



সংযুক্তি-ক

PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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## Terms of Reference (ToR) for

### **Audit of Partner Organizations (POs) by PKSF appointed External Auditors**

**(Effective from FY 2023-2024)**



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## A. Introduction

### **a. Background:**

Palli Karma-Sahayak Foundation (PKSF), an apex development organization, was established by the Government of Bangladesh (GoB) in May 1990, for sustainable poverty reduction through employment generation. Legally, PKSF is a “company not for profit” and is registered under the Companies Act, 1913 (replaced by the Companies Act 1994) with the registrar of Joint Stock Companies.

Palli Karma-Sahayak Foundation (PKSF) implements all its programs and projects at field level mainly through a strong network of Partner Organizations (POs) those are mostly NGOs and other Non-Profit Organizations.

Palli Karma-Sahayak Foundation (PKSF) has built up a set of sound and effective internal control systems. Internal Audit Department of PKSF is one of the driving forces of overall internal control system of PKSF. The Partner Organizations (POs) of PKSF who receive any sort of fund from PKSF as loans for credit operation or reimbursement of expenditure against different programs/projects are being audited by PKSF's Internal Audit Department at least once in each financial year. Apart from that, each active PO is required to be audited by PKSF appointed external auditor in one financial year interval, e.g. once for every two financial years. PKSF's Internal Audit Department plays a coordinating and supportive role to effectively carry out this audit of POs by the PKSF appointed external auditors.

At present, most of the activities of POs are being managed through automation (software) system. The nature and areas of audit have also been changed comprehensively. As a result, instead of conducting audit thoroughly, risk based audit could be the most effective in order to get a better and effective result. To cope up with the changing situation, the ToR of Audit of POs by PKSF appointed external auditors has been updated accordingly.

### **b. Code of ethics for Auditors:**

The four common codes of Ethics for internal auditors provided by Institute of Internal Auditors (IIA) are *Integrity, Objectivity, Confidentiality, and Competency*. These Code of Ethics should be followed by an auditor who is assigned to conduct the audit tasks.

PKSF appointed external auditors should follow the provisions of the International Standards on Auditing (ISA) as adopted in Bangladesh in conducting and completing the audit of POs of PKSF.



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### c. Major objectives:

Apart from the inherent objective of the audit work, the following shall be the major objectives of the audit of the POs.

- i. To assure/verify whether the **internal control system** and the overall **governance system** of the POs are being functioned in an effective and efficient manner;
- ii. To assure/verify the reliability, functionality, efficiency, effectiveness, security, backup and Disaster Recovery Plan (DRP) of automation system of the POs;
- iii. To assure whether the conditions of the agreements between PKSF & POs and also the PKSF policies and guidelines are being properly complied by the POs.
- iv. To assure whether the PO's accounting records and financial statements exhibit **True and Fair View** of the PO's operating & financial performance;
- v. To assure whether the PO's **Fixed Asset and Fund-flow Management** quality is up to the mark and transparent;
- vi. To assure whether the PO's Financial Statements of overall loan programs and PKSF funded programs and projects have been prepared/reported in accordance with the provisions of the International Financial Reporting Standards (IFRS's) as adopted in Bangladesh;
- vii. To assure/verify whether the POs have complied with all sort of applicable laws, act, rules and regulations of the country in related cases;
- viii. To assure whether the fund received by the POs from PKSF as loans or grants has been properly used.
- ix. To assure whether the savings and other funds collected by the POs from members (program participants) have been properly managed and kept in a secure manner.
- x. To assure whether the interests of all stakeholders is protected.

### d. Scope of Audit:

This audit would cover the financial affairs including outcomes of overall loan programs of the POs and PKSF funded programs and projects implemented by the POs. The auditor is expected to examine the fund flow process of PKSF to POs and POs to members (program participants). Auditor will work at head office, branch offices and field level of the concerned PO's to ensure the effective and efficient use of the fund as per agreement between PKSF and POs and also as per PKSF's policies & guidelines. This audit also includes assessment of the quality and effectiveness of implementation of the overall loan programs and PKSF funded programs and projects activities at field level. The auditor has also to certify whether PO's Financial Statements of overall loan programs and PKSF funded programs and projects run by PO's have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS's) as adopted in Bangladesh and these financial statements exhibit True and Fair views of the state of POs overall loan program and PKSF funded programs and projects run by the PO.



# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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**Each active PO shall be audited once in every two financial years with an interval of one financial year.** Auditors are reportable to the chairman of the General Body of PKSF.

The major area of the audit of Partner Organizations (POs) of PKSF by PKSF appointed external auditors is enumerated in the following table.

Major area of audit	Page No.
<b>1.0 Internal Control and Governance System:</b>	
1.01 Constitution and Registration	4
1.02 PO's Own Policies and Practices	4
1.03 Staff Management	4-6
1.04 Committees and their effectiveness	6
1.05 Compliance with MRA Directions	7
1.06 Compliance with PKSF's Directions	7
1.07 Legal Issues	7-8
1.08 Budgetary Control System	8
1.09 Internal Audit System	8-9
1.10 Other issues	9
<b>2.0 Automation System (software)</b>	9-10
<b>3.0 Fixed Asset Management systems</b>	10-11
<b>4.0 Management of Programs and Projects</b>	11
<b>5.0 Financial Management:</b>	
5.01 Accounting Systems	11-12
5.02 Fund Management	12-15
5.03 Financial Transactions	15
5.04 Capital Fund	15-16
5.05 Loan Portfolio at Field	16
5.06. Other Accounts	16-17
<b>6.0 Operating &amp; Financial Performance</b>	
6.01 Field Monitoring System	17-18
6.02 Portfolio Quality Analysis	18
6.03 Budget Variance Analysis	18-19
6.04 Ratio Analysis	19
<b>7.00 Instructions for Audit Report Submission</b>	20-21
<b>8.00 Acronym and abbreviation</b>	21

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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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### **B. DETAILS OF THE AUDIT WORK**

The activities and financial transactions pertaining to Loan Program and PKSF-funded Programs and Projects of the POs should be audited focusing on the following areas.

#### **1.0 Internal Control and Governance System:**

Areas of audit	Actions	
<b>1.01 Constitution and registration</b>	i.	To examine whether the PO has a set of approved Constitution, Memorandum of Association (MoA) and Articles of Association (AoA).
	ii.	To examine whether the PO has taken certificate from MRA, NGO affairs bureau, social welfare department, RJSC (Registrar of Joint Stock Companies and Firms) etc. as applicable and update regularly.
	iii.	To check whether the name of the PO in all registration certificates issued by aforesaid authorities is identical and used in official works accordingly.
<b>1.02 PO's own policies and practices</b>	i.	To examine whether the PO has a set of policies approved by its General Body e.g. human resource policy, savings-credit policy, risk mitigation fund policy, cost allocation policy, gender policy, procurement policy, staff loan policy, advance policy, investment/fund management policy, Delegation of Administrative and Financial Authority (DAFA), Integrity Policy, Gender Policy and other policies.
	ii.	To examine whether the PO's policies are in line with MRA act & MRA rules, other relevant Acts & PKSF's guidelines.
	iii.	To examine whether PO is following its approved policies and guidelines.
<b>1.03 Staff Management</b>  <b>(Pay scale, recruitment, Personal file, staff salary &amp; allowance, staff benefit funds, staff loan &amp; advance)</b>	<b><u>HRD Functions:</u></b>	
	i.	To check whether the PO has approved recruitment, training, rotation, promotion, increment, settlement, performance appraisal policies and follows accordingly.
	ii.	To verify whether the PO has a policy to review pay scale in a regular interval.
	iii.	To verify whether the PO has systematically maintained staff personal file including Annual Confidential Report (ACR), academic certificates, nominee form and other required documents.
	<b><u>Salary &amp; allowance:</u></b>	
	i.	To examine whether the PO has provided salary and allowance as per approved pay scale and deducted related deductions (PF, income tax, staff loan) accordingly.
	ii.	To examine whether the policies and staff compensation package (pay scale) of the PO is approved by General Body.
	iii.	To examine whether salary and allowance has been paid through banking channel.



