



ARMA: Guide to Audit

2nd Edition



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ARMA Audit

Overall aim of the ARMA audit

ARMA members will undergo an audit check once every three years. The overall aim of the audit is to provide an assurance to ARMA, its members, clients and leaseholders that accredited members of ARMA are complying with the ARMA Consumer Charter and Standards. The process will also help raise standards across the managing agent sector and protect the public. By being open to scrutiny in this way ARMA members are distinguishing themselves from competitors through a commitment to delivering high quality work for consumers.

Audit team resource

We have commissioned the Royal Institute of Chartered Surveyors (RICS) Regulation team to carry out the audits for us. We retain overall control of the scope and frequency of the reviews. They will cover all of the ARMA Consumer Charter and Standards and look at issues that are not related to client money protection for jointly regulated firms.

We share a common interest with RICS to raise standards and a significant proportion of ARMA member firms are also “Regulated by RICS”. This joint approach removes duplication of audit activity and reduces the costs and inconvenience of overlap for the firms that might otherwise have been subject to two separate reviews. RICS has established a large and capable regulatory team that has built up skills and expertise over the last 25 years. By using the RICS team, ARMA benefits from being able to use an established and efficient approach, and avoids the set up, training and maintenance costs of a dedicated audit team of its own. It also gives us the flexibility to develop a more focused approach to audit once we have analysed the results from each three-year cycle of audits.

Overview of the audit approach

1. Logistics and audit start

One third of ARMA members are reviewed in any one year. Therefore, all members will have been reviewed within any three-year period.

All ARMA members must have processes and procedures in place that comply with the ARMA Consumer Charter and Standards to gain accreditation. The audits are very much there to help you comply with the Standards and understand areas where improvement may be needed. ARMA should be notified in the annual membership renewal of any change to procedures and processes as a result of audit, or instigated by the member.

ARMA members will be notified when they will be audited in the year before it takes place. They will then be given the date of the audit, an estimate of the time it will take on-site, the general approach that includes the scope of the audit, as well as a list of information the audit team will need in advance.

The audit team will contact members approximately two months before the review is due to take place to finalise arrangements. If the member has over 12,000 units in management, therefore a very large operation, the audit team will have a pre-meeting to get a more in-depth understanding and to make sure there is a co-ordinated approach. This will make the audit as efficient as possible for the member firm and for the team.

2. Opening meeting and on-site review

The audit tests the member against the ARMA Standards by reviewing their processes and procedures, enquiries with staff and sample testing of evidence. Any area of the ARMA Standards could be covered by an audit, but all audits include reviewing Client Money (Standard 4.0 Financial Matters).

The audit begins with an opening meeting where an overview of the audit will be provided, and discussion held on the business approach used by the member in relation to the areas included in the scope for audit. This will be an opportunity to raise any questions.

The on-site audit will vary depending on the size of firm and audit team, which will typically be one to two people. This does not mean that they will spend all of their time with the team, but the firm will need to make some time available to provide information and respond to questions. The easier it is to access up-to-date relevant information before and during the audit, the less time on-site will be needed. The team will aim to minimise disruption.

We define the areas of scope for audit that are most important, currently based on our assessment of risk. The audit team will take into consideration assurances that they may already have been provided with from other sources such as an external auditor report of the member's annual accounts.

While each member will be subject to a comparable depth of review, the precise areas covered may differ from member to member because not all of the ARMA Standards can be assessed in the time constraints of the audit. We believe that this is a fair approach because our members have already made a declaration of compliance with all the ARMA Standards. Over any three-year period we will identify the key issues that arise from the audit process, and conduct further analysis of the risk areas across the ARMA Standards allowing a more targeted approach to audit.

3. Closing meeting and reporting

At the end of each audit a closing meeting is held that highlights any issues found, and recommends actions to remedy them. Shortly after the closing meeting, the member will receive a findings report that documents any issues raised, their seriousness and the recommended actions. A copy also goes to ARMA.

We expect that the vast majority of issues found in the audit process, and the recommendations made, to be resolved by the member without further action by ARMA. The aim is to help members maintain compliance with the ARMA Standards. If it appears there are compliance gaps then further actions may be requested such as additional training, or re-review after a stipulated time period. However, where a highly significant issue is found (e.g. illegal activity, fraud, major deviation from the ARMA Standards), ARMA reserves the right to take further action. Such cases will be passed to the Regulatory Panel to consider whether a disciplinary investigation is appropriate. The only exception to this would be where there is a client money issue concerning a RICS-regulated firm, in which case RICS would take action.

4. General feedback from the reviews

Each audited member will receive details of any specific issues and recommendations that are relevant to them in the closing meeting and findings report. To help firms improve, ARMA will issue all members with a general summary of themes of the most common risk areas on an annual basis. This is to ensure that all members know what they need to focus on to comply with the ARMA Standards, and to provide a higher quality service to consumers.

Scope of audit

Each member will be audited on one of the three scopes set out below. The scope chosen for each member will be on a random basis although where possible we will be looking to ensure that over any three-year period, one third of our members will have been audited on each scope.

