

Brokerage Audit - What to Expect & Most Common Issues

February 24 2022

BCFSA BC Financial
Services Authority

Classification: Public



Agenda

- Intro to Audit Team and Brokerage Audit
- Top 5 Audit Issues
 - Trust Reconciliations
 - Not Providing Timely Responses
 - Mandatory Disclosure Forms
 - Electronic Fund Transfers and Interac e-Transfers
 - Real Estate Service Agreements
- New Managing Broker Outreach
- Brokerage Information Request



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Intro to Audit Team & Brokerage Audit

- Who is the Audit Team?
- What does the Audit Team do?
- What to expect during a brokerage audit?
 - Initial Interview
 - Document Review
 - Exit Interview
 - Issuance of Audit Report



Top 5 Audit Issues

1. Pooled Trust and Commission Trust Account Reconciliations

- Objective
- Key considerations for managing brokers
- Components of trust reconciliations managing brokers should be aware of:
 - Component 1: Bank Reconciliation - Common Deficiencies Observed
 - Component 2: Trust Liability and Asset Reconciliation - Common Deficiencies Observed



Component 2: Trust Liability and Asset Reconciliation

	A	B	C	D	E	F
1						
2	XYZ Realty					
3	Rental Trust Account Trust Liability and Asset Reconciliation					
4	December 2021					
5						
6	Property #	Property Address	Liabiliy Balance			
7	001	123 Smithers Road	\$ 1,500.00			
8	002	234 Fort Nelson Street	\$ 2,500.00	← Potential shortage		
9	003	456 Chase Road	\$ (300.00)			
10	004	678 Trail Cresent	\$ 2,800.00			
11	005	890 Kimberley Way	\$ 2,000.00	← Potential Shortage		
12	999	XYZ Realty	\$ (1,000.00)			
13			\$ 7,500.00			
14						
15	Prepared by:	Isabelle W	Date:	8-Feb-22	← Late	
16	Reviewed by:	Max P	Date:	24-Feb-22		
17						
18						

2. Providing Timely Responses to BCFSA Auditors

- Licensees are expected to comply with Real Estate Services Rule 21

3. Mandatory Disclosure Forms

COMMON MISTAKES OBSERVED:

- Incomplete
- Inaccurate information
- Late disclosure
- Unaware of the required forms



4. Electronic Fund Transfers and Interac e-Transfers

- Lacking internal controls
- Examples of good internal controls:
 - Dual signature
 - Formal approval process (electronically or manually)
 - Timely review/reconciliation to detect errors



5. Real Estate Service Agreements

COMMON MISTAKES OBSERVED:

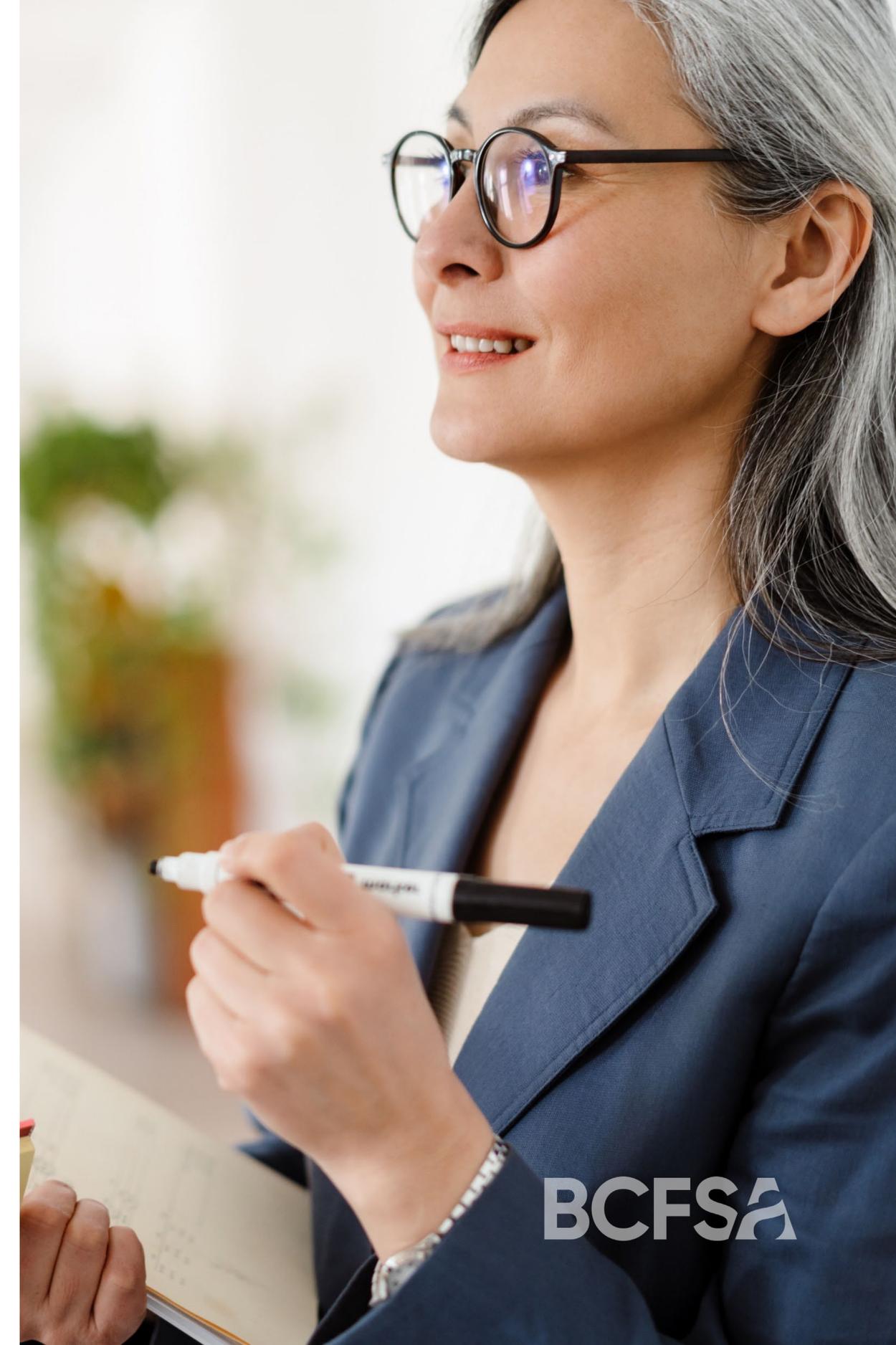
- Missing information required by the Real Estate Services Rules
- Incorrect rates, charges, names of brokerage, etc.
- Service agreements in name of previous property manager



New Managing Broker Outreach

New Managing Broker Outreach Program

- Positive feedback provided by new managing brokers
- Telephone discussion
- Opportunity for managing brokers to ask questions
- Educational opportunity
- Audit Team always available for questions



Brokerage Information Request

Brokerage Information Request

- B.C. government has directed BCFSA to explore data collection on market practices
- Specific data from brokerage records will assist BCFSA to provide evidence-informed advice to the Minister
- Provides insight into real estate market activity
 - Unconditional offers
 - Multiple offers
 - Blind bidding
 - Regional variations
- BCFSA to request transaction information for specific, limited time periods directly from brokerages
- Working with boards to receive additional data from the real estate sector to add to what the brokerages provide



Summary of Request

WHO

Trading services brokerages

WHAT

Provide data to BCFSA on residential real estate sales between:

- February 22-28, 2021 and
- February 21-27, 2022

WHEN

Submit information by March 11, 2022

WHY

BCFSA directed by Minister to explore data collection on market practices

Data collection will support evidence-informed policy and advice to government decision-makers



Timeline



LATE JANUARY 2022

Introduce
brokerage records
request with
managing brokers



FEBRUARY 2022

Brokerages
compile
information



MARCH 2022

Brokerages
submit information



SPRING 2022

- BCFSA analyzes data
- Dissemination of results

Questions

**Thank
you.**