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Areas of audit	Actions
	iv. To examine whether the PO has paid salary and allowance to any non-existed or fake employee.
	v. To examine whether the PO has a separate training division and working efficiently and effectively.
	vi. To examine whether any staff has been paid his/her salary from more than one program/project by violation of policy.
	vii. To examine whether PO has paid salary and allowance to any employee from multiple sources/branches.
	<b><u>Staff benefit funds (Provident, Gratuity &amp; other fund):</u></b>
	i. To examine whether the PO has taken approval/recognition of Provident Fund and Gratuity Fund from the National Board of Revenue (NBR).
	ii. To verify whether the PO has separate approved board of trustees, trust deed and policies for the management of Provident fund and Gratuity fund.
	iii. To examine whether the PO has properly followed the approved policy of Provident Fund and Gratuity Fund in management/investment of the fund and settlement of final claim of the staff.
	iv. To verify whether the PO has maintained separate books of accounts and prepared separate financial statements for the Provident Fund, Gratuity Fund, staff welfare fund, staff security fund, staff superannuation fund etc.
	v. To examine whether the PO has followed the direction for investment of Provident Fund and Gratuity Fund prescribed in income tax rules 1984.
	vi. To verify whether employee's Provident Fund and Gratuity Fund are used beyond the intended purposes.
	vii. To verify the Provident Fund and Gratuity Fund both are audited by CA firm each year.
	viii. To examine whether the PO has recorded interest on investment of the funds on accrual basis and distributed to respective staff's account in pro-rata basis.
	ix. To examine whether the name of the fund is mentioned on investment instruments as well as bank statement of the funds clearly.
	x. To check whether any investment instrument of the funds is under lien against bank loans for other purposes.
	xi. To examine whether there is any incident of granting loan from the Gratuity Fund.
	xii. To examine whether there is any shortage in provision for the Gratuity Fund.

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Areas of audit	Actions
	<p>xiii. To verify whether the PO has returned or adjusted the unclaimed/forfeited portion the Provident Fund at source in a regular interval as per FRC gazette.</p> <p>xiv. To verify the terms &amp; conditions, documentation, loan agreement, interest rate, tenure, and mode of repayment in case of staff PF loan.</p> <p>xv. To examine whether the activities of the Provident Fund and Gratuity Fund are operated as per trust deed.</p> <p>xvi. To examine whether the meeting of trustees of Provident fund and Gratuity fund is regularly convened and meeting minutes preserved accordingly.</p> <p><b><u>Staff loan and advance:</u></b></p> <p>i. To verify whether the PO has disbursed loans (vehicle loan, housing loan, computer loan, loans against salary, Provident fund loan etc.) to staff by following the required directions of respective loan policy.</p> <p>ii. To verify whether there is any kind of discrimination in sanctioning loan (PF, Vehicle, housing, salary advance) among/between staffs.</p> <p>iii. To verify whether the PO has regularly adjusted/deducted aforesaid staff loans as per repayment schedule.</p> <p>iv. To verify the approval, documentation, terms &amp; conditions, mortgage, policy, legal issues etc. of the aforesaid staff loans.</p> <p>v. To examine whether any balance of loan/advance of staff is remained unadjusted even after the final settlement.</p>
<b>1.04 Committees &amp; their effectiveness</b>	<p>i. To examine the Governance issues of the PO e.g. composition of committees, competitiveness of the committees, duration of the committees, and tenure of the committee members in light of MRA rules.</p> <p>ii. To examine whether the required number of women members have been included in General committee and Executive committee as per MRA directions.</p> <p>iii. To examine whether the meeting of General committee and Executive committee have been taken place in due course and meeting resolutions are maintained properly.</p> <p>iv. To examine whether the executive and general committee are following obligations laid down in the constitution properly.</p> <p>v. To assure whether all sort of policies, annual budget, pay scale etc. are approved by General Body of the PO.</p> <p>vi. To examine whether the external auditor (C.A firm) is appointed in the AGM and statutory audit report is submitted to and approved by General Body.</p>





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Areas of audit	Actions
<b>1.05</b> <b>Compliance with</b> <b>MRA directions</b>  (MRA Act 2006, MRA Rules 2010 & MRA Circulars)	<ul style="list-style-type: none"><li>i. To examine whether the PO has complied with MRA rules/directions regarding service charge, savings interest, loan classification, LLP, statutory investment, loan written-off, fixed assets acquisition, voluntary savings, term savings, rebate etc.</li><li>ii. To examine whether the PO has complied with MRA circulars accordingly.</li><li>iii. To find out any sort of non-compliance or violation issue in regular functions and practices of the PO that is in contrary to MRA Act/rules/circulars</li><li>iv. To examine whether the PO has accounted for Loan Loss Provision (LLP) and Loan Loss Expense (LLE) accounts as per MRA guideline.</li><li>v. To examine whether the PO has written-off overdue loan as per MRA rule and maintained write-off register, write-off recovery register properly.</li><li>vi. To verify whether the PO has accounted for the recovery of write-off loan in books of accounts and financial statements in due course.</li><li>vii. To verify whether PO has made an undue fabrication or window dressing in loan classification in order to minimize LLP expenditure.</li><li>viii. To examine whether the PO has properly maintained sufficient provision for interest on savings fund, sundry expense.</li></ul>
<b>1.06</b> <b>Compliance with</b> <b>PKSF's directions</b>	<ul style="list-style-type: none"><li>i. To examine whether the PO has complied with the guidelines of PKSF regarding loan policies (component-wise), FDR policy, mother bank account, grant/donation policy, assets revaluation policy etc.</li><li>ii. To examine whether the management of the PO has given proper attention in projects implementation &amp; followed the project guidelines accordingly.</li><li>iii. To examine whether the PO has been commenced any kind of activities, involved in any transaction or provided services that is in contrary to the policies and guidelines of PKSF.</li></ul>
<b>1.07</b> <b>Legal issues</b>	<ul style="list-style-type: none"><li>i. To examine whether there is any financial or non-financial activity has been taken place in the PO's transactions which is contravened to any Act/regulation of the country or any rule/guideline of the related authority.</li><li>ii. To examine whether the PO has submitted income tax return and VAT return on regular interval.</li><li>iii. To examine whether the PO has complied with the relevant and updated provisions of Income tax Act 2023 as well as updated provisions of Value Added Tax (VAT) and supplementary duty Act 2012 and Value Added Tax (VAT) and supplementary duty Rules, related SROs.</li></ul>



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Areas of audit	Actions	
<b>(Income tax Act &amp; Ordinance, PPA Act, PPA Rules, Money Laundering Prevention Act, Trust Act &amp; other Law)</b>	iv.	To examine whether the POs have complied with the relevant provisions of the Companies Act 1994, the Societies Registrations Act 1860 or the Societies Registration (Amendment) Act 2013 and other relevant Acts, Regulations and Orders as applicable.
	v.	To check whether the POs have complied with the Public Procurement Act (PPA) 2006 and Public Procurement Rules (PPR) 2008 where applicable.
	vi.	To examine whether the PO has complied with the relevant provisions of Money Laundering Prevention Act, 2012 and related circulars.
	vii.	To examine whether the PO has properly deducted and accounted for VAT and income tax from bills of the procurement of goods/services/works at applicable rate prescribed by NBR for respective year.
	viii.	To examine whether the PO has regularly deposited the aforesaid deducted VAT and income tax to the Government treasury and preserved chalan in a proper order.
	ix.	To check whether the PO has submitted the withholding tax return to DCT in due time.
	x.	To check whether PO has adjusted income with expenditure (netting off) to avoid Income tax or avoid tax liability by any means of window dressing.
	xi.	To check whether the PO has properly maintained advance income tax register & submitted the Income tax return by adjusting the advance income tax.
<b>1.08 Budgetary control system</b>	i.	To check whether the PO has formulated a realistic annual budget and get approval from General body.
	ii.	To examine the effectiveness of budgetary control system with comparison between budget and achievement.
	iii.	To find out the drawback and to verify the effectiveness of corrective measures of budget variance.
<b>1.09 Internal audit system  (Internal &amp; external audit)</b>	i.	To check whether the PO has internal audit department/section with sufficient number of auditors and logistics support.
	ii.	To check whether the Internal Audit Department is under the direct supervision of Executive Director (ED) and audit report is approved by Executive Director (ED) as well as significant findings are being presented in Board meetings.
	iii.	To check whether the PO has a detailed audit ToR, audit report format, compliance report format, audit plan etc.

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Areas of audit	Actions
	iv. To check whether the PO has followed the ToR and audit report format in the audit operation.
	v. To Check whether the Internal Audit department conduct audit work at head office, branch office and field level in a regular interval.
	vi. To examine whether the PO has followed and made effective action-plan regarding the previous audit's observations in due diligence.
	vii. To check whether the accounts of the PO have been audited by the PO's appointed Chartered Accountancy (C.A) firm in each financial year in accordance with the MRA Rules.
<b>1.10 Other issues</b>	i. To examine the effectiveness of the PO's policy to ensure/promote the good governance regarding auditing, transparency, accountability and integrity affairs.
	ii. To examine whether the PO's policy is capable enough to safeguards organizations, members and other stakeholders interest as well.
	iii. To examine the effectiveness of the PO's policy to address and mitigate the operational & financial risks.
	iv. To check whether any evidence of gender harassment, child labor, environment pollution, racial disparity, nepotism, terrorism financing etc. existed in PO's activities and practices.

