

Brokerage Audits

The Saskatchewan Real Estate Commission is tasked with ensuring public safety through industry regulation.

Part of the Commission's responsibility is oversight of industry practices.

The Commission has contracted an independent accounting firm, **EPR Saskatoon**, to perform financial audits on 50 randomly selected brokerages each year. EPR contacts the brokerage and requests documentation be sent directly to them in order to perform an initial "desk audit" of the trust accounting in order to ensure compliance.

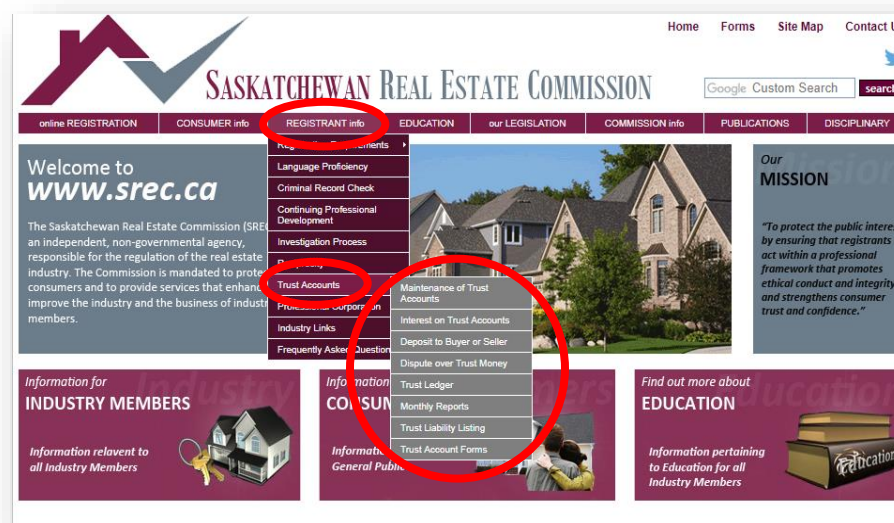
Initially, a notice of audit letter is sent to every brokerage selected for that year's audit, which essentially reads:

RE: SREC 20XX-20XX Compliance Audit

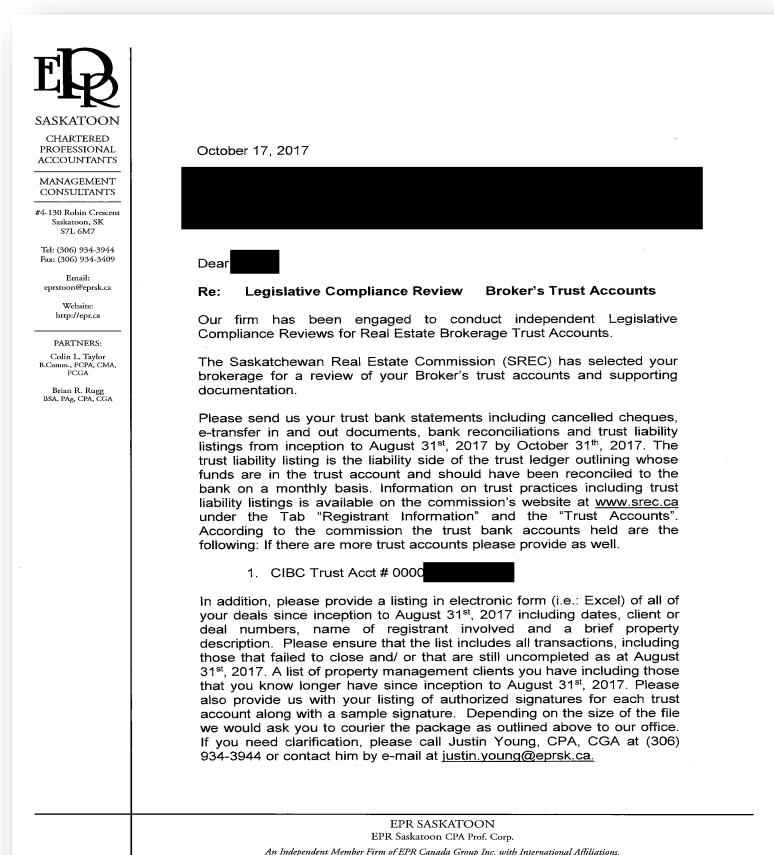
The Saskatchewan Real Estate Commission (the "Commission") has selected your brokerage for a routine trust account and transaction compliance audit for the upcoming [20XX-20XX] audit cycle. This letter is being sent to you for your information and planning purposes.

*The Commission has engaged EPR Saskatoon ("EPR") to conduct the trust account portion of the compliance audit. **EPR will contact you directly sometime in the coming months to request information to perform the audit. You will be asked to provide: trust bank statements, including e-transfer documents, cancelled cheques, bank reconciliations and trust liability listings; an electronic listing of transaction and property management files; and, a list of authorized signatures for each trust account with sample signatures. Following an initial review, EPR will further request specific transaction and property management files for review.** Please provide your complete files, as they are then provided to the Commission for the transaction compliance audit.*

Information on trust practices including trust liability listings is available on the commission's website at www.srec.ca under the Tab "Registrant Information" and "Trust Accounts".



EPR begins by sending each brokerage a letter requesting initial information from the brokerage's records to begin the financial audit process. The initial letter may look something like this:



EPR generates a report with any noted errors/deviations/violations, which is shared with both the brokerage and the Compliance Department.

(For details, see also Information Bulletin, “Common Issues Arising out of Brokerage Audits”).

The Compliance Department then initiates a more in-depth compliance audit, reviewing transaction documents, and creates a final report for the brokerage, including any recommended procedural changes. Once this second, regulatory audit is complete, the brokerage receives a follow-up letter such as this:

RE: Saskatchewan Real Estate Commission Brokerage Compliance Audit

Further to our letter of [DATE] the Saskatchewan Real Estate Commission (the “Commission”) has completed the second part of the brokerage audit process. This second review relates to regulatory compliance. The Commission's Compliance Department conducted a review of the [#] transaction files that you provided to EPR Saskatoon for the brokerage audit.

Please review the enclosed full report and contact our office if you have any questions or concerns.

OR

We noted no compliance issues in the transaction files reviewed.

Any issues identified in the attached reports must be immediately addressed and corrected in your brokerage's current and future transactions. If the issues identified are not corrected from this point on, the Commission may initiate a complaint investigation resulting in disciplinary action.

(See also Information Bulletins, “Trust Accounts and Reporting” and “Brokerage Annual Financial Report”, February, 2017).