



Terms of Reference

Guideline for Performance Audits and Reserve Fund Studies for Condominiums Subcommittee

(July 2, 2012)

OBJECTIVES

The Guideline for Performance Audits and Reserve Fund Studies for Condominiums Subcommittee is directed by the Professional Standards Committee (PSC) to provide input as subject matter experts for the preparation of a guideline to be used by professional engineers performing these audits and studies for condominium corporations.

BACKGROUND

The *Condominium Act* requires a condominium corporation to retain professional engineers, or others as described in O. Reg. 48/01, to carry out certain prescribed reviews of the property or portions of the property. There are three categories of these reviews:

1. Inspection of a building containing rental residential units that is being considered for conversion to a condominium building.
2. Performance audits of a recently designated condominium building
3. Periodic reserve fund studies of the common elements of a condominium property

According to the *Condominium Act* Item 2 must be carried out by professional engineers or architects. Items 1 and 3 must be carried out by professional engineers, architects or other qualified persons. The inspections and audits required by Items 1 and 2 are technical; that is, the practitioners are required to assess the condition of the material assets of the property. Though these audits and reviews cannot be considered activities that fall within the practice of professional engineering, practitioners must carry out this work in a professional manner consistent with their obligations under the *Professional Engineers Act*. It is PEO policy that the association's role in governing the actions and conduct of its members is not limited to the practice of professional engineering. Licensed professional engineers are expected to uphold the minimum applicable standards associated with any kind of work that will reflect on the profession.

The purpose of the performance audit is to find any deficiencies with respect to deficiencies or violations with respect to the provincial building and fire codes, material defects and workmanship in the common elements of the condo before the end of the one year time frame for submitting a warranty claim under the Ontario New Home Warranty Program. Similar audits for specific deficiencies may also be done at the end of the second year and seventh year.

The study in Item 3 is an assessment of the financial demands over the next thirty years required for the major repair and replacement of the common elements and assets of the corporation. A Reserve Fund Study assists the Condominium's Board of Directors in determining if the amount of money currently in the reserve fund and the amount of contributions collected for the reserve fund are adequate to provide for the expected costs.

The proposed guideline is intended to describe best practices for carrying out these various property reviews that are consistent with the ethical and professional obligations of the practitioner.

MANDATE (Specific Tasks)

This subcommittee is expected to provide information that will aid in preparing a practice guideline for professional engineers retained to provide these audit and review services. The guideline will provide information on how the reviewer should carry out these activities in a professional manner. Subtasks that the subcommittee should consider as useful to this process are:

- a) identify the appropriate scope of work for each type of service
- b) identify best practices for conducting performance audits
- c) identify best practices for conducting reserve fund studies
- d) identify and address questions about the nature of the studies such as:
 - should study consider compliance with municipal by-laws in addition to the provincial building code?
- e) identify the non-engineering skills, such as financial forecasting, that may be required in order to carry out this work
- f) recommend procedures for delegating portions of the work such as financial analysis to non-engineers where necessary
- g) identify best practices for collecting, documenting and retaining information including, but not limited to, written records, test data, material samples, photographs, video recordings
- h) identify ethical and legal obligations to designers of item under investigation
- i) provide recommendations for content and format of reports for each type of service including the development of standard forms if applicable.
- j) prepare practice guideline.

MEMBERSHIP

The subcommittee should be comprised of 4-6 professional engineers engaged in the practice of conducting performance audits and reserve fund studies of condominiums.

DELIVERABLES

The Subcommittee will provide the Professional Standards Committee with a draft Table of Contents for the guideline no later than November 2012. The Subcommittee will present the completed guideline to the Professional Standards Committee no later than December 31, 2013. The subcommittee will provide quarterly progress reports to PSC.

Meeting Schedule: At discretion of the Subcommittee members
Completion Date: December 31, 2013