### 2.0 Automation System (software):

Sl.	Actions
i.	To verify whether the software of the Partner Organization (PO) is fully automated and web-based.
ii.	To examine whether the PO is able to generate/consolidate monthly report at both branch & head office level without any manual adjustment/posting.
iii.	To verify whether the PO has designed its software infrastructure as per directions of MRA and PKSF regarding service charge on loan, rebate, interest on member savings, grace period, loan processing fees, insurance fee, loan classification, LLP, depreciation/amortization, reserve fund, reserve & savings fund investment, loan write-off etc.
iv.	To verify whether there is any incident of charging continuous interest on overdue loan in the software.
v.	To verify whether the PO has an option in software for hiding/manipulating overdue loan, automatically rescheduling overdue loan and fake disbursement etc.
vi.	To verify whether there is any mismatch between software and manual record-keeping in case of maintaining registers, books of accounts, statements, reports, collection sheets, pass book etc.
vii.	To verify whether all sort of financial defalcation, fund drain and cash shortage has been dully reflected in the software report.

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82



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viii.	To examine whether all financial transactions have been recorded in software in line with adequate supporting, vouchers, relevant policy etc.
ix.	To check whether the PO has proper Data center, Data backup, Disaster Recovery Plan (DRP), Business Continuity Plan (BCP), Password security plan and software policy & user manual.
x.	To verify whether the PO has a modern IT cell/department adorned with well-trained IT experts/employees in both head office and branch level.
xi.	To verify whether there is any configuration/module which is contradictory with Digital Security Act and Money Laundering prevention Act enforceable in Bangladesh.
xii.	To authenticate whether the PO has adequate protection/backup/legal-ground in case of possible conflict with Software Company.
xiii.	To check conditions of agreement between the PO & Software Company and its compliance.
xiv.	To check whether the security password is only known and used by the designated person.
xv.	To examine whether PO has policies regarding password authority, storage of software data, abuse of software and authority of correction in the software etc.
xvi.	To examine whether there is any risk of manipulating or misguiding the software input data by entry level officer/staff.
xvii.	To check whether PO has any option to change the old-posted data going to the back date.
xviii.	To check whether there is any option in software to generate different reports for different parties.
xix.	To ensure whether the practice of IT audit by PO's management is exist.

### 3.0 Fixed Asset Management Systems:

Sl.	Actions
i.	To examine whether the fixed assets have been purchased/sold/revaluated after getting approval of the executive committee of the PO.
ii.	To ensure that the PO has taken permission from the MRA and clearance (NOC) from the PKSf before purchase/sale of fixed assets of significant amount.
iii.	To examine whether the PO has procured the assets by following the necessary guidelines (approved purchase committee, tender/quotation, comparative statement, work order, payment mode, documentation, deduction of income tax & VAT, budget etc.) of its approved procurement policy properly and in accordance of PPA 2006 and PPR 2008.
iv.	To verify whether fixed assets are purchased & recorded in name of organization itself and used for organization's intended purpose.
v.	To examine whether the consideration of purchase/sale of fixed assets settled through duly authorized/approved bank accounts.
vi.	To examine whether fixed assets register, depreciation register and disposal register have been maintained and updated appropriately.



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vii.	To ensure whether the management of PO physically verify the existence and activeness of fixed assets in regular interval and to cross-check location & identification number of fixed assets.
viii.	To examine whether the PO has revalued and recorded its fixed assets in compliance with respective IAS/IFRS.
ix.	To examine whether the ratio of fixed assets against capital fund is within the limit prescribed by MRA.
x.	To evaluate whether the fixed assets have been purchased for the absolute usage of the PO.
xi.	To check whether the consideration/payment is given to the actual supplier through banking channel.
xii.	To check whether the procured fixed assets have been shown in appropriate head of accounts properly.
xiii.	To examine whether the PO has charged depreciation/amortization on non-current assets in accordance with respective guideline (third schedule of income tax Act 2023) of MRA.

### 4.0 Management of Programs and Projects:

Sl.	Actions
i.	To examine whether proper books of accounts and registers have been kept by the PO's for each program and project.
ii.	To examine whether the PO has transferred the funds of programs/projects through mother bank A/C to Operating bank A/C or through designated account as per agreement between PKSF and PO.
iii.	To check whether PO has transferred the funds of programs/projects to any other program/project beyond intended.
iv.	To examine whether the own contribution of the PO to programs/projects is recorded/accounted for in the books of accounts properly.
v.	To assure the use of programs/projects fund as per agreement between PKSF and PO as well as related project guidelines.
vi.	To assure the implementation of programs/projects activities in the field level.
vii.	To examine whether the monitoring and supervision system of programs/projects are satisfactory.
viii.	To examine the outcome of implementation and compare with program/project's objectives.
ix.	To assure whether the grants/loan of the programs/projects fund has been properly utilized.

### 5.0 Financial Management:

Areas of audit	Actions
5.01 Accounting systems	i. To examine whether proper books of accounts and registers have been kept by the PO's.
	ii. To examine whether the PO has complied with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) while



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Areas of audit	Actions
	recording financial transactions, preparing financial statements and presenting reports to interested parties.
	iii. To examine whether the PO has followed the Generally Accepted Accounting Principles (GAAP) e.g. conservatism, full disclosure, going concern, consistency while recording financial transactions.
	iv. To examine whether the PO has followed the accrual basis of accounting while recording financial transactions.
	v. To examine whether the PO has used chart/heads of accounts, books of accounts, financial statements, registers for financial transactions properly.
	vi. To verify whether the PO has preserved bill-vouchers, documents, books of accounts, registers, reports etc. at least for 10 years at head office and minimum 5 years at branch office as per MRA rules 2010.
	vii. To examine whether closing balance of previous month/year accounts/registers have been carried forward as opening balance of next month/year accounts/registers correctly.
	viii. To examine whether the bills/vouchers are duly approved for payment by the competent authority.
	ix. To identify common mistake in preparation of statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, receipts-payments accounts, statement of changes in capital fund and notes to the financial statements.
	x. To cross-check between MIS and AIS for same accounting data.
	xi. To verify the current Financial year's transactions regarding different kinds of assets, debts, funds, expenses, income, provisions with sufficient evidence.
<b>5.02 Fund Management</b>  <b>(Cash, Bank, Investment, Member savings fund, Insurance fund,</b>	<b><u>Cash &amp; Bank:</u></b>
	i. To examine whether any branch of PO has kept excess cash in hand regularly violating of the PO's own policy (maximum daily cash limit)
	ii. To examine whether any branch of PO has kept cash shortage or fictitious/fake cash in hand.
	iii. To verify the reliability of security system of cash in hand and cheque books.
	iv. To examine whether the PO is maintaining cash vault and cheque issue register regularly.
	v. To verify balance of cash in hand by cross-checking between cash book and physical counting.
	vi. To verify whether there is any <b>teeming and lading</b> practice in cash in hand.
	viii. To examine whether the PO has kept idle bank balance regularly. viii. To check whether the PO has prepared bank reconciliation statement in a regular interval at both head office and branch level



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Areas of audit		Actions
Borrowing fund)	ix.	To check the signatories of the operating bank accounts and mother bank account.
	x.	To verify whether financial transactions have been executed through assigned bank accounts.
	xi.	To examine whether the PO has used/drained the bank balance to general fund or any other projects.
	xii.	To verify whether the PO has kept any signed blank cheque.
	xiii.	To verify the banking transactions by cross-checking among cheque issue register, cheque counterpart, bank statement and cash book.
	<b>Investment:</b>	
	i.	To examine whether the PO has maintained required amount (%) of investment against savings fund and reserve fund as per MRA rules.
	ii.	To examine whether the PO has recorded interest on investment on accrual basis.
	iii.	To examine whether bank account and investment (FDR) against savings fund and reserve fund have been made in name of the respective funds.
	iv.	To examine whether the aforesaid investment (FDR) are free from lien/mortgage.
	v.	To examine whether the PO has kept investment (FDR) only in scheduled banks as per MRA rules.
	vi.	To examine whether the PO has kept investment more than maximum limit prescribed by the PKSF in a single bank.
	<b>Member Savings fund:</b>	
	i.	To examine whether the PO has fulfilled the conditions for collecting voluntary savings and term savings as prescribed by MRA rules.
	ii.	To examine whether the PO has taken approval from MRA for collecting term deposit.
	iii.	To verify the policies (terms & conditions, interest rate, tenure, documentation etc.) of the member savings.
	iv.	To examine whether the PO has provided prescribed rate of interest on member savings as per MRA rules.
	v.	To examine whether the PO has posted aforesaid interest on member savings in members pass book accordingly.
	vi.	To examine whether the PO has provided update interest on member savings in case of interim withdrawal.
	vii.	To verify whether the ratio of voluntary and term deposits against capital fund are within the limit prescribed by MRA.



