

Rosemont and MSA (UK) Financial Status

Assessment 2010

-Report-

Carried out by:

CC and AC 2009/10

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Introduction

No.9, Rosemont Avenue (hereafter Rosemont) is in the care of MSA (UK) (hereafter MSA) as mandated by the High Commission of the Maldives in UK. MSA and Rosemont share a bank account and this has been a worry of numerous Central Committees (hereafter CC) throughout the years. MSA is a student organization whereas Rosemont is a Maldivian government's property and its finances should be managed separately in theory.

Therefore, the CC and Advisory Council (AC) of 2009/10 decided to separate the MSA and Rosemont accounts as its first priority. As different templates were used in different years and as the accounts were mismanaged at some points, the CC and AC decided to go through all the financial statements, harmonise them and make a thorough assessment of the financial status of both MSA and Rosemont.

This Report includes the various errors that were discovered in the accounts, actions taken by the CC and AC to counter the problems and recommendations to future CCs.

This Report does not place blame on any individual or CC of any year. It is an attempt to improve MSA governance and management of Rosemont.

Procedure

The last statement for MSA was found in 2007, which the CC confirmed was accurate. We took this as the starting point for the MSA accounts. The various Rosemont monthly financial statements and annual statements were also taken from 2006 and checked again for re-confirmation. The Bank statements of the years and the bills were also used to compare the amounts and reconfirm.

The team amended and made statements for the years 2007, 2008 and 2009.

Errors

2007

Rosemont income and expenditure report for 2007 was prepared till 15th December 2007. This statement showed a positive balance of £704.21. There were no records for the period 16th to 31st December 2007 and the next Rosemont statement available began from 1st of January 2008 which showed no records of any cash in hand or balance brought forward from 2007.

We were informed that the Rosemont statement was produced up to 15th December because a new CC was elected during that period.

At the end of year 2007 there was a balance of £1126.97 in MSA account, and we were informed that there was no cash in hand transferred to CC 2008, hence all money was in the bank account.

As of 31st December 2007 the bank balance was £1831.18. As both MSA and Rosemont statements showed no records of any cash in hand at the end of the year 2007, we assumed that all money was in the bank account. However there is a shortage of £75.70 between the bank balance and both MSA and Rosemont statements.

It is to be noted that in both 2007 and 2008 records of the payments and incomes were not organized in proper manner and some of them were missing from the document folder.

2008

According to the Rosemont income and expenditure account for 2007 there was a balance of £704.21 as of 15th December 2007. This balance was not carried forward to the summary of Rosemont income and expenditure account 2008. We created an updated version of Rosemont income and expenditure 2008 including the balance carried forward from 2007 and corrected several errors in the statement. This includes:

- Small room rent less warden concession was paid to the bank account, but the warden concession was not shown in the Rosemont income and expenditure statement.
- Medium room rent which was paid into the bank account was not included in the Rosemont income and expenditure statement.
- The Rosemont income and expenditure statement did not show cash in hand.
- TV licence fee which was paid by direct debit from the bank account was not shown in Rosemont income and expenditure statement, but some of the expenses paid by cheques were shown in the statement. Hence there was no consistency in preparing the accounts.
- There were no proper records of loans taken from Rosemont account by MSA.
- There were no details of deposit refunds and other withdrawals of cash from the bank account.
- The warden concession was taken in excess by mistake for the period November 2008 to May 2009, but the excess amount was paid back in to Rosemont in May 2009.
- In September 2008, a payment was paid to the outgoing warden for expenses and bills of Rosemont paid personally amounting to £474.76. Details of the expenses paid through the warden's personal account were not included in the statement.
- Cheques were issued but cancelled later. But there were no records of cancellations on the cheque book.
- EGM 2008 and Summer 2008 were funded by cheque from MSA account. Other events such as AGM 2008 and Fresher's Fair 2008 were funded through Rosemont cash and recorded as Rosemont expenditure. This could be because the Rosemont statement was considered as statement for both MSA and Rosemont, therefore, not seeing a necessity to record separately. And it could also be considered as loans to MSA from Rosemont, no mention of loans and repayment were made in the statement for Rosemont. We updated the statement to show that these were cash withdrawals from MSA accounts through Rosemont.

After the correction of above errors the Rosemont income and expenditure balance was £3389.03. This balance was calculated with limited knowledge as there weren't bills and receipts for all expenses. The previous CCs and the warden provided additional information Hence there is scope for errors.

