

SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

for the year ended 31st December 2022

**International Centre for Diarrhoeal Disease
Research, Bangladesh (icddr,b)**

Schedule of computation of indirect cost rate

for the year ended 31st December 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

Report on the Audit of the Schedule of Computation of Indirect Cost Rate

Opinion

We have audited the schedule of computation of indirect cost rate ("the schedule") of International Centre for Diarrhoeal Disease Research, Bangladesh ("icddr,b" or "the entity"), which comprise the schedule of computation of indirect cost rate for the year ended 31st December, 2022, and notes to the schedule of computation of indirect cost rate, including schedule A, annexure 1, annexure 2a and annexure 2b.

In our opinion, the accompanying schedule of computation of indirect cost rate of icddr,b for the year ended 31st December, 2022, is prepared, in all material respects, in accordance with the basis of preparation as set forth in note 2 to the schedule of computation of indirect cost rate.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the schedule in *Bangladesh*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Preparation of the Schedule

We draw attention to Note 2.00 to the schedule, which describes the basis of preparation. The schedule is prepared to assist the entity to meet its reporting requirement as set forth in notes to schedule. As a result, the schedule may not be suitable for another purpose. There are certain exceptions in the implementation of icddr,b's current policies and procedures relating to cost inclusion/exclusion which form an integral part in the basis of the preparation of the Schedule for the year ended 31st December 2022 as described under paragraph (a) of Note 2.00. However, this does not affect our opinion on the calculation of indirect cost rate.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the schedule in accordance with the basis of preparation as set forth in note 2 to the schedule and for such internal control as management determines is necessary to enable the preparation of the schedule that are free from material misstatement, whether due to fraud or error.

In preparing the schedule, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these schedule.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

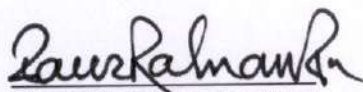
- ▶ Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC 7202

**Ziaur Rahman Zia FCA**

Partner

Enrolment Number: 1259

Place: Dhaka

Date: 14th June 2023

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computation of indirect cost rate**

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International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

**Schedule of computation of indirect cost rate
for the year ended 31st December 2022**

Description	Total Expenses USD	Direct Costs USD	Laboratory Costs USD	Total Indirect Costs	
				Hospital Costs USD	CMS and Other Indirect Costs USD
Salaries and benefits - local	41,956,904	31,198,280	1,792,873	2,598,693	6,367,058
Salaries and benefits - international	4,023,816	3,434,913	11,303	-	577,600
Salaries and benefits - emeritus staff (international)	997,029	997,029	-	-	-
Salaries & Benefits of Emeritus (National)	151,831	151,831	-	-	-
Consultancy fees	433,147	397,535	-	19,628	15,984
Travel and vehicle hire charges	4,018,521	3,381,369	63,615	62,147	511,390
Supplies and materials	10,814,253	7,528,427	1,690,250	865,512	730,064
Repairs and maintenance	404,904	223,393	70,809	29,402	81,300
Legal and professional fees	522,596	311,592	25,623	159	185,222
Rent, communication and utilities	1,804,743	1,317,781	162,121	211,122	113,719
Printing and publications	719,613	644,295	8,273	2,185	64,860
Collaborative partnership costs	4,208,513	4,208,513	-	-	-
Training, dissemination and staff development	1,684,512	1,609,272	6,249	4,837	64,154
Doubtful debt expenses	-	-	-	-	-
Interdepartmental service charges	-	1,342,422	(1,026,007)	42,530	(358,945)
Hospital patient expenses	1,569,584	1,533,113	39	36,333	99
Cleaning and security charges	1,392,623	584,642	114,017	264,106	429,858
Capital Expenditure (Restricted)	2,163,070	2,163,070	-	-	-
Depreciation	1,179,547	-	182,454	49,495	947,598
Mandatory committee meeting expenses	166,297	66,534	-	-	99,763
Research support costs	-	6,976	-	-	(6,976)
Other expenditure (Annexure 1)	148,681	90,954	24,826	17,133	15,768
Expenditure as per statement of activity	78,360,184	61,191,941	3,126,445	4,203,282	9,838,516
Built-in Costs Adjustment					
Built-in overhead costs are added back to the indirect costs & hospital costs and subtracted from the direct costs pool	-	(2,980,495)	-	508,386	2,472,108
Adjusted Total Expenditure	78,360,184	58,211,446	3,126,445	4,711,668	12,310,624
Exclusions/unallowable expenses :					
Expenditure incurred to generate income by providing services to the external clients (Annexure 2a & 2b)	892,073	-	-	247,678	644,395
Donations received in kind included in supplies and materials expenses above	1,622,675	1,622,675	-	-	-
Support provided to the hospitals and clinics from the core funds during Covid-19 pandemic situation (treated as a non-recurring and exceptional expenditure)	72,287	-	-	36,825	35,462
Finance charges (interest on overdraft)	-	-	-	-	-
Amortisation of fixed assets included in depreciation and amortisation expenses above	-	-	-	-	-
Total unallowable expenses	2,587,035	1,622,675	-	284,503	679,857
Expenditure considered for computation	75,773,149	56,588,771	3,126,445	4,427,165	11,630,768