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Areas of audit	Actions
viii.	To examine whether the collection, interest and refund of each category of savings have been recorded in the books of accounts, pass book, collection sheet, general ledger and particular registers properly.
ix.	To examine whether the PO has transferred/merged any portion of savings fund to other funds e.g. capital fund, general fund, project fund.
x.	To verify whether the PO has maintained dormant accounts for 'inactive member savings'.
<b>Bank/Borrowing/Loan fund:</b>	
i.	To verify whether the fund/loan received from PKSF and non-PKSF sources have been duly deposited into mother bank account.
ii.	To verify whether the funds received from PKSF and non-PKSF sources have been used in intended purposes.
iii.	To verify whether the fund/loan received from PKSF and non-PKSF sources have been transferred to general fund or used in other purposes.
iv.	To verify the justification/acceptability of interest rate of borrowed fund e.g. bank loan, individual person loan, loan from general fund, Provident fund etc.
v.	To verify the terms & conditions, executive committee resolution, approval, interest rate, tenure, usage, lien condition, processing fee of borrowed funds.
vi.	To examine whether the grants or donations received from PKSF have been properly utilized in intended purposes.
vii.	To verify whether the PO has maintained provision for interest expense on borrowed funds on accrual basis.
viii.	To verify whether the PO has repaid installments of the PKSF's fund as per repayment schedule.
<b>Member welfare fund/Risk fund:</b>	
i.	To examine whether the PO has collected risk premium from borrowers as per directions of the MRA.
ii.	To examine whether the PO has adjusted only uncollectible principal amount of loan from insurance fund in case of death, project damage and other causes mentioned in PO's policy.
iii.	To verify the authenticity of aforesaid adjustment by checking of documentation (approval application, samitee resolution, death certificate) and client visit.
iv.	To examine whether the PO has adjusted any overdue loan or unsettled staff advance by risk fund.
v.	To examine whether PO has purchased fixed assets from the risk fund and transfer it to the projects/programs other than credit program.





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Areas of audit	Actions	
	vi.	To examine whether the PO has transferred any portion of risk fund to other funds e.g. capital fund, general fund or to any business enterprise or to any separately managed fund.
	<b>Others (General Fund, Private Enterprise, Resort, Hospital etc.):</b>	
	i.	To examine the transactions between PO's micro-finance program and General Fund, Private Enterprise, Consumer Loan, Land Development Project etc.
	ii.	To justify the transactions between PO's micro-finance program and any private enterprise i.e. Consumer Loan, Land Development Project etc.
	iii.	To examine the transactions between PO's micro-finance program and any other entity (Resort, Hospital, School, Training Centre etc.).
	iv.	To examine the lending agreements, policies and procedures of any inter-PO or inter-unit transactions if applicable.
<b>5.03 Financial transactions</b>	i.	To examine whether the PO has duly followed the directions of Micro-credit Regulatory Authority (MRA) while recording financial transactions and preparing financial statements.
	ii.	To examine irregularities, e.g. defalcation, material misstatement, earnings management and window-dressing, incurred by the PO while recording financial transactions and preparing financial statements.
	iii.	To conduct head-wise cross-check of each account's balance in financial statements against general ledger, registers, cash book, bank accounts, vouchers, supporting documentation etc.
	iv.	To verify whether there is any incident of manipulation or window-dressing in books of accounts, registers, statements, monthly report of the POs.
	v.	To verify the reasons of prior year adjustment in financial statements.
	vi.	To examine accounting errors/omissions/estimates while recording financial transactions and preparing financial statements.
<b>5.04 Capital Fund</b>	i.	To check whether same amount of surplus/deficit shown in income statement and transferred to capital fund.
	ii.	To examine the adjustments with capital fund during the period based on justification and proper documentation and approved by competent authority.
	iii.	To cross-check of the accuracy of carried forwarding of cumulative surplus/deficit of consecutive financial years.
	iv.	To check inclusion of any fund e.g. member welfare fund, member savings fund, general fund, revaluation reserve, project fund to capital fund.
	v.	To verify any sort of authorized transfer from capital fund to other funds e.g. general reserve, CSR fund, disaster management fund etc.
	vi.	To examine the acceptability of donation for capital fund.

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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Areas of audit	Actions	
	vii.	To examine whether the PO has maintained statutory reserve fund in accordance with MRA guideline.
	viii.	To examine whether investment against statutory reserve fund has been properly maintained and updated accordingly.
<b>5.05 Loan Portfolio at field</b>	i.	To examine the movement of the funds (both PKSF and non-PKSF) from head office to members through branch offices has been properly executed and recorded.
	ii.	To examine whether PO has maintained proper documentation (loan proposal, loan agreement, loan approval certificate, agreement on non-judiciary stamp, NID, passport size photo, A/C payee cheque, guarantor acceptance, membership form, samitee resolution, member's bank statement, trade/drug license etc.)
	iii.	To examine the authenticity of disbursement and recovery of the loan by cross-checking among disbursement register, bank account, cash book, general ledger, member passbook, collection sheet and field visit etc.
	iv.	To examine whether the balance of micro-enterprise (ME) loan against total loan portfolio is within the limit prescribed in MRA rules.
<b>5.06 Other accounts  (Sundry advance, income, expense accounts)</b>	i.	To verify the purpose, approval, documentation, tenure & mode of payment of advance accounts.
	ii.	To verify whether the advance is interest bearing or not.
	iii.	To examine whether the advance has been made in accordance with provisions of the PO's advance policy.
	iv.	To verify whether the advance-holder has used the advance in intended purposes, e.g. tour, construction, procurement etc.
	v.	To verify whether the PO has adjusted aforesaid advance within the approved time-frame as per the PO's advance policy.
	vi.	To verify whether PO has transferred the embezzled fund (loan, savings, cash, bank balance) by employees to 'unsettled staff advance' account.
	vii.	To verify whether any due/overdue loan is included in the 'unsettled staff advance' account.
	viii.	To examine the approval, documentation, accounting system of social welfare expense and randomly check by visiting to beneficiaries.
	ix.	To check whether total amount of social welfare expense is within the limit approved by MRA.
	x.	To examine whether the PO has collected loan processing fees (admission form, pass book, loan form) as per guidelines of the MRA.
	xi.	To check bill-voucher, documentation, books of accounts regarding various income e.g. service charge income, interest income, write-off loan/advance

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Areas of audit	Actions
	recovery, donation income, reimbursement income, income from projects, house rent income etc.
xii.	To check whether PO has transferred income from credit program or project to the general fund or any other fund.
xiii.	To check bill-voucher, documentation, books of accounts regarding various expenses, e.g. Service charge expense, printing and stationeries, repair and maintenance, depreciation, LLE, project cost, social welfare expense, conveyance, house rent, fuel cost, entertainment cost, office rent etc.
xiv.	To check whether PO has shown excess of income over expenditure by window dressing (forwarding expenditure to the next FY, recording revenue expenditure as capital expenditure, showing fake cash in hand through payment of salary and other expense etc.)
xv.	To examine whether any donation is given to members without following respective policy.
xvi.	To examine whether the provision for expense and accrued income have been accounted for and reflected in the books of accounts and in financial statements.
xvii.	To verify whether any expenditure of the projects are charged from and recorded in the credit program.

### **6.0 Operating & Financial Performance:**

#### **6.01 Field Monitoring System:**

Sl.	Actions
i.	To examine whether there is any incident of misuse of fund that has not been deposited to office by field staff after collection of loan, savings, processing fees, risk fee, write-off loan recovery etc. from members.
ii.	To conduct a random check whether the loan/donation has been properly distributed to the program participants
iii.	To conduct a random check whether the loan/donation has been properly utilized by the program participants
iv.	To examine whether there is any fake/fictitious loan disbursement at field
v.	To examine whether there is any incident of syndication of loans at samitee level.
vi.	To examine whether the loan, savings, risk premium, processing fees have been recorded in books of accounts duly.
vii.	To examine whether there is any hidden overdue loans at field level.
viii.	To examine whether the monitoring & supervision system of programs/project is satisfactory.
ix.	To verify and ensure that the different services and in-kind grants have been provided to the program/project participants as per policies, guidelines and directions of PKSF;

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Sl.	Actions
x.	To verify whether the program/project participant's income generating activities are supervised and monitored by the PO's officials at field level and give appropriate advices.
xi.	To appraise the quality of group discipline and examine whether regular group meetings are being held.
xii.	To examine whether risk fund claim has been sanctioned to right person for right cause.
xiii.	To cross-check between collection sheet and pass book.
xiv.	To verify whether the use/project of the members as per loan agreement.
xv.	To examine whether the disbursed loan to client is being utilized/reinvested in the high-profit-making lending business as Mohajon/Dadon/village money lender.

