

AUDIT CONSIDERATIONS
FOR SPADINA CONDOMINIUM CORPORATION
2015-10-09

Audit risks

Some audit risks to consider for condominiums include:

Unrecorded liabilities

Some suppliers to the condominium industry, even large suppliers, do not invoice on a timely basis. Care should be taken to ensure all liabilities are recorded, including construction holdbacks.

Budget information

Budget amounts should be included in the financial statements, as discussed in the accounting section of these Guidelines. Disclosure of budget amounts is important to enable owners and others to assess the performance of the board and management and refusal to disclose budget amounts should heighten the skepticism with which the auditor approaches the audit, and should be cause to evaluate the integrity of the board and management, and to evaluate whether or not to seek re-appointment.

The auditor should ensure that budget amounts are marked “unaudited” or that the unaudited nature of budget amounts is disclosed in a note to financial statements.

Minutes

Minutes of directors’ and owners’ meetings should be read to identify: conflicts of interest, commitments, special assessments, legal issues, large contracts and expense authorizations, and remuneration that may require disclosure.

2. Has the corporation established a separate bank account for its reserve monies in accordance with section 115 of the Condominium Act?

Do the financial statements appropriately disclose the information required by Regulation 48/01 Section 16 with respect to funding and expenses of the reserve fund?

(2)

Does the opening balance in the reserve fund study agree to the fund balance in the financial statements on which it is based? (Reserve fund study providers sometimes begin their analysis with the reserve investments and this is incorrect).

OVERALL CONSIDERATIONS

1. Has the effect on the corporation's financial statements been considered for:
 - (a) its declarations, bylaws and rules?
 - (b) the most recent status certificate?
 - (c) the Act and any deviations from its requirements?

Does the corporation follow a sealed bid procedure in awarding major contracts? If not, suggest this procedure to the board.

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ACCRUAL ACCOUNTING

A method where revenues are recorded when they are earned, even if money has not yet been received, and expenses when they are incurred, even if payment has not yet been made. In almost all circumstances, the Canadian Institute of Chartered Accountants requires that this method be used so as to yield statements that accurately measure the company's operations and state of obligation with others.

Presentation at Annual General Meetings

Auditors are often asked to discuss the financial statements and to answer related questions at

Annual General Meetings (AGM) of condominium corporations because they are generally seen as

an independent voice. Directors and property managers may lack advanced accounting knowledge

and their explanations may be viewed by some owners as lacking objectivity.

Auditors should clearly communicate their independence to the owners at the AGM and that

auditors do not act as representatives of the board and/or management. They should provide

factual information only and should not discuss the "how" and "why" of amounts in the financial

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