Indirect cost rate calculation:
(including Hospital)

$$\frac{\text{Indirect Costs}}{\text{Direct \& Lab Costs}} = \frac{16,057,933}{59,715,216} = 27\%$$

Footnotes:

1. Independent auditor's report in page 1.
2. The accompanying notes 1 to 6 and annexures 1 to 2b including the schedule A are an integral part of the schedule of computation of the indirect cost rate.

A. Oasem & Co.
Chartered Accountants
RJSC Firm Registration Number: 2-PC7202


Ziaur Rahman Zia FCA
Partner
Enrolment Number: 1259
Place: Dhaka
Date: 14th June 2023


Director, Finance
icddr,b


Executive Director
icddr,b

International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

Notes to the schedule of computation of indirect cost rate for the year ended 31st December 2022

1 Nature of activities

icddr,b, International Centre for Diarrhoeal Disease Research, Bangladesh, is a non-profit, international research institute based in Bangladesh that strives to solve key global health challenges through innovative scientific research – including laboratory based, clinical, epidemiological, and health systems research. By developing, testing and assessing the implementation of interventions specifically designed for resource poor settings, icddr,b aims to improve the health and wellbeing of people living in the world's poorest nations. For over 50 years, icddr,b's hospitals in Dhaka and Matlab have been specialising in the treatment of diarrhoeal diseases. At the world's largest diarrhoeal disease treatment facility, icddr,b provides treatment for over 200,000 patients free-of-charge every year. icddr,b's life-saving, specialised hospitals in Bangladesh, and its global emergency efforts do not have own source of funding. For more than 50 years, icddr,b has been carrying out high-quality research and promoting the uptake of evidence-based interventions. icddr,b's initial focus was on diarrhoeal disease, but it now studies multiple infectious diseases, other threats to public health, and methods of healthcare delivery. icddr,b's work has had a profound impact on health policy and practice both locally and globally. In addition, icddr,b administers a variety of programs funded by multiple donor agencies, foundations, universities, and governments.

2 Basis of preparation of schedule of indirect cost rate and cost allocation methodology

To administer the functions mentioned above in a coordinated and efficient manner, icddr,b multiple research activities requires sufficient support from the Central Management Services (CMS) (e.g. Finance, Human Resources, Internal Oversight, External Relations & Development, Communication, General/Legal Counsel's Office, Executive Director's Office, Deputy Executive Director's Office, etc). The related costs of the CMS are not directly identifiable and attributable to any particular project but are necessarily incurred in fulfilment of mandated objectives of icddr,b and to facilitate project work. In respect of research activities funded by any donor/agencies and pursued by the Scientific Divisions, icddr,b being a 'Not for Profit Organisation' needs financial support which should invariably cover direct and indirect costs relating to the projects and activities.

icddr,b treats all costs as direct costs except CMS and other indirect expenses related with administration. Joint costs are shared individually as direct costs to each category and to each award using a base most appropriate to the particular cost being allocated. Therefore, the direct allocation method is used in sharing the indirect costs. Each category of non-salary expenditure is analysed based on the facts, and **Schedule A** identifies the allocation between Direct costs and CMS (Indirect) Pool.