### 6.02 Portfolio Quality Analysis:

Indicators
a. Portfolio at Risk (PAR): (PKSF standard value is maximum 10%)
b. On Time Realization Rate (OTR): (PKSF standard value is minimum 92%)
c. Credit Concentration: (MRA standard value is maximum 60%)
d. Yield on average loan portfolio: (PKSF standard value is minimum 20%)

### 6.03 Budget Variance Analysis: (As per the PO's annual budget plan)

Head of Accounts	Budget	Achievement	Variance (%)
<b>Fixed Assets:</b>			
PPE			
Land			
Vehicle			
<b>Capital fund</b>			
<b>Surplus (CY)</b>			
<b>Loan disbursement</b>			
<b>Member Savings</b>			
<b>Borrowing fund</b>			
<b>Income:</b>			
Service charge			
Investment interest			
Reimbursement			
<b>Expense:</b>			
Interest cost			
Salary & allowance			
Repair & maintenance			
Project cost			



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Head of Accounts	Budget	Achievement	Variance (%)
LLPE			
Fuel & conveyance			
Printing & stationaries			
Training cost			
Social welfare cost			
Other costs			

**\*CY=Current Year**

**N.B: The head of accounts mentioned in the chart may vary from PO to PO. Budget Variance Analysis should be on the basis of POs approved budget and achievement schedule.**

## 6.04 Ratio Analysis:

I. LIQUIDITY AND SOLVENCY RISK
Indicators
a. Current ratio: (PKSF standard value is minimum 2:1)
b. Liquidity to Savings ratio: {PKSF standard value is minimum 10% (FDR+cash+bank)} -at least 5% as cash and bank balance.
II. FINANCIAL RISK AND LEVERAGE
Indicators
a. Debt to Capital ratio: (PKSF standard value is maximum 9:1)
b. Capital Adequacy Ratio (CAR): (PKSF standard value is minimum 10%)
c. Debt service coverage ratio (DSCR) : (PKSF standard value is minimum 1.25:1)
d. Liability concentration: (Standard value is maximum 50%)
III. PROFITABILITY AND PRODUCTIVITY RISK
Indicators
b. Return on Total Assets (ROTA): (PKSF standard value is minimum 3%)
c. Borrower coverage ratio: (PKSF standard value is minimum 70%)
IV. MRA POLICY AND PKSF GUIDELINES
Indicators
a. Voluntary deposit: (PKSF/MRA standard is maximum 40% of Total capital fund)
b. Term deposit: (PKSF/MRA standard is maximum 50% of Total capital fund)
c. Fixed asset ratio: (PKSF/MRA standard is maximum 35% of total capital fund)
d. Investment in FDR in a single bank: (PKSF standard is maximum 35%)



## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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### 7.0 INSTRUCTIONS FOR AUDIT REPORT SUBMISSION

During the audit work, the appointed External Auditor shall be audit the overall loan program including PKSF funded other programs and projects for each PO. At the end of audit work, the auditor shall arrange an **Exit Meeting** with the PO's management authority where the auditor would discuss the observations revealed from the audit work and take the response from PO's management.

After completion of the audit work, the auditor shall submit the **Audit Reports and Audited Financial Statements** in the form of **draft** to the PKSF. Then PKSF's management would arrange an audit discussion with the participation of appointed External Auditor, the management of PKSF and PO's representatives (if required). After aforesaid discussion round, auditors have to finalize the **Audit Reports and Audited Financial Statements** with alignment of the decisions/corrections extracted in audit discussion session and submit the final audit report to the PKSF within stipulated time.

Requirements	Details
A. Auditor's Report and Audited Financial Statements of each PO: (i) Draft Report-2 copies for each PO's; (ii) Final Report-5 copies for each PO's.	<ol style="list-style-type: none"><li>1. Independent auditor's report to the chairman of the General Body of PKSF;</li><li>2. Audited financial statements as per annexure 'A' to 'D' or as near thereto;</li><li>3. Disclosures of background of PO and its significant accounting policies and practices as per annexure 'E' or as near thereto;</li><li>4. Notes to the financial statement as per annexure 'F' or as near thereto;</li><li>5. Receipt and Payment account as per Annexure 'G' or as near thereto;</li><li>6. Statement of performance analysis as per Annexure 'H' or as near thereto;</li><li>7. Portfolio report of the PO as per annexure 'I' or as near thereto;</li><li>8. Fixed asset schedule as per annexure 'J' or as near thereto;</li><li>9. Auditor's comments/observations on the following areas of PO as per Annexure 'K' or as near thereto:<ol style="list-style-type: none"><li>a. Effectiveness of internal control and governance system;</li><li>b. Effectiveness of internal audit functions;</li><li>c. Automation Systems (Software);</li><li>d. Utilization of Fund received from PKSF and other sources;</li><li>e. Fixed Asset Management systems;</li><li>f. Procurement Systems;</li><li>g. Management of Programs and Projects;</li><li>h. Financial Management Systems;</li><li>i. Operating and financial performance;</li></ol></li></ol>



# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Requirements	Details
	<p><b>10. Compliance Issues as per Annexure 'L' or as near thereto:</b></p> <ol style="list-style-type: none"> <li>Compliance issues relating to terms and conditions of the loan/grant agreements with PKSf and other directions of PKSf;</li> <li>Compliance issues relating to PKSf policies, guidelines and directions;</li> <li>Compliance issues relating to MRA rules and regulations;</li> <li>Compliance issues relating to IT ordinance/act and rules;</li> <li>Compliance issues relating to VAT act and rules;</li> <li>Compliance issues relating to Money Laundering Prevention Act;</li> <li>Compliance issues relating to Trust Act;</li> <li>Compliance issues relating to Labor Law.</li> </ol>

B. Management report of each PO containing the observations revealed from the audit with the impact and recommendation.

(i) Draft Report-2 copies for each PO's;

(ii) Final Report-5 copies for each PO's.

## 8.0 Acronym and Abbreviation:

Short	Details	Short	Details
PKSF	Palli Karma-Sahayak Foundation	DAFA	Delegation of Administrative and Financial Authority
POs	Partner Organizations	DAADF	Delegation of Audit Authority & Disposal of Files
MRA	Micro-credit Regulatory Authority	APP	Annual Procurement Plan
ToR	Terms of Reference	TOC	Tender Opening Committee
NBR	National Board Revenue	TEC	Tender Evaluation Committee
RJSC	Registrar of Joint Stock Companies and Firms	PEC	Proposal Evaluation Committee
NGO	Non-governmental Organization	PPA	Public Procurement Act
MoA	Memorandum of Association and	PPR	Public Procurement Rules
AoA	Articles of Association	RFQ	Request for Quotation
IAS	International Accounting Standards	RFP	Request for Proposal
IFRS	International Financial Reporting Standards	EOI	Expression of Interest
DRP	Disaster Recovery Plan	LTM	Limited Tendering Method
BCP	Business Continuity Plan	OTM	Open Tendering Method
MIS	Management Information System	NOA	Notification of Award
AIS	Accounting Information System	HOPE	Head of Procuring Entity
IS	Information System	PE	Procuring Entity
FDR	Fixed Deposit Receipt	BOQ	Bill of Quantity
VAT	Value Added Tax	PAR	Portfolio at Risk
LLP	Loan Loss Provision	OTR	On Time Realization Rate
LLE	Loan Loss Expense	ISA	International Standards on Auditing
ME	Micro-enterprise	CAR	Capital Adequacy Ratio
ACR	Annual Confidential Report	DSCR	Debt Service Coverage Ratio
FY	Fiscal Year	ROTA	Return on Total Assets




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### Remarks:

- The above mentioned guidelines or actions are not conclusive. The auditors are expected to scrutinize such other financial transactions as he/she deems to crucial for expressing opinion of **true and fair view** in audit report.
- The auditor(s) should represent each observation with sufficient and appropriate evidence (example) in the audit report.

Finally, if any ambiguity or misunderstanding arises on any matter included in this ToR, the explanation given by the concerned authority of PKSF shall be considered correct and final. Besides, the management authority of PKSF may modify, extend, add, subtract or update the said ToR from time to time as necessary.

  
27/07/2023

(A. Khaleque Miah)  
General Manager (Audit)

  
27/7/23

(Dr. Nomita Halder ndc)  
Managing Director

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**PALLI KARMA-SAHAYAK FOUNDATION (PKSF)**

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(In all annexure: CFY=Current Financial year, PFY = Previous Financial Year is to be mentioned)

**Name of the Partner Organization**  
**Overall Loan Program Including PKSF Funded Other Programs and Projects**  
**Statement of Financial Position**  
**As at 30<sup>th</sup> June, 20....**

Annexure-A

(Figures in BDT)

Particulars	Notes	As on 30 <sup>th</sup> June 20.... (CFY)	As on 30 <sup>th</sup> June 20.... (PFY)
<b>Properties and Assets:</b>			
<b><u>A. Non-Current Assets:</u></b>			
Property, Plant and Equipment (PPE)			
Investments- Long Term			
Loan to other Credit Organizations- Long Term			
Other Long Term Loans			
<b>Total Non-Current Assets</b>			
<b><u>B. Current Assets:</u></b>			
Loan to Members			
Investments- Short term			
Loan to other Credit Organizations-Short Term			
Other Short Term Loans			
Accounts Receivables			
Advance, Deposits & Prepayments			
Stock & Stores			
Unsettled Staff Advance			
Other Assets (to be specified)			
Cash in Hand			
Cash at Bank			
<b>Total Current Assets</b>			
<b>Total Properties and Assets (A+B)</b>			
<b>Capital Fund and Liabilities:</b>			
<b><u>A. Capital Fund:</u></b>			
Donors Grant for Capital Fund			
Cumulative Surplus			
Statutory Reserve Fund			
Other Funds (Capital Nature)			
<b>Total Capital Fund</b>			

