
Condo Smarts

Headline: Are Audits Required by the Act?

Topic: Audits

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Dear Tony: Thank you for last week's column on fraud. Our strata had a similar situation in 2005 and since imposed strict financial approvals to prevent any such problem again. Our strata corporation just completed a \$1.8 million repair on balconies and roofing. The property management company provided us with a detailed summary of the project, which ended on budget, but several owners have been requesting an audit of the special levy account. Is there a specific threshold or value where an audit is a requirement of the Act or where a strata corporation should consider an audit? The strata council are very satisfied with the completed scope of work which was supervised and approved by the engineer. At this point of the transactions, if the council chooses to conduct an audit, are we authorized to proceed?

Marco W. Surrey

Dear Marco: The *Strata Property Act* does not impose requirements for auditing or financial supervision. This decision is left to each strata corporation and strata council to approve the funds and provide direction for the financial review and type of report that is required. This may be a bylaw requirement, approved as part of the annual budget, as part of a special levy, or a condition imposed by the courts. The cost of an audit may vary significantly depending on the type of financial scrutiny and reporting you are seeking, and the report may only provide what your strata corporation has already identified: the revenues, authorized expenses and payments, and the balance.

We often assume if there was any malfeasance in the financial practices, the audit will identify and report it; however, a detailed forensic review of the transactions and the comparable authority to spend the funds is timely and very costly. On a fixed project such as a special levy or authorized contingency expense, the

details of the expenses, revenues, and the list of authorized contractors and suppliers is essential to compare the scope of work to the financial reports. The owners of a strata corporation are entitled to have copies of cancelled cheques and bank statements, and more important the details of the transactions.

If your strata corporation has a council member or owner who is experienced and qualified with accounting and contract procedures, this is the perfect time to engage them for review. Every strata corporation is entitled to determine what level of scrutiny is necessary to ensure accurate reporting and transparent use of their funds. The tried and true statement of "follow the money" always applies. If a strata corporation or property management company are not being transparent about the timely disclosure of financial reports, details of expenses, bank statements and cancelled cheques, it's time for an independent party to review your financial transactions.