this achievement and expressed their concern on proper planning for overdue management and syndicate loan and appropriate forecasting for fund management and financial possible risk.
- x. It is also decided that the Treasurer and the Chairperson will visit Cumilla to inaugurate the region either Friday or Saturday in Dec'23 as a part of new area expansion.
- xi. The meeting also instructed to present (i) area wise drop-out information, and (ii) overdue trend information in Taka apart from PAR percentage in next meeting.

4. Financial report and Budget variance analysis

DD-FM&C has presented the budget variance report on July - Sep 23 giving following core information.

Financial Trend and Budget Variance [July-Sep' 2023]:

- Expenditure made around 93% against estimated annual budget for July-Sep 23 period and 20.9% compared with yearly budget.
- The amount crossed the estimated budget lines are Utilities [115% due to installation of 02 AC] advertisement [358% recruitment & replacement], and Fuel & Gas [134% vehicle run with Octane].

Fund Source for Operation & its implementation

MF contribution is the major source of fund for Operation implementation which is 61.3%. Rest of the fund received from donor project in the form of Management salary & Overhead [33.2%] and grants [5.5%].

Income trend last five years

The trend of income [net surplus generation/yr.] is observed upwardly. In the year 2019, the yearly income was tk. 5.06 crore where its stand in the end year June' 2023 is tk. 25.98 crore. In the year 2020, Organization faced a loss amounting 1.64 crore due to COVID and it shut down effect on MF program.

Annual External Audit report discussion

Appointed audit firm [SF Ahmed & CO.] has submitted the MF accounts and management report timely. COAST has submitted the compile accounts for complete the organizational audit activities and hope fully to receive the signed copy by 23 Nov 23.

A summary of consolidated Financial Statement has been informed to our Treasurer for his update the accounts [as on 30 June 23] and submission to audit firm, those are following for the audit year 22-23.

- Non-Current Asset increase 8%
- Current Asset increased 24%
- Non-Current liabilities increased 10%
- Current Liabilities increased 26%
- Capital Fund increased 35%

5. GRD and CRM report up to June 2023:

The Joint Director-GH&CR presented the complaint status from the staff and member/program participants from July-October 2023. She mentioned that,

- A case has been found regarding attempted showing offensive videos by a male Rohingya teacher staff to a female Rohingya teacher. A warning letter has been given to both of them and they have been transferred to another center.
- A case has been found against a female staff who kept extramarital affairs with an external person and was found true. The female staff has been terminated.
- A case has been found regarding an allegation of borrowing money by a CDO (Sonarpara Br) from group members and a warning letter has been given for his correction.
- A case has been found against a Physo-social worker for child abuse and later on been terminated.
- The meeting appreciated the activities and actions.

6. Legal case report status

Director-Admin & SR gives an update on legal procedures [Case running against staff and members]. He mentioned that there are in total 162 cases running where claimed money is around Tk.2.39cr end of 15 Nov'23. Among them Cox's Bazar region is the highest i.e. case no 83 and its amount is Tk. 1,52 cr. He informed the meeting that From July-Nov'23 (5m) total 10 cases have been settled with the total amount of Tk.7.60 lakh. The ED has advised increasing contact with them to set-a-side the cases giving some reduction. The Vice-Chair has suggested to explore the Debt Arbitration Board (ঋণ সালিশি বোর্ড) which supposed to be made easier settling the debt case/legal issues.

7. HR policy revision and its change matrix

The Deputy Executive Director (DED) has presented the change matrix of "Immediate changes needed" of COAST HR Policy which was reviewed by the (i) Mostofa Kamal Ahmed FCA (Treasurer-EC), (ii) Jacob Kumar Sarker (Member-EC), and (iii) Anjulika Khisa (Member-EC) and later on given their opinion as follows:

- The revised gratuity slab will be (i) No gratuity if leave organization before 3 years, (ii) From 3 years to 10 years the gratuity will be 1 time x job year, (iii) From 10 years to 15 years the gratuity will be 1.5 time x job year, (iv) From 15 years to 20 years the gratuity will be 2 time x job year, and (v) From 10 years above the gratuity will be 3 time x job year.
- The meeting also instructed to change some narrations on Clause: 31.2.1 "Definition of serious misconduct" and the revised draft will be given to the Chairperson by 20th Nov'23. The ED will ensure it.