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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Particulars	Notes	As on 30 <sup>th</sup> June 20.... (CFY)	As on 30 <sup>th</sup> June 20.... (PFY)
<b><u>B. Non-Current Liabilities:</u></b>			
Loan from PKSF-Long term			
Loan from Government Sources- Long Term			
Loan from Commercial Banks- Long Term			
Loan from other Credit Organizations- Long Term			
Loan from other Sources- Long Term			
Accumulated Depreciation			
Member welfare Fund			
Gratuity Fund			
<b>Total Non-Current Liabilities</b>			
<b><u>C. Current Liabilities:</u></b>			
Loan from PKSF (Current Portion)			
Loan from Government Sources (Current Portion)			
Loan from Commercial Banks (Current Portion)			
Loan from other Credit Organizations (Current Portion)			
Loan from other Sources (Current Portion)			
Members Savings			
Provisions for Interest on Member savings			
Loan Loss Provision (LLP)			
Accounts Payables			
Other Liabilities (to be specified)			
<b>Total Current Liabilities</b>			
<b>Total Capital fund and Liabilities (A+B+C)</b>			



# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Annexure-B

**Name of the Partner Organization**  
**Overall Loan Program Including PKSF Funded Other Programs and Projects**  
**Statement of Profit or loss and other Comprehensive Income**  
**For the FY Ended 30<sup>th</sup> June, 20....**

(Figures in BDT)

Particulars	Notes	20.... - 20.... (CFY)	20.... - 20.... (PFY)
<b><u>A. Income:</u></b>			
Service Charges on Members Loan			
Reimbursement from PKSF against Programs and Projects Expenses			
POs Contribution for Programs and Projects Expenses (Contribution from POs own Programs other than Loan Program)			
Bank Interest			
Interest on FDR			
Membership Fees			
Sales of Forms and Publications			
Donation for Revenue Expenditure			
Other Income			
<b>Total Income</b>			
<b><u>B. Expenditure:</u></b>			
Interest on Member's Savings			
Service Charge on PKSF Loan			
Interest Expense on other Loan			
Salaries and Allowances			
Office Rent			
Repair and Maintenance			
Gas and Electricity			
Telephone, Internet and Postage			
Entertainment			
Printing and Stationery			
Fuel Cost			
Vehicle Maintenance Expenses			
Conveyance and Travelling			
Newspapers and Periodicals			
Bank Charges and Commission			
Training Expenses			
Meeting and Seminar Expenses			
Legal Expenses			
Registration Fee			
Programs and Projects Expenses (Both PKSF and PO Funded)			
Audit Fees			

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Board Members Honorarium			
Loan Loss Provision Expenses (LLPE)			
Depreciation Expense			
Other Operating Expenses			
Income Tax			
<b>Total Expenditure</b>			
<b>Excess of Income over Expenditure or, Excess of Expenditure over Income (A-B)</b>			

**Name of the Partner Organization**  
**Overall Loan Program Including PKSF Funded Other Programs and Projects**  
**Statement of Cash Flows**  
**For The Year Ended 30<sup>th</sup> June 20....**

Annexure-C

(Figures in BDT)

Particulars	Notes	20.... - 20.... (CFY)	20.... - 20.... (PFY)
<b>A. Cash Flows from Operating Activities:</b>			
Excess of Income over Expenditure or, Excess of Expenditure over Income			
<b>Add: Amount Considered as Noncash Transactions:</b>			
Loan Loss Provision (LLP)			
Depreciation for the Year			
Others (to be specified)			
<b>Subtotal of Non-Cash Items</b>			
Loan Disbursement to Members			
Loan Realization from Members			
Increase/Decrease in other Current Assets			
Increase/Decrease in other Current Liabilities			
<b>Net Cash Generated from/(used in) Operating Activities</b>			
<b>B. Cash Flows from Investing Activities</b>			
Acquisition of Property, Plant and Equipment			
Sale of Property, Plant and Equipment			
Investment in FDR			
Encashment of FDR			
Others (to be specified)			
<b>Net Cash Generated from/(used in) Investing Activities</b>			

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<b>C. Cash Flows from Financing Activities:</b>			
Loan Received from Different Sources(to be specified)			
Repayment of Loan Received from Different Sources (to be specified)			
Members Savings			
Refund of Members Savings			
Member welfare fund			
Others (to be specified)			
<b>Net Cash Generated from/(used in) Financing Activities</b>			
<b>D. Net Increase/Decrease in Cash &amp; Bank Balance (A+B+C)</b>			
Add: Cash and Bank Balance at the Beginning of the Year			
<b>Cash and Bank Balance at the End of the Year</b>			

Annexure-D

Name of the Partner Organization

Overall Loan Program Including PKSF Funded Other Programs and Projects

Statements of Changes in Capital Fund

For the FY Ended 30<sup>th</sup> June 20....

(Figures in BDT)

Particulars	Notes	20.... - 20.... (CFY)			20.... - 20.... (PFY)		
<b>Opening Balance :</b>							
Prior Year Adjustment							
Surplus for the Year							
<b>Sub-Total</b>							
Transfer to Various Funds and Reserves (to be specified)							
<b>Ending Balance :</b>							

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Annexure-E

## Name of the Partner Organization Disclosures of background of PO and its significant accounting policies and practices

### A. Background:

1. Corporate Information of the PO:					
Sl. No.	Particulars				Fact
1.1	Approving Authority for Forming the PO				
1.2	Year of Establishment				
1.3	Legal Entity				
1.4	MRA Registration Number				
1.5	Nature of Operations (Programs)				
1.6	Year of Enrolment with PKSF as Partner Organization				
1.7	Working Areas (Number of Districts)				
1.8	Statutory Audit Conducted up to				
1.9	Name of the Statutory Auditor for Last Year				
1.10	Name of the Statutory Auditor for Current Year				
1.11	Number of Executive Committee Meeting Held FY 20.... - 20....				
1.12	Date of Last Annual General Meeting (AGM) Held				
2. List of Executive Committee Members:					
Sl. No.	Name	Qualification	Profession	Present Address	Tenure

### 3. Field Visit:

3.1 Number of the Audited Branches:

3.2 Name of the Audited Branches:

### 4. Name of the PKSF Funded Programs and Projects Implementing by the PO:

### 5. Basis of Accounting

### 6. Summary of significant accounting policies

6.1 Currencies

6.2 Revenue Recognition

6.2.1 Interest Income

6.2.2 Service Charges on Loan

6.2.3 Interest Expenses

6.2.4 Other Expenses

6.2.5 Interest Paid on Savings

6.3 Fixed Assets and Depreciation accounting

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## 7. Significant organizational policies

- 7.1 Loan loss provision: Loan Classification, loan loss Provisioning and Write off Policy
- 7.2 Policy on Loan to Members
- 7.3 Policy on savings collection
- 7.4 Grant/ Donation accounting
- 7.5 Revaluation of PPE

Annexure-F

Name of the Partner Organization

Notes to the Financial Statement for the FY Ended 30<sup>th</sup> June 20....

### 1. Property, Plant and Equipment (PPE):

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Purchase during the Year		
Less: Disposal during the Year		
Less: Written-off during the Year		
Closing Balance		

N.B.: Fixed Assets Schedule is annexed as Annexure-J

### 2. Investments- Long Term:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: New Investment made during the Year		
Less: Encashment during the Year		
Closing Balance		

N.B.: Annexing a schedule of FDR

### 3. Loan to other Credit Organizations-Long Term:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Lending during the Year		
Less: Recovery during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up

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## **4. Other Long Term Loans:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Lending during the Year		
Less: Recovery during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up of different sources of lending

## **5. Loan to Members:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Disbursement during the Year		
Less: Recovery during the Year		
Closing Balance		

## **6. Investments- Short Term:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: New Investment made during the Year		
Less: Encashment during the Year		
Closing Balance		

N.B.: Annexing a schedule of FDR

## **7. Loan to other Credit Organizations- Short Term:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Lending during the Year		
Less: Recovery during the Year		
Closing Balance		

## **8. Other Short Term Loans:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Lending during the Year		
Less: Recovery during the Year		
Closing Balance		

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## 9. Accounts Receivables:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Addition during the Year		
Less: Realization during the Year		
Less: Adjustment during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up

## 10. Advance, Deposits and Prepayments:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Addition during the Year		
Less: Realization during the Year		
Less: Adjustment during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up

## 11. Stock and Stores:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Purchase during the Year		
Less: Usage during the Year		
Closing Balance		

## 12. Unsettled Staff Advance:

(Figures in BDT)

Sl. No.	Name of the Staff	Designation	20.... - 20.... (CFY)	20.... - 20.... (PFY)

## 13. Cash at Bank: Bank wise Break-up is as follows:

(Figures in BDT)

Sl. No.	Name of Bank/ Branch	Account No.	20.... - 20.... (CFY)	20.... - 20.... (PFY)

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## **14. Donors Grant for Capital Fund:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Received during the Year		
Less: Adjustment during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up.