The schedule of indirect cost rate and classification of expenses into direct and indirect, exclusions/unallowable expenses and the indirect cost rate calculation have been made on the basis of the following:

- a) icddr,b's policies and procedures relating to the determination of indirect cost rate as contained in section 7.1.7 of the Finance Policies and Procedures Manual 2020. However, there are exceptions in indirect cost rate computation which are: (1) "the unrestricted laboratory expenses are treated as direct expenditure and added with the direct cost pool as the overhead is one of the costs elements of the laboratory tests' rates that earns overhead income from the laboratory external income, at the same time the costs of the unrestricted laboratory to generate the external income is excluded from the unallowable expenditure; and (2) Similarly the costs of the self-sustaining activities to generate the external income is also excluded from the unallowable expenditure, as the overhead is one of the costs elements of the laboratory tests' rates that earns overhead income from the self-sustaining external income". These exceptions have been consistently followed since 2020. The necessary correction in the above mentioned section in the finance policies and procedures manual will be made accordingly in the next revision;
- b) The built-in direct costs are added back to the indirect costs pool as such expenditures belong to the indirect pool. This policy has been consistently followed since 2020;
- c) The provisions outlined under the United States Office of Management and Budget as per CFR 2 Part 200 as it is applicable to the activities of icddr,b.



International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

Notes to the schedule of computation of indirect cost rate for the year ended 31st December 2022

d) Until 2021, hospital costs were not allocated as part of 'Indirect Costs' for the purpose of determining Indirect Cost rate. For the year 2022 'Indirect Cost' pool include hospitals costs. This has resulted in indirect cost absorption rate of 27% vis a vis 19% had hospital costs not been so allocated. This is a change in the methodology of cost allocation over the previous year. However, it is to be noted that there is no violation in cost allocation policy as allocation of hospital costs to the indirect cost pool is in accordance with clause 1.5.85 of the Finance Policies and Procedures Manual 2020.

e) As disclosed under Note 3.10 to the audited financial statements of icddr,b, the Centre has for the first-time carried out actuarial valuation to recognize liability in respect of defined benefit obligation (specifically the end-of-service benefit). This has been calculated by certified actuaries using the projected unit credit method, which represents the present value of defined future benefit obligations at the end of the reporting period. This method reflects a change over prior years when liability was booked at a fixed rate basis (2% of base pay for local fixed-term staff members every month). This change in the method of recognition of liability has resulted in a provision of USD 1.4 million in the financial statements. Had this provision not been made indirect cost rate would have been lower at 25%.

3 Basis of classification of cost

icddr,b's costs are classified into two broad categories as follows:

- a) **Direct costs** are those costs that can be accurately and wholly identified with particular projects and activities. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose. icddr,b maintains adequate internal controls to ensure that no costs are charged both directly and indirectly to any grants.
- b) **Indirect costs** include those costs which are not directly attributable to any particular project/activities and which cannot be clearly charged to specific projects/activities without microanalysis of such costs. Costs collected under scientific centres, administration, management, technical support and other support services require considerable analysis, management estimation and judgment in determining reasonable allocation to specific projects/activities and accordingly classified as indirect cost. The related costs of these support service centres are not directly identifiable and allocable to any particular project/activity but are necessarily incurred in fulfilment of the mandated objectives of icddr,b and to facilitate project and other activities.

4 Methodology of computation

Costs that are not readily ascertainable to any particular program or that are incurred for the common or joint purpose for benefiting more than one project/activity are accumulated under the indirect cost pool. Some external income generating expenditure (where the overhead rate cannot be applied), non-recurring and exceptional expenditure, interest on overdrafts, and bad debts are considered as unallowable expenditure and deducted from the respective cost pool as applicable. Interdepartmental service charges (facilities costs) are added to the related project for actual usage of services and corresponding recoveries deducted from the indirect cost pool. The indirect pool consists of salaries and benefits, and other indirect costs related to administration, as well as hospital costs as defined under clause 1.5.85 of the Finance Policies and Procedures Manual 2020. The indirect pool is charged with all the indirect costs as defined above.