Scope A

Part 2: Instructing a Managing Agent

Part 3: Client Matters

Part 4: Financial Matters

Scope B

Part 4: Financial Matters

Part 5: Management Matters

Scope C

Part 4: Financial Matters

Part 5: Management Matters

Part 6: Legal Matters

Part 7: Disputes & Terminations

Findings report

The audit will conclude with each firm being rated as outstanding/good/improvement required/unsatisfactory. Additionally, each firm will be issued with a findings report that details the findings and recommendations made during the course of the visit.

The report contains a section for management responses for the firm to complete. Upon receipt of the response, the firm's actions and or evidence will be reviewed by RICS. Where additional information is required, a member of the regulation team will contact the firm. Once all aspects of the response are

collated, the findings report and management responses will be shared with ARMA who will then review the report in its entirety and contact you directly should any further action be required to resolve any compliance gaps. No further communication from ARMA will be necessary providing all the issues raised in the findings report have been satisfactorily resolved, nor are any findings in dispute.

Please be aware, the findings report and all associated correspondence have been prepared solely for the use of the member firm. Neither the content or the rating can be disclosed to any third party, and ARMA and RICS do not assume any responsibility to any other person. We do however give consent for you to disclose that you passed the audit. The reasons for this being that:

- The findings are based on the information provided by the firm to the reviewer on the day of the visit;
- The rating given in the report is determined using a non-exhaustive question set specific to our monitoring. Therefore we have to emphasise that the reviewers have not reviewed the firm's entire scope of activity, and as such the report and accompanying correspondence have been prepared solely for the use of the firm and for ARMA only;
- These documents cannot be relied upon as evidence of compliance with any statutory or other regulatory obligations placed upon the firm, its Principals or persons and entities connected to the firm; and
- The report is addressed to the firm and ARMA accepts no responsibility for any reliance that might be placed on it for any purpose by third parties.

Further advice on audits

ARMA, together with RICS, have developed specific training for members on the audit process, which is in the form of a webinar and is available periodically. Delegates are provided with an interactive overview of the audit approach, and the webinar includes guidance and discussions around:

- The aim of introducing audits
- Logistics
- Preparation needed in advance of the on-site meeting
- The approach used by the auditors, which includes process/procedure review, enquiry, sample testing different testing techniques
- Close of audit and reporting — what you can expect at the end of an audit
- What ARMA does with the findings report
- The opportunity to ask questions.

Audit Fees: ARMA member

Size of firm (units in management)	Fee	VAT	TOTAL Audit fee
< 500	£914	£183	£1,097
501 - 2,000	£1,225	£245	£1,470
2,001 - 4,000	£1,535	£307	£1,842
4,001 - 8,000	£1,785	£357	£2,142
8,001 - 20,000	£2,693	£539	£3,232
20,001 - 50,000	£3,385	£677	£4,062
50,001 - 100,000	£4,920	£984	£5,904
> 100,001	£6,150	£1,230	£7,380

Audit Fees: ARMA member & member of RICS

Size of firm (units in management)	Fee	VAT	TOTAL Audit fee
< 500	£768	£154	£922
501 - 2,000	£1,029	£206	£1,235
2,001 - 4,000	£1,289	£258	£1,547
4,001 - 8,000	£1,499	£300	£1,799
8,001 - 20,000	£2,262	£452	£2,714
20,001 - 50,000	£2,843	£569	£3,412
50,001 - 100,000	£4,133	£827	£4,960
> 100,001	£5,166	£1,033	£6,199

Administration fee

In addition to the audit fee, there is an additional £150.00 + VAT administration fee for ARMA which covers three hours work.

ARMA's involvement in the administration is to:

- Identify firms for audit on an annual basis
- Send each firm an initial notification letter
- Provide RICS with pre-visit information
- Deal with any non-responses to RICS second notification letter (confirming date of review)
- Deal with any queries from firms
- Review the findings report
- Deal with any disputes from the findings report
- Invoice each firm
- Compile and publish an annual summary of findings for ARMA members.

Expenses

The expenses incurred by RICS for carrying out the audit will be recharged to each firm. The exact costs will vary for each firm depending on location/number of reviewers/number of days. Rechargeable costs include, but are not limited to, hotel accommodation, travel and subsistence.

Hotel accommodation

As a general rule, hotels will only be provided when an individual is attending a review at a distance of more than 50 miles from their home address (all RICS reviewers are based remotely and not from the London or Coventry offices). All hotel bookings are for room and breakfast only. There is a £100 limit for stays outside major cities and a £150 limit for stay in major cities (London, Birmingham, Manchester, Leeds, Newcastle, Liverpool).

Travel

When travelling by rail, individuals are expected to travel in standard class or its equivalent and to take advantage of low fare options where possible. For train journeys over three hours, first class travel may be used.

Where public transport is not viable for justifiable reasons, individuals may claim mileage for using their own vehicle. The current mileage allowance is 40p per mile for the first 10,000 miles and 25p per mile thereafter.

Subsistence

Breakfast: up to £15

Lunch: up to £20

Dinner: up to £30

Please note, the above is subject to regular review.

Notes

A series of 20 horizontal dotted lines for taking notes.

A series of horizontal dotted lines provided for handwritten notes, consisting of 20 rows.



CONTACT US

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