## **15. Cumulative Surplus:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance of Cumulative Surplus		
Add: Excess of Income over Expenditure during the Year or, Less: Excess of Expenditure over Income during the Year		
Less: Statutory Reserve during the Year		
Less: other Reserve during the Year		
Closing Balance		

## **16. Statutory Reserve:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Addition during the Year		
Less: Adjustment during the Year		
Closing Balance		

## **17. Loan from PKSF-Long Term:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Received during the Year		
Less: Refund during the Year		
Closing Balance		

N.B.: Annexing a schedule of Component Wise Break-up

## **18. Loans from Commercial Banks- Long Term:**

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Received during the Year		
Add: Interest Charged during the Year		
Less: Repayment during the Year		



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Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Closing Balance		

N.B.: Annexing a schedule of bank wise Break-up with interest rate.

## 19. Member's Savings:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Savings Collection during the Year		
Add: Interest Accrued during the Year		
Less: Refund during the Year		
Closing Balance		

N.B.: Annexing a schedule of Component Wise Break-up.

## 20. Loan Loss Provision (LLP):

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Amount Provided during the Year		
Less: Amount Write Back during the Year (if any)		
Closing Balance		

## 21. Gratuity Fund:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Amount Provided during the Year		
Less: Payment during the Year		
Closing Balance		

## 22. Accounts Payables:

(Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Opening Balance		
Add: Addition during the Year		
Less: Adjustment during the Year		
Closing Balance		

N.B.: Annexing a schedule of Break-up

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### 23. Reimbursement from PKSF against Programs and Projects Expenses: (Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
i. ENRICH		
ii. RMTP		
iii. SEP		
iv. PPEPP		
v. Agriculture Unit		
vi. RAISE		
vii. WASH		
viii. Others (to be specified)		

### 24. POs Contribution for Programs and Projects Expenses (Contribution from POs own Programs other than Loan Program): (Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
i. ENRICH		
ii. RMTP		
iii. SEP		
iv. PPEPP		
v. Agriculture Unit		
vi. RAISE		
vii. WASH		
viii. Others (to be specified)		

### 25. Programs and Projects Expenses (Both PKSF and PO Funded): (Figures in BDT)

Particulars	20.... - 20.... (CFY)	20.... - 20.... (PFY)
i. ENRICH		
ii. RMTP		
iii. SEP		
iv. PPEPP		
v. Agriculture Unit		
vi. RAISE		
vii. WASH		
viii. Others (to be specified)		

Notes: If any other Disclosures/Notes in any particular Accounts is required, PO should provide these. Otherwise Auditor should express his observations on these issues in audit report.



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Annexure-G

**Name of the Partner Organization**  
**Overall Loan Program Including PKSF Funded Other Programs and Projects**  
**Receipts and Payments Account**  
**For the FY Ended 30<sup>th</sup> June 20....**

(Figures in BDT)

Particulars	Notes	20.... - 20.... (CFY)	20.... - 20.... (PFY)
<b>A. Receipts:</b>			
Opening Balance:			
Cash in Hand			
Cash at Bank			
Loan Received from PKSF			
Loan Received from Bank			
Loan Received from other Sources (to be specified)			
Loan Recovery (Principal)			
Service Charges on Members Loan			
Savings Collections			
Encashment of Investment FDR			
Reimbursement from PKSF against Programs and Projects Expenses:			
i. ENRICH			
ii. RMTP			
iii. SEP			
iv. PPEPP			
v. Agriculture Unit			
vi. RAISE			
vii. WASH			
viii. Others (to be specified)			
POs Contribution for Programs and Projects Expenses (Contribution from POs Programs other than Loan Program):			
i. ENRICH			
ii. RMTP			
iii. SEP			
iv. PPEPP			
v. Agriculture Unit			
vi. RAISE			
vii. WASH			
viii. Others (to be specified)			
Bank Interest			
Interest on FDR			
Admission Fees			
Sale of Forms and Publications			
Donors Grant for Capital Fund			

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Particulars	Notes	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Donations for Revenue Expenditure			
Others Receipts			
<b>Total Cash Available (A)</b>			
<b>B. Payments:</b>			
Loan Disbursement to Members			
Refund of PKSF Loan			
Refund of Bank Loan			
Refund of other Loans			
Refund of Savings			
Service Charge on PKSF Loan			
Interest on Bank Loan			
Interest on Member's Savings			
Interest Expense on Other Loan			
Capital Expenditure (to be specified)			
Investment (FDR )			
Salaries and Allowances			
Office Rent			
Gas and Electricity			
Repair and Maintenance			
Telephone, Internet and Postage			
Entertainment			
Printing and Stationary			
Conveyance and Travelling			
Fuel Cost			
Vehicle Maintenance			
Training Expenses			
Meeting Expenses			
Advertisement			
Newspapers and periodicals			
Bank Charges and Commission			
Legal Expenses			
Registration Fee			
Audit Fees			
Board Members Honorarium			
Income Tax			
Programs and Projects Expenses (Both PKSF and PO Funded):			
i. ENRICH			
ii. RMTP			
iii. SEP			
iv. PPEPP			
v. Agriculture Unit			
vi. RAISE			



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Particulars	Notes	20.... - 20.... (CFY)	20.... - 20.... (PFY)
vii. WASH			
viii. Others (to be specified)			
Other Operating Expenses			
<b>Total Cash Payments (B)</b>			
<b>Closing Balance (A-B)</b>			
Cash in Hand			
Cash at Bank			
<b>Grand Total</b>			

## Statement of Performance Analysis

Annexure-H

Performance Parameters	Aspects	Formula	PKSF Standards	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Portfolio Quality Analysis	PAR (%) (Portfolio at Risk)	$\frac{\text{Outstanding loan of Overdue Loanee (Principal)}}{\text{Total outstanding loan (principal)}} * 100$	Max 10%		
	OTR (%) (On Time Realization Rate)	$\frac{\text{Sum of regular recovered loan balance in the last 12 months}}{\text{Sum of Regular recoverable loan balance in the last 12 months}} * 100$	Min 92%		
	Credit Concentration	$\frac{\text{Enterprise Loan Outstanding (Agosor + SEP + MDP))}}{\text{Total outstanding loan (principal)}} * 100$	Max 60%		
	Yield on average loan portfolio	$\frac{\text{Current FY Service charge Income}}{\text{Average Loan Outstanding}} * 100$	Min 20%		
Liquidity and Solvency Risk	Current Ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	Min 2 : 1		
	Liquidity to Savings Ratio	$\frac{\text{Investment in FDR against savings fund}}{\text{Total Savings Fund}} * 100$	Min 10%		
	Debt : Capital Ratio	$\frac{\text{Total Debts}}{\text{Adjusted Capital Fund}}$	Max 9:1		

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# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Performance Parameters	Aspects	Formula	PKSF Standards	20.... - 20.... (CFY)	20.... - 20.... (PFY)
Financial Risk and leverage	Capital Adequacy Ratio (CAR)	$\frac{\text{Adjusted Capital Fund}}{\text{Total RBA}} * 100$	Min 10%		
	Debt Service Cover Ratio	$\frac{(\text{Surplus for the year} + \text{Total Principal and Service charge payable to PKSF, Banks and other Loans for the year})}{\text{Total Principal and Service charge payable to PKSF, Banks and other Loans for the year}}$	Min 1.25:1		
	Liability concentration	$\frac{\text{Loan outstanding from single source (Highest)}}{\text{Total External Liability}} * 100$	Max 50%		
Profitability and Productivity Risk	Return on Total Assets (ROTA)	$\frac{\text{Surplus for the Year}}{\text{Average Total Assets}} * 100$	Min 3%		
	Borrower Coverage	$\frac{\text{No. of Total Borrowers}}{\text{No. of Total Members}} * 100$	Min:70%		
MRA policy and PKSF guidelines	Voluntary deposit	$\frac{\text{Voluntary deposit outstanding}}{\text{Adjusted Capital Fund}} * 100$	Max 40%		
	Term deposit	$\frac{\text{Term deposit outstanding}}{\text{Adjusted Capital Fund}} * 100$	Max 50%		
	Fixed asset ratio	$\frac{(\text{Fixed Asset} - \text{Accumulated Depreciation})}{(\text{Capital Fund} - \text{Statutory Reserve})} * 100$	Max 35%		
	Investment in FDR in a single bank	$\frac{\text{Highest Investment in single bank}}{\text{Total FDR Investment}} * 100$	Max 35%		

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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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### Conducive Workings:

- a) **Total Current Assets (TCA)** = Total Assets – Bad Loan Outstanding (Principal) – Unsettled Staff Advance – Total Fixed Assets (TFA).
- b) **Total Debts** = PKSF Fund + Member Savings Fund + Loan from Gratuity Fund for credit program + Loan from Provident Fund for credit program + Loan from Staff Welfare Fund for credit program + Risk Fund + Bank/NBFI Loan + Other long-term interest-bearing loans (if any).
- c) **Adjusted Capital Fund** = Total Capital Fund – Revaluation Surplus + 1% of Good Loan Outstanding (Principal).
- d) **Total Risk Based Assets (RBA)** = Total Assets - Total Investment in FDR & DPS – Cash at Bank – Cash in Hand – Fund in transit – Bank Demand Drafts – Investment in Treasury Securities.
- e) **Total Current Liabilities (TCL)** = Total Liabilities & Capital Fund – Total Capital Fund – Total Debts (as per “b” above) + Member Savings Fund + Risk Fund + Current Portion of long-term debts refundable in next year.