The supports provided from the indirect cost pool to the restricted projects, labs and hospitals due to the **Covid-19 pandemic situation** and sudden discontinuation of the projects are treated as a non-recurring and exceptional expenditure. Hence, such expenses are excluded from the indirect cost pool.

The indirect cost rate is determined by dividing allowable indirect costs by allowable direct costs plus laboratory costs and expressed as a percentage of direct & laboratory costs.

5 Accounting convention

The indirect cost rate computation is expressed in US dollars and is prepared in accordance with the historical cost convention.

The underlying data for the computation of the indirect cost rate is obtained from the financial statements of icddr,b for the year ended 31st December 2022 which was audited by the same audit firm.

6 Expenses are netted-off with interdepartmental service recoveries.



Schedule A

International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

**Schedule of computation of indirect cost rate
for the year ended 31st December 2022**

Schedule A – Elements of Costs

Elements of Cost	Methodology of Allocation
Salaries and benefits	Direct costs for program and laboratory; indirect costs for Central Management Services.
Consultancy fees	Direct costs for program and laboratory; indirect costs for Central Management Services.
Travel and vehicle hire charges	Actual usage
Supplies and materials	Office and janitorial supplies for administrative, program, and laboratory services and other equipment based on actual usage. Program and laboratory supplies are charged to projects and laboratory as costs are incurred - direct cost; program and laboratory materials are direct costs.
Repairs and maintenance	Direct costs for program and laboratory and indirect costs for Central Management and Administrative Services.
Rent, communication and utilities	Actual usage
Printing and publications	Direct and Indirect costs; actual usage
Training, dissemination and staff development	Direct costs for program and laboratory; indirect costs for Central Management and Administrative Services.
Collaborative partnership costs	Direct costs for program.
Hospital patient expenses	Direct and Indirect costs; actual usage
Cleaning and security charges	Actual usage
Legal and professional fees	Direct costs: project and laboratory specific audits; and indirect cost: Single audit in accordance with CFR 2 Part 200 Subpart F, and annual statutory audit.
Interdepartmental service charges	Charged to projects and laboratory as costs are incurred based on actual usage - direct costs.
Doubtful debt expenses	Indirect costs.
Capital Expenditure (Restricted)	Direct costs.
Depreciation and amortization	Direct and Indirect costs; based on actual usage
Other expenditures	Direct and Indirect costs; based on actual usage
Research support costs	Direct costs.
Mandatory committee meeting expenses	Direct and Indirect costs; based on actual usage.
Tax expenses	Indirect costs for Central Management and Administrative Services
Other expenditure (Annexure 1)	Direct and Indirect costs; based on actual usage



Annexure 1

International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

**Schedule of computation of indirect cost rate
for the year ended 31st December 2022**

Breakdown of other expenditure

Description	Restricted/ Direct Costs (a) USD	Indirect costs pool (b) USD	Total (c=a+b) USD
Washing and laundry charges	(5,477)	467	(5,010)
Decorator and outside catering	492	159	651
Membership and subscription for employees	2,858	4,937	7,795
Other service charges	22,440	16,731	39,171
Administrative support cost recoveries	-	-	-
Incineration service charges	47,381	103,491	150,872
Incineration service recovery	-	(77,194)	(77,194)
Sale/disposal of fixed assets	-	16	16
Bank charges	23,260	9,122	32,381
Contractual Agreement Payments	-	-	-
Total	90,954	57,727	148,681



Annexure 2a

International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

**Schedule of computation of indirect cost rate
for the year ended 31st December 2022**

**Breakdown of expenditures incurred to provide services
to the external clients**

Description	Direct costs base USD	Laboratory costs USD	Hospital costs USD	Indirect cost pool USD	Total costs USD
Travellers Clinic	-	-	106,664	-	106,664
Field Experience Unit	-	-	-	-	-
Receipts from Procurement	-	-	-	69,119	69,119
X-Ray Unit	-	-	141,014	-	141,014
Receipts from personal use of vehicle	-	-	-	95,465	95,465
Receipts from attached cars	-	-	-	1,664	1,664
Total	-	-	247,678	166,249	413,927

Note:

Expenditure incurred to generate income represents services provided to the outsiders. Such services include personal use of vehicles, travellers clinic, consultancy, x-ray services, etc.



