

CLIENT MONIES CONTROL

The following is an outline of the procedures and controls that exist over all our Client monies at this time. It is our belief that the systems and controls we have in place to protect these funds are some of, if not the, most stringent in the industry. In all areas we have controls that are far in excess of those required by Law and/or our Regulatory bodies so our Clients can be confident that their funds are in safe hands.

What are Client Monies?

It is important to note at the outset that the ARMA definition of Client monies is "all money held or received by a Managing Agent over which they have control but which does not belong to their organisation". This means that any monies held by Clients where we are not the signatories are not "Client monies" in the context of our agreement with such Clients and therefore not funds for which we may be held accountable.

What is ARMA?

While Blenheims is not a member of RICS, it is a member of ARMA (Association of Residential Managing Agents) and as such is regulated by the organisation's ARMA Accreditation programme. This places consumers at its heart and requires all members to meet a new Consumer Charter and Standards. There are 180 Standards and these have been developed specifically for managing agents. Copies of these documents as published by ARMA are available on request.

What are the requirements and how does Blenheims measure up?

Both the RICS and ARMA require that any manager puts in place accounting systems that "show all its dealings with any money dealt with by it through a Client account and to show such dealings as they relate to individual Clients" (ARMA Bye-Law 4). In order to comply with this requirement Blenheims have set up their Client Accounts relationship with Nat West Bank Plc using their Client Money Manager software and use the Qube Property Management System to identify individual Clients' monies. Unless the relevant leases require it, there is no legal requirement to put any reserve monies in a separate account. However Blenheims has always maintained individual bank accounts in the name of each Client for each fund that the Client has deposited with us. For example, reserve fund monies are kept in a separate bank account from service charge monies, as are rent monies. This is over and above that required by the RICS and/or ARMA.

ARMA also requires that at every month end the cash books should be reconciled with Client bank statements within 4 weeks of that month end. Blenheims believes that monthly is far too long a period for such reconciliations to take place (given the volume of transactions passing through our Client accounts) and therefore has put in place procedures whereby all Client accounts are reconciled on a daily basis. It should be noted that these reconciliations will not pick up any mis-posting of items to our Qube ledgers (see Internal Controls below) but will ensure that individual Client bank account balances agree with our Qube ledgers.

Finally, ARMA requires that our overall Client monies are audited on an annual basis by a qualified accountant. This audit is currently undertaken by HWCA Limited and copies of their reports can be made available upon the written request of any Client.

The above set up ensures that we comply with all relevant legislation and requirements of our professional body ARMA as well as those of the RICS whether our Client is a Landlord, Resident Management Company ("RMC"), Right to Manage ("RTM") or Residents Association. It should also be noted that under our Client account relationship with Nat West Bank Plc all individual leaseholders benefit from the Financial Service Compensation Scheme meaning that should Nat West Bank Plc fail this scheme would provide each leaseholder with protection of **up to** £85,000 to cover the loss of their proportion of deposited funds. Please note that protection may vary depending on individual home owners circumstances.

PROFESSIONAL INDEMNITY & FCA

PROFESSIONAL INDEMNITY

Under the current professional indemnity policy put in place by Blenheims, Clients are protected against fraudulent or dishonest acts by the Directors or officers of Blenheims in relation to Client monies held, subject to a number of limitations imposed by the insurers. The current limits on this policy are £5,000,000 for any one claim with an excess of £1,000. Full details of the policy can be made available upon the written request of any Client.

FCA

Blenheims are Authorised and Regulated by the FCA as an insurance intermediary and are required to submit half yearly returns to the FCA which includes details on the financial status of the Company (details can be found on the FCA website).



INTERNAL CONTROLS

It is clearly essential that Blenheims ensure that the Qube Property Management System correctly identifies and segregates monies held on behalf of each individual Client and each fund type. In this way we can ensure that our systems always detail the correct monies held on behalf of each Client. Whilst it is impossible to prevent all mis-postings we believe that our systems should detect any errors and ensure that they are corrected without delay. The main controls are as follows:

MONIES RECEIVED FROM LEASEHOLDERS

The controls for Blenheims ensure that monies received from individual Home Owners are correctly credited to their account. The Qube system then ensures that these monies can only be allocated to a fund that is linked to a bank account in the name of the relevant Client. All monies banked in this manner are still double checked to ensure that no errors have been made prior to posting.

Where funds are received by Direct Debit, Qube automatically ensures that these funds are allocated against the correct Home Owner.

EXPENDITURE

Blenheims employs a state of the art order processing and invoice authorisation workflow system. Each Property Manager and/or Property Administrator must set up an order for all items of expenditure, be they ad hoc expenses or annual contracts. Utilities and insurance are excluded from this requirement. The workflow has set limits for approval of all orders depending on the level of each staff member and automatically checks that these are not exceeded. The process also checks if Section 20 of the Landlord and Tenant Act 1985 (as amended) applies and, if it does, Director approval is required.

When an invoice is received by the accounts department it is coded before being registered onto our Qube system where it is then matched to an order that has been previously created. A copy of the invoice is loaded into Qube where it can be viewed by all staff members. The workflow then electronically passes the invoice to the Property Manager and/or Property Administrator for them to review and authorise for payment. Again, individual limits are applied to each staff member and these are enforced by the workflow.

The workflow also has the ability to require approval for payments over a certain limit (as prescribed by the Directors of a Client Company) to be referred to the Directors of a Client Company for approval prior to being paid. At present we have a small number of Clients who have chosen this route, but the functionality is there as and when required.

On a fortnightly basis all authorised registered invoices are transferred to the purchase ledger proper and a fortnightly cheque run draft printout is prepared and passed to the Managing Director and Group Finance Director for approval.

When the weekly cheque run printout has been checked and approved by both Directors the suppliers are paid either by BACS or cheque depending on the information provided by the individual supplier.

The signatory limits for such payments are any one Director up to and including £10,000 and two Directors for payments above £10,000. Only the Directors of the Company are signatories on the Client accounts.

Finally, on a quarterly basis Property Managers are provided with reports of all expenditure paid during the previous 3 months together with the relevant invoices and they are required to review this expenditure to identify and correct any posting errors.

In total this means that any one invoice may have been reviewed at least 6 times during the whole process.

AUDIT/CERTIFICATION

On an annual basis Blenheims provide full working papers to the independent Accountant that each Client has chosen to prepare their service charge and/or corporate accounts. The working papers include, but are not limited to: Qube cash books for each fund; Nat West Bank Statements; individual Client account bank reconciliations as at the year end; an analysis of expenditure in the year; original invoices; and a detailed trial balance.

These working papers are sufficient to enable each Accountant to prepare the annual accounts (either service charge, corporate or both) and to enable the Accountant to verify any of the balances on the trial balance. It also allows them to certify that Blenheims have maintained the individual Client accounts in accordance with relevant legislation and in accordance with the individual leases for the property.

The exact scope of the Accountant's work can be decided by each Client but as a minimum each Accountant must be satisfied that the provisions of the Landlord and Tenant Act 1985 have been complied with.