

# **Client Money Handling Process**

Within Property Management Accounts at Lambert Smith Hampton our internal controls and procedures have been implemented using the guidance provided by RICS Regulations. This document has been written to evidence what we do as a firm to conform to best practice in-line with the general advice for firms provided by RICS.

### **Client Bank Accounts**

We currently hold discrete client money accounts in the form of Virtual and live client bank accounts with varying national banks across the division. We do not operate any client accounts that hold both LSH and client monies.

If we are operating a discrete client account, the account is opened in the name of the relevant client. The name of the account will include the client name and reference to it being a client account managed by LSH. Where we operate a general client money account then the name of the account will include client account and reference to LSH.

Within our banking agreements the terms and operating conditions of each client account that is opened is documented. Clarification of the main operating conditions is communicated to the relevant party each time an account is opened.

Our general client money accounts are non-interest bearing accounts. Where appropriate written confirmation is obtained for all clients that do not operate a discrete client money account and all monies held in a discrete client money account accrues interest.

### **Client Accounting Systems and Controls**

Within each of the accounting centres across the division multiple systems are used to hold accounting and property management data. Each system has the relevant accounting structure to ensure that adherence to RICS regulations where client monies are being processed. The current systems that are in place can be identified as Tramps, Yardi and MRI Qube. If a client database is owned and hosted by one of our clients, we have no control over administration and access rights as this is determined by the client.

For each of the clients that are linked to a general client money account the account is reconciled on a daily basis to ensure that all funds are processed correctly and the correct running balance for each client is held and reported on to the relevant senior member of the accounting team.

Each client account manages differing accounting ledgers, these can be found on each property management accounting database. When monies are processed against a client account the transaction can be easily identified and attributed to the relevant ledger / client statement. Each accounting system operates accounting periods and these are used when processing income or processing payments. Any monies that are received and remain unallocated for a period of time, when allocated they can be processed on the system at the date that they were originally

received. Through completing the general client money account bank reconciliation regularly we ensure that all monies are processed promptly and chronologically.

Client balances can be reviewed at any point in time with immediate effect. All monies that are processed against a discrete client money accounts are available on the system immediately. When cheques are received they are subject to a clearance cycle on some of our property management databases.

When a new instruction is received then all the relevant client data is captured on the relevant property management accounting database to ensure all details are clearly identifiable.

Within the property management accounting systems adherence to RICS preventing client balances to go overdrawn is compulsory. On a daily basis a report is generated that lists any clients that have gone overdrawn on the property management accounting system. This is communicated accordingly and the relevant corrective action is taken to address the overdrawn client balance. There are adequate banking controls in place that prevent any physical client bank accounts going overdrawn as there are no overdraft facilities agreed on our discrete client money accounts (should we be operating an LPA Receiver account then the bank account terms and conditions could be different to that of our normal discrete client money accounts client bank account).

Should we receive funds that are not easily identified then we follow a communication process that ensures we contact all the relevant parties involved with client monies. We do not operate suspense accounts for the general client money accounts therefore all unidentified monies are captured on the daily bank reconciliations and are reviewed by the appropriate senior member.

All accounts that are opened and closed are listed on each of the property management accounting systems and are easily identified. A daily report is created that lists all current bank accounts and total balances that is held on record.

At each month end a three way reconciliation is completed for all the general client money accounts. These reconciliations comprise of the bank balance, the cashbook balance and the balances held for each property within the management accounting system.

Any issues that are highlighted during this process are documented, reviewed and communicated accordingly to ensure effective resolution.

### **Bank Reconciliations**

All general client money accounts are reconciled regularly. The reconciliation process followed agrees the current client money account balance to the cashbook balance on the relevant property management accounting system. Each reconciliation documents any monies that have been transacted at the bank that are not yet recorded on the property management accounting system, all transactions that are on the general client money account cashbook (processed on the property management accounting system) yet not processed by the bank. The reconciliation is supported by the relevant banking statements and system reports that detail the balance.

All discrete client money accounts are reconciled monthly on each property management accounting system. The reconciliation process followed agrees the current discrete client money accounts client account balance to the cashbook balance on the relevant property management accounting system. Each reconciliation documents any monies that have been transacted at the bank that are not yet recorded on the property management accounting system, all transactions that are on the cashbook (processed on the property management accounting system) yet not processed by the bank. The reconciliation is supported by the relevant banking statements and system reports that detail the balance.

All reconciliations that are completed are reviewed and authorised by the appropriate senior member. Should any unreconciled items be identified during any of the above reconciliation processes then they are recorded and reviewed promptly. Full records are held via email containing all requests for further information or additional information regarding any of these transactions. During the reconciliation process all historic items are reviewed to ensure that any un-presented cheques are stopped at the bank and cancelled on the property management accounting system within 6 months. All bank reconciliations are saved electronically and are held for a minimum of 6 years.

#### **Controls over the Receipt of Client Money**

All post received within the property management accounting centres is opened by either an administrator or a member of the accounting team.

All cheques received are logged within each accounting centre and daily statements are printed to identify all monies that have been received the prior working day. All funds that are received are recorded on the property management accounting system or on the bank reconciliation, therefore all cash received is reconciled. Should monies be received into any general client money accounts that represents firm monies then these are transferred immediately into an LSH firm account.

Any cheques that are received and are not banked on the appropriate day are held in a secure location within each of the accounting centres.

#### **Controls over the Payment of Client Money**

Prior to any payments being made against a client ledger our internal controls and system controls prevent any payments being made where there are not sufficient funds to cover the transaction. For each of our bank accounts we hold an appropriate mandate that lists all the authorised signatories that can either sign cheques or approve payments electronically through our internet banking providers. Every payment that is made through our client money accounts is subject to the relevant approval and supported by authorised paperwork.

All unused cheques are kept in a secure location within each of the accounting centres and a record is maintained of what cheques are used each time a payment is created.

Any new suppliers or changes to suppliers that are set up on the property management accounting system require authorised documentation with additional verification checks to be completed before the supplier can be set up. This process is completed at system level for our Tramps database and manually for our other databases.

### **General Accounting Procedures**

For all our accounting processes we adhere to specific procedures that ensure compliance with RICS regulations. These procedures continually evolve depending on client requirements and property management accounting systems used.