International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b)

Schedule of computation of indirect cost rate
for the year ended 31st December 2022Support services costs recovered by generating income from the
external clients through other (external) receipts

Description	Direct costs base USD	Laboratory costs USD	Hospital costs USD	CMS & other indirect costs USD	Total costs USD
Safety and Occupational Health	-	-	-	-	-
Molecular Epidemiology & Pathogen Dynamics	-	-	-	-	-
LSSD Administration	-	-	-	-	-
BSL-3 Laboratory	-	-	-	-	-
Media and Lyophilization Services	-	-	-	-	-
Microbiology Lab. - Matlab	-	-	-	6,348	6,348
Bio-Medical Engineering Cell	-	-	-	-	-
Clinical Laboratory Services	-	-	-	-	-
Biochemistry & Nutrition	-	-	-	-	-
Animal Resources Branch (ARB)	-	-	-	-	-
Matlab Civil Engineering Unit	-	-	-	-	-
Matlab Cafeteria Services Unit	-	-	-	57,419	57,419
Matlab Guest House	-	-	-	42,875	42,875
Matlab Electrical Engineering Unit	-	-	-	-	-
Matlab Land Transport	-	-	-	-	-
Matlab Water Transport	-	-	-	-	-
Employees Clinic - Matlab	-	-	-	-	-
Matlab General Services Unit	-	-	-	416	416
Generator	-	-	-	-	-
Research Administration - IRB (RRC)	-	-	-	-	-
Research Administration - IRB (ERC)	-	-	-	-	-
Research Administration - IRB (PCC)	-	-	-	-	-
Shishu-Aloy	-	-	-	2,436	2,436
Attached Vehicle	-	-	-	-	-
Land Transport - Unschedule Trip	-	-	-	-	-
Land Transport - Dhaka-Matlab-Dhaka	-	-	-	-	-
Cafeteria - Dhaka	-	-	-	229,843	229,843
General Services Unit	-	-	-	4,013	4,013
Travel office	-	-	-	-	-
PABX	-	-	-	-	-
Procurement and Materials Unit	-	-	-	-	-
Maintenance of Common Physical Facilities(Elect.)	-	-	-	-	-
Facilities Management Services	-	-	-	-	-
Maintenance of Common Physical Facilities(Civil)	-	-	-	-	-
Transport Management	-	-	-	96,144	96,144
Civil Engineering Unit	-	-	-	-	-
Employees Clinic - Dhaka	-	-	-	-	-
Electrical Engineering Unit	-	-	-	-	-
Sasakawa Auditorium	-	-	-	-	-
Audio Visual Unit	-	-	-	32	32
Information Technology	-	-	-	-	-
Electricity Charge & Recovery for icddr,b Outlets	-	-	-	-	-
Execution of a New ERP System for icddr,b	-	-	-	-	-
Rental Charge for office space	-	-	-	22,628	22,628
Laboratories Support Services	-	-	-	-	-
Laboratory Quality Assurance	-	-	-	-	-
Laboratory Division	-	-	-	-	-
Central HVAC System, Elevators Maint.	-	-	-	-	-
Health & Demo. Surv.System - Dhaka	-	-	-	-	-
Information Services Section	-	-	-	1,511	1,511
Technical Training Unit (TTU)	-	-	-	14,481	14,481
Health & Demo.Surv. System - Matlab	-	-	-	-	-
Research Support Recovery Pool	-	-	-	-	-
Total Support Services Costs Recovered	-	-	-	478,146	478,146

Note:

Support services costs recovered represents costs recovered through other receipts (external income) by providing services to the external clients in addition to interdepartmental service charges.

