

COAST Trust

Minutes of the 13th Pre-BoT Audit & Finance Committee meeting held on 10 December' 2016 at COAST Principal Office, Dhaka.

A. Member Participated

1. M. Zahirul Alam FCA, Treasurer, BoT (as BoT member participant)
2. Aminul Hoque, Deputy Director-IA&ME (as staff participant)
3. Ahsanul Karim Babor, Deputy Director-FC &CA (as staff participant) and
4. Tarik Sayed Harun, AD-Core Program. (as staff participant)

B. Agenda Transacted

1. Review of the last (12th) Audit Committee meeting minutes
2. Report from internal audit sections (MF program)
3. Micro finance and financial trend analysis
4. Staff Salary Review 2016
5. AoB

The meeting has been presided by the Treasurer-BoT, COAST Trust and the major discussion and decisions of the meeting are as follows;

1. Review of the last meeting minutes:

Deputy Director-ME & IA have reviewed the minutes and on its updated progress of 12th BoT audit committee meeting and the following decisions have been taken for further actions;

- a. **Mobile Banking:** At present, the activities of mobile banking are not in proper track according to the previous organizational objective. This happened due to unable to reach in an agreement by IFIC bank with mobile operator "Robi" at Cox's Bazar area. Apart, the present service charge is also high that discouraging for our MF borrowers. However we do not want to dump it rather will take further strategies following the MRA rules & regulations.
- b. **Follow up top-10 branches based on the outstanding:** Following the issue, Deputy Branch Manager is set in a branch (Lalmohon) where outstanding crossed more than our official target. Web-based daily collection and overdue also is being monitored. Apart from this, financial monitoring is being done from central finance regular basis especially daily cash transaction, cheque book & cash book. The meeting has advised to put extra follow up in view of financial security measures as there are two branch (Lalmohon and Chokoria) already crossed their Portfolio more than 04 crore as outstanding.

The Treasurer has planned to visit the Cox's Bazar area on 25th December and will participate in a meeting with MF staff (All RPCs, AM and BMs). Asst. Director is requested to facilitate the event accordingly.

2. Report from internal audit sections (MF program)

Internal audit section has presented the summary of audit findings on last quarter (Sep-Nov'2016). There 16 branches are audited and following major observations are critical based on the findings and related discussion;

- i. **Financial Misappropriation:** Misappropriation trend observe increased slightly in latest audit. The amount of misappropriated money is tk. 53,639/- comparing with previous amount of tk. 46,327/-. 47% staffs are engaged with this misappropriation and tk. 52,039/- have been realized. Rest of amount will be realized with staff final payment as they left the organization.

- ii. **Syndicate loan** Latest audit observation reflects the number of syndicate loans in 09 branches out of 16 audited. There are 23 member have captured 78 no of loans. Present outstanding of these loans are as tk. 11, 59,229/-. This scenario looks high trend and chair of the meeting has expressed his concern and advised to place the detail information and action plan on syndicate loan in the meeting.
- iii. **Transaction from daily collection** still in practice. Major no of branches (04 branches found in latest audit 04-187 days) are found with this irregularities. E.g. Dashmina branch has made transaction in 187 days from their daily collection despite having banking facilities less than 01 km distance from the branch. This is a violation of PKSf rules and even impinging our internal monitoring and control system. RPCs daily monitoring seems weak in this case; proper assessment needed why they are doing this and need to follow up with proper strategy.

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

3. MF Trend analysis: Asst. Director-CO has presented the latest (Jan -Nov'2016) performance of MF where it's viewed the following;

- i. COAST **micro finance program has reached its portfolio outstanding as BDT 132 corer in Nov' 2016.** Simultaneously, the portfolio is also running with increasing trend on its member (1.01 cr.), savings accumulation (48.59 cr.) and surplus generation (376.95 cr.) up to the month.
- ii. **Overdue seen as increasing trend** (net overdue is stand as 4.74 crore in reported month) which reflecting 4.0% as PAR. Level of quality disbursement can be minimized option for this concern.
- iii. **Accumulated Surplus:** The accumulated surplus has created the capital balance as 16.40 crore in Nov'16. Currents surplus is also observing as increasing trend.

4. Staff Salary Review 2016

Asst. Director-Core Operation has proposed the new salary structure for organization from the year 2017. The new salary structure has been prepared through adopt of following principle and methodology;

Principle:

- i. All level of staff (CDO-ED) could be able to mobilize at least 80% resource for purchase a home in their respective areas after 20 years job completion with COAST.

Methodology:

- ii. Based on the above principle, existing livelihood expenditure has analyzed of CDO (Credit Development Officer) to ED (Executive Director) to set the minimum salary level standard.
- ii. Reviewed the present salary structure of 15 MF-NGOs (05 big, 05 medium and 05 small NGOs). This review has helped the team to compare and identify the salary gap in accordance with present market and to set an average level of salary, which will be based for proposed new structure.

Proposed Structure:

Proposed New Salary Structure			
<u>Position</u>	<u>Increased by Review</u>	<u>Regular Increment (1-Step)</u>	<u>Total Increased</u>
Support Staff	15%	13%	28%
Driver	15%	11%	26%

<u>Position</u>	<u>Increased by Review</u>	<u>Regular Increment (1-Step)</u>	<u>Total Increased</u>
CDO	17%	10%	27%
BM	16%	10%	26%
AM/AC	15%	10%	25%
RPC/C	14%	10%	24%
Head	14%	9%	23%
A. Director	13%	9%	22%
D. Director	12%	9%	21%
Director	6%	9%	15%
E. Director	7%	8%	15%
Average increased	14.5%	9.8%	24.3%

Financial Sustainability for New Structure:

New Salary structure will increase addition expenditure as BDT 14.30 lac per month and yearly 1.70 crore which is 6.8% more comparing with present salary expenses. COAST has been generating its surplus as BDT 95.0 lac - 1.00 crore per month as net capital. Up to November'2016, COAST has generated its net surplus 2.59 crore and the capital outstanding is 16.40 crore. At the end of financial year (up to June'17), the net surplus will be generated as BDT 8.33 crore after adjustment of additional expenditure.

5. **AoB:** There were no agenda for discussion in AoB.

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

Prepared by

Approved by

Aminul Hoque
Secretary of the meeting
COAST Trust

Dated: 10 Dec' 2016

M. Zahirul Alam FCA
Treasurer- BoT
COAST Trust