### a) Income and Expenditure Patterns of Latest 5 Years:

(Figures in BDT)

C1	C2	C3	C4	C=C3/C2	C6	C7	C8=C3/C6	C9=C3/C7
Year	Total Income	Total Expenditure	Net Income	Total Income to Total Expenditure (%)	Disbursement of Loan to Program/Project Participants	Balance of Loan to Program/Project Participants	Total Expenditure to Disbursement of loan to Program/Project Participants (%)	Total Expenditure to Loan Balance with Program/Project Participants (%)

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# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Name of the Partner Organization

Portfolio Report

For the FY Ended 30<sup>th</sup> June 20.....

Annexure-I

## (i) Classification of Loan and Loan Loss Provision

SL. no.	Particulars	Basis of Classification (Overdue)	Overdue Amount	Outstanding Loan Amount	Loan Loss Provision on Loan Outstanding	
					Rate %	Required Amount
1.	Good Loan	No Overdue			1%	
2	Watchful	1-30 Days			5%	
3	Substandard Loan	31-180 Days			25%	
4	Doubtful Loan	181-365 Days			75%	
5	Bad Loan	365+ Days			100%	
					Total	

## (ii) Loan Loss Provision (LLP) Status of the PO

Particulars	BDT
Required Provision as Per MRA Policy	...../-
Actual Provision Made by the PO	...../-
Excess/Shortfall of Provision	...../-
Comment on LLP for Credit program :	
Disclosure on Written-off Loan:	
Opening Balance of Loan Written-off (01.07.20....)	...../-
Loan Written-off during the Year 20.... - 20....	...../-
Written-off Loan Recovered during the Year 20.... - 20....	...../-
Closing Balance of Loan Written-off (30.06.20....)	...../-

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# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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## (iii) Loan Operational Report for Overall Loan Program Including PKSF Funded Other Programs and Projects:

SL. No	Particulars	20.... - 20.... (CFY)		20.... - 20.... (PFY)	
		Amount	% of Individual with Sub-total and Sub-total with total	Amount	% of Individual with Sub-total and Sub-total with total
<b>1. Loan Components (Balance)</b>					
Jagoron	Jagoron				
	RMC				
	UMC				
	<b>Sub-total</b>				
Agrosor	Agrosor				
	ME				
	<b>Sub-total</b>				
Sufolon	Sufolon				
	Seasonal				
	KGF				
	<b>Sub-total</b>				
Buniad	Buniad				
	UPP				
	<b>Sub-total</b>				
Enrich	IGA				
	LI				
	AC				
	<b>Sub-total</b>				
Others	Livelihood Restoration Loan (LRL)				
	LRL-2 <sup>nd</sup> Phase				
	Sanitation Development Loan (SDL)				
	WASH				
	COVID-19				
	Start-up capital Loan				
	<b>Sub-total</b>				

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# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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SL. No	Particulars	20.... - 20.... (CFY)		20.... - 20.... (PFY)	
		Amount	% of Individual with Sub-total and Sub-total with total	Amount	% of Individual with Sub-total and Sub-total with total
Grand Total of Loan					
2.Savings Components (Balance)	Compulsory Savings				
	Voluntary Savings				
	Term Savings				
Grand Total of Savings					
3.Member welfare fund Component (Balance)	Credit Risk Fund				
	Livestock Risk Fund				
	Others Risk Fund				
	Grand Total of Risk Fund				
4.Other Vital Information					
4.1	Number of Branch				
4.2	Number of Samity				
4.3	Number of Member				
4.4	Number of Borrower				
4.5	Number of Staff				
4.6	Borrower: Member				
4.7	Average Loan Size Per Member				

## Fixed Assets Schedule As on 30<sup>th</sup> June 20....

Annexure-J

Sl. No	Particulars	Assets Cost				Depreciation Provision				Written Down Value (WDV) as on 30.06. 20.... (CFY)	Written Down Value (WDV) as on 30.06. 20.... (PFY)
		Opening Balance	Addition during the Year	Disposal/ Written-off during the Year	Closing Balance	Rate	Opening Balance	Depreciation Expense during the Year	Adjustment during the Year	Closing Balance	
01											
02											
03											
Total											



# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Annexure-K

## Auditors Comments/Observations on specific Areas:

### a. Effectiveness of internal control and governance system:

Sl. No	Areas of Observations	Sub-head	Comments/ Observations	Impact	Recommendations
a.1	Constitution and Registration	a.			
		b.			
		.			
		.			
a.2	PO's Own Policies and Practices	a.			
		b.			
		.			
		.			
a.3	Staff Management	a.			
		b.			
		.			
		.			
a.4	Committees and their effectiveness	a.			
		b.			
		.			
		.			
a.5	Budgetary Control System	a.			
		b.			
		.			
		.			
a.6	Early Warning System	a.			
		b.			
		.			
		.			

### b. Effectiveness of internal audit functions

Sub-head	Comments/ Observations	Impact	Recommendations
b.1			
b.2			
.			
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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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### c. Automation System (software)

Sub-head	Comments/ Observations	Impact	Recommendations
c.1			
c.2			
.			
.			

### d. Utilization of Fund received from PKSF and other sources

Sub-head	Comments/ Observations	Impact	Recommendations
d.1			
d.2			
.			
.			

### e. Fixed Asset Management Systems

Sub-head	Comments/Observations	Impact	Recommendations
e.1			
e.2			
.			
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### f. Procurement Systems

Sub-head	Comments/ Observations	Impact	Recommendations
f.1			
f.2			
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## g. Management of Programs and Projects

Sub-head	Comments/ Observations	Impact	Recommendations
g.1			
g.2			
.			
.			

## h. Financial Management System:

Sl. No	Areas of Observations	Sub-head	Comments/ Observations	Impact	Recommendations
h.1	Accounting System	a.			
		b.			
		.			
		.			
h.2	Fund Management	a.			
		b.			
		.			
		.			
h.3	Financial Transactions	a.			
		b.			
		.			
		.			
h.4	Capital Fund	a.			
		b.			
		.			
		.			
h.5	Loan Portfolio at Field	a.			
		b.			
		.			
		.			
h.6	Other Accounts	a.			
		b.			
		.			
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## PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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### i. Operating & Financial Performance:

Sl. No	Areas of Observations	Sub-head	Observations	Impact	Recommendations
i.1	Portfolio Quality Analysis	a.			
		b.			
		.			
		.			
i.2	Field Monitoring System	a.			
		b.			
		.			
		.			
i.3	Budget Variance Analysis	a.			
		b.			
		.			
		.			
i.4	Ratio Analysis	a.			
		b.			
		.			
		.			

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# PALLI KARMA-SAHAYAK FOUNDATION (PKSF)

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Annexure-L

## Form of Compliance Issues

### a. Compliance issues relating to terms and conditions of the loan/grant agreements with PKSf and other directions of PKSf

Sl. No.	Issues	Impact	Recommendations
a.1			
a.2			
.			
.			

### b. Compliance issues relating to PKSf policies, guidelines and directions;

Sl. No.	Issues	Impact	Recommendations
b.1			
b.2			
.			
.			

### c. Compliance issues relating to MRA rules and regulations

Sl. No.	Issues	Impact	Recommendations
c.1			
c.2			
.			
.			

### d. Compliance issues relating to Income Tax Ordinance/Act and rules

Sl. No.	Issues	Impact	Recommendations
d.1			
d.2			
.			
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### e. Compliance issues relating to VAT act and rules

Sl. No.	Issues	Impact	Recommendations
e.1			
e.2			
.			
.			

### f. Compliance issues relating to Money Laundering Prevention Act

Sl. No.	Issues	Impact	Recommendations
f.1			
f.2			
.			
.			

### g. Compliance issues relating to Trust Act

Sl. No.	Issues	Impact	Recommendations
g.1			
g.2			
.			
.			

### h. Compliance issues relating to Labor Law

Sl. No.	Issues	Impact	Recommendations
h.1			
h.2			
.			
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Signature and Name of External Auditor