The DED also presented the detailed change matrix of HR policy. But due to time constraint the meeting has stopped discussing the HRP and hereby requested the (i) Gawher Nayeem Wahra, Vice-Chairperson and (ii) Mostofa Kamal Ahmed FCA (Treasurer-EC) to review the detail HR policy and its change matrix by 26th Nov'23. The Vice-Chair and the Treasurer gladly accepted the proposal. They will give comments to Chairperson then Chairperson will give approval of the new revised HR policy for effect. ED has mentioned that, necessary revision is long due as existing HR policy has done more than five years ago, most of the partners look for the revised policy as part of the assessment. He also said that, the revision has done with the experiences of last five years and consulted with important senior staff who are directly related to HR management.

8. Finance policy revision and its change matrix

The Director-FCC&EA presented the detailed change matrix of Finance policy into the meeting. But due to time constraint the meeting has postponed discussing the Finance policy. The Treasurer informed that he would discuss the policy with a chartered accountant to make it more improve and will submit by 26th Nov'23. The meeting is given thanks to the Treasurer for shouldering this responsibility. Then the Treasurer pass the comments to Chairperson for approval with effect.

ED has mentioned that, necessary revision is long due as existing finance policy has done more than five years ago, most of the partners look for the revised policy as part of the assessment. He also said that the revision has done with the experiences of last five years and consulted with important senior staff who are directly related to finance and accounts management.

9. Money laundering compliances of MRA

The Director-FCC&EA informed the meeting that COAST is following the Money Laundering Act-2015 (amendment) properly till to the date. The issue regarding money laundering, terrorist financing, smuggling and illegal drug issues are being discussed in each group meetings as well as staff meetings. These issues are also

mentioned in the passbooks so that the member participants can follow and be strict during spending their money borrowed from the organization.

The Director-FCC&EA also mentioned that there is not any illegal financing reported for money-laundering, terrorist financing, smuggling, illegal drug and any other illegal engagements in respect of MF operation (for loan disbursement, loan realization, members savings collection and other transactions), donor funded projects (fund receiving and its utilization) and other operation of COAST Foundation.

10. Any other business (AoB)

- i. The meeting has proposed that the next Extra AGM will be held on 27-01-2024 through Zoom in order to fix the new tenure and members in the EC since the tenure of some EC members will be expired on 24-02-2024.
- ii. The ED informed the meeting that the agreement period of the Cox's Bazar Centre (5 stored building) has ended on 30-October'23 @Tk1 lakh per month and the new agreement should be executed for next 05 years. As the house owner is the wife of ED, COAST, and as a part of conflict of interest, the new rent should be approved by the Chairperson EC. In this regard a committee will be formed consisting of 2/3 members from COAST staff to examine the existing market rent at that place and will submit the report by 26th Nov'23. It is decided that on behalf of the Executive Committee (EC), the Treasurer-EC will visit Cox's Bazar physically to review the proposal and its (rent) justification by 10th Dec'23.
- iii. The meeting also decided to appoint a renowned and experienced Tax lawyer (may be a chartered accountant) for the organization for assessing tax and its annual tax return. The Treasurer-EC is agreed to give 2/3 names of the Tax expert by 23-Nov'23 for its final selection.

Having no other discussions, the Chairperson concluded the meeting with a vote of thanks to all.

Prepared by

Approved by

M Rezaul Karim Chowdhury
Member Secretary and
Executive Director, COAST Foundation

19 November 2023

Professor Tofail Ahmed, PhD
Chairperson
COAST Foundation