

Trust account audits



BY ROBERT ATANASOV

IT WILL BE LESS OF A HASSLE IF YOU ALREADY HAVE GOOD SYSTEMS IN PLACE AND YOUR ACCOUNTS AND RECEIPTS ARE WELL-ORGANISED.

IT'S THAT TIME OF YEAR WHEN YOU NEED TO START PREPARING FOR YOUR ANNUAL TRUST ACCOUNT AUDIT. HERE ARE SOME TIPS FOR GETTING READY – AND WHAT COULD HAPPEN IF YOU FAIL TO MEET THIS LEGAL REQUIREMENT.

Why should I do an annual trust account audit?

An annual trust account audit is required by law. You must use an external registered auditor to examine the records associated with the trust account. The auditor will express an opinion as to whether these records have been kept in accordance with the requirements of the relevant legislation.

There are serious penalties for the licensee-in-charge if you fail to carry out an annual trust account audit. The fact that you may have been busy is no excuse. The legal requirements are clear and are not subject to the pressures of business. It will be less of a hassle if you already have good systems in place and your accounts and receipts are well-organised.

If you do not meet this statutory requirement, it may result in one or more of the following:

- monetary penalties;
- suspension of license;
- imposition of conditions on the use of the license; and/or
- cancellation of the license and disqualifying the licensee from obtaining another licence in the future.

An annual audit of the trust account can also help to detect fraud and misappropriation of funds before matters get completely out of hand.

If it turns out that an employee has been stealing but you haven't carried out your annual trust account audit, your professional indemnity insurance coverage may be in jeopardy.

How do I make the booking?

Book your accountant well in advance to conduct the trust account audit. If your accountant is not a registered auditor appointed by the Australian Securities & Investments Commission (ASIC), then you will need to find an auditor that specialises in auditing real estate trust accounts.

If you are not sure whether your accountant is a registered auditor, the quickest way to find out is to check the ASIC register of auditors on the ASIC website: www.search.asic.gov.au/pro.html

One must bear in mind there is only a relatively short window period for trust accounts to be audited: between 1 July and 30 September (other audit reporting periods are possible by arrangement with the NSW Office of Fair Trading). Unfortunately most other entities where auditors need to conduct an audit also have a 30 June year end and they too need to be completed by 30 September or 31 October. Needless to say, early preparation is the key.

How do I prepare for the audit?

Most small real estate agencies should allow at least half a day to one day for the auditor to conduct onsite testing and auditing work. For larger agencies, please confirm with your auditor the approximate time



needed at your office in order to complete the audit.

It is imperative that the bookkeeper/accountant who administers the trust account(s) and the principal are available on the day of the audit. The auditor will need to obtain information from both these key people.

Your auditor will need to sight all cheque books, deposit books, receipt books, monthly bank reconciliations and trial balance for all trust accounts for the period being audited. Ensure that all settlement statements/correspondence on property sales and monthly landlord statements are easily accessible as the auditor will need to randomly sample these.

Ensure that every bank statement for the trust bank account(s) is in date order and that statements are not missing.

The result of the audit will be either an unqualified audit opinion (meaning the records were satisfactory) or a qualified audit opinion (meaning the records were unsatisfactory). Essentially a qualified audit report is an adverse result.

Keep your accounts in good order

The best preparation is to ensure your accounts are properly maintained all year round. That way your annual audit will take minimal time with minimal fuss and you can get on with the job of servicing your clients.

Robert Atanasov is a Registered Company Auditor with over a decade of experience in auditing Real Estate Trust Accounts. He can be contacted on 0403 472 544. ♦

Tips for maintaining your trust account

- Records should be kept contemporaneously, i.e. transactions should be recorded daily in order for the records to be up-to-date.
- Review all monthly bank reconciliations and trial balance for all trust accounts. These should be checked monthly by the principal after being completed by the in-house accountant/bookkeeper. It is imperative that trust trial balances be prepared and signed within 21 days from the end of the month.
- Check with your software provider that you are running the latest version of your trust account software.
- Ensure that no bank charges are being incurred by the trust account. Your bank should charge account keeping fees etc on your trust account(s) to your general account.
- Ensure that the trust bank account(s) does not go into debit (overdraft) at any stage during the year. If it does there are compulsory reporting requirements under the *Property, Stock and Business Agents Act*. Your bank has similar reporting requirements.