In 2008 no official income and expenditure accounts were produced for MSA. We prepared a financial statement for MSA based on information given by CC 2008, information on bank statements and by referring to the cheques issued. The financial statements of MSA showed a positive balance of £42.98. No cash was transferred from CC 2008 to CC 2009.

The bank balance at the end of year 2008 was £3876.09. Hence there was a positive difference of £444.08 between the bank balance and both MSA and Rosemont statements. This discrepancy could be the cash in hand at the end of year 2008; however this was not recorded in Rosemont income and expenditure statement. Hence there is a possibility that this could be an error.

2009

Records of Rosemont and MSA in the year 2009 were maintained in an organized manner. Both MSA and Rosemont statements were produced at the end of the year 2009. A file was created by CC 2009 to maintain Rosemont statements and bills, but there was no file for MSA statements and bills.

We found a difference of £0.19 between July 2009 statement and the BT bill paid in July. The full amount for the BT bill (£233.19) was paid during July 2009, but it was recorded in the July statement as £233. The amended statement was printed and filed.

MSA income and expenditure account as at 30th November 2009 showed a positive balance of £57.18, this includes £30 in the bank account and £27.18 as cash which was transferred to CC 2010. There were no bank transactions by MSA for the period 30th November 2009 to 31st December 2009.

Rosemont income and expenditure statement as of 31st December 2009 showed a positive balance of £4582.65, this includes £38.55 as cash in hand. Given that all previous Rosemont statements are correct (2007-2009), the bank balance for Rosemont should be £4544.10 (Total balance less cash in hand).

The bank statement showed that the bank balance as at 31st December 2009 was £4480.99. But according to Rosemont and MSA statements the bank balance should have been £4574.10 (Rosemont bank balance plus MSA bank balance). Therefore there is a shortage of £93.11 in the bank account.

Action to be taken

As there is less paper work to do in MSA than Rosemont and since all MSA transactions were made either by cheques or in the form of loans, it is less likely that the errors could have occurred in MSA statements. Lack of consistency in Rosemont statement format could also lead to this error. As cash on hand was not recorded at the end of 2007 and 2008, we were unable to figure out whether the discrepancy was caused due to cash on hand or due to an error(s).

As MSA and Rosemont bank accounts are to be separated in the near future, we recommend members to decide on an option from the following before the separation of accounts.

Option 1: Include the error in Rosemont account only.

Option 2: Include the error in MSA account only.

Option 3: Include the error equally in both MSA and Rosemont accounts.

Recommendations

1. Rosemont and MSA accounts should be separated as soon as possible to deter further problems. It is imperative that both MSA and Rosemont accounts are maintained separately, especially as Rosemont is property of the government.
2. A lot of the problems were caused because the bills were paid by warden. Sometimes, wardens faced problems when different utility accounts were set up in different names. We recommend setting up direct debits for all Rosemont utility bills so that wardens don't need to pay the bills themselves but only need to deposit rent money into the account.
3. It was also difficult for wardens to withdraw money from the bank account. And it is impossible currently to withdraw money as one of the signatories has finished and gone back to Male'. The current CC is in the process of changing signatories to the bank account.
4. At the end of each year any cash on hand with the warden of Rosemont must be deposited to bank account and the final Income and Expenditure Statement should be produced at the end of the year to reflect this. This will minimise confusion at the beginning of the year when a new warden or CC takes over.
5. MSA statements should be maintained regularly and an income and expenditure report submitted at the end of the year.
6. Elected CCs, especially treasurers, should be briefed as soon as possible when elected of all the procedures involved in maintaining accounts.
7. New wardens should be briefed as soon as possible upon election and regular checks and balances conducted by CC

8. Financial assessments of Rosemont and MSA should be conducted every two years.
9. A standard format should be used when making monthly Rosemont income and expenditure statements and yearly statements for MSA and Rosemont. CCs should strive to be consistent with other years. This template has been provided by the current CC and AC.
10. The website must be updated regularly and statements uploaded to maintain transparency and good governance practise.

Summary

We have separated the Rosemont and MSA account. In doing so we had done an audit of MSA & Rosemont accounts from 2007 – 2009. There is an effective error of £93.11 (missing) from Rosemont and MSA accounts combined. This needs to be written off as bad debt to either MSA or Rosemont accounts or equally both, and are yet to be decided. In this report, we have proposed various steps; need to put in place to prevent similar errors in the future.