

8.06 SERVICE CHARGE ACCOUNTS: AGREED UPON PROCEDURES

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as your accountants and advisors with regard to the review of the Service Charge accounts and to clarify our respective responsibilities in respect of that work.

We will communicate with the person named in [Key Facts](#) in relation to the service charge accounts having agreed with you that he/she will represent you/the company/the managing agent.

The lease requires the Landlord to issue to each Tenant/Leaseholder (Tenant) of the property named in [Key Facts](#) accounting information about the service charges of the tenant, any associated service charges, and relevant costs relating to those service charges, and sets out requirements for the content of that information and when it should be supplied and accompanied by an accountant's report on specified factual matters. This schedule sets out the basis on which we will issue the report and the respective responsibilities of ourselves (the Accountant) and the Landlord.

1 Your responsibilities as landlord

- 1.1 The Landlord is responsible for the provision of service charge accounts for each accounting period in accordance with the terms of the lease and generally accepted accounting practice.
- 1.2 The landlord shall make available to us all records, correspondence, information and explanations that we consider necessary to enable us to perform our work within the timescale of the legislation.
- 1.3 The Landlord accepts that our ability to perform our work effectively depends upon the Landlord providing full and free access to the financial and other records and the Landlord shall procure that any such records held by a third party are made available to us.

2 Our responsibilities as accountants

- 2.1 We will seek written confirmation from the Landlord or Managing Agent who has maintained accounting records on the Landlord's behalf that the service charge accounts have been prepared in accordance with the requirements of the lease and that all expenditure included in the accounts is a proper charge to the property and in accordance with the underlying lease(s).
- 2.2 We will perform procedures set out in guidance issued by the ICAEW. The list of procedures performed and details of sampling used in the course of the work will be provided upon request from the Landlord.
- 2.3 The work we undertake is not a statutory audit carried out under International Standards of Auditing (UK) in accordance with the requirements of the *Companies Act 2006*.
- 2.4 Whilst we will perform the agreed procedures with reasonable skills and care and will report any misstatement, frauds or errors that are revealed by enquiries within the scope of the engagement, our work should not be relied upon to disclose all misstatements, frauds or errors that might exist.
- 2.5 We accept that, whether or not the Landlord meets the applicable obligations under the lease, we remain under an obligation to perform the work with reasonable care. The failure of the Landlord to meet its obligations under the lease or provide such assistance as we require may cause us to be unable to provide a report in the agreed terms. In circumstances where we are unable to provide a report we may withdraw from the engagement.

- 2.6 We have a professional responsibility not to allow our name to be associated with financial information that we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial information is misleading, we will discuss the matter with the Landlord with a view to agreeing appropriate adjustments and/or disclosures in the financial information. In the circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial information is misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you and for time spent on any other work that is not completed as a result of our resignation.
- 2.7 As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

Form of the Accountant's report

- 2.8 Our report will be prepared on the following basis:
- (a) Our report will be prepared for the use of the Landlord for the purpose of issue to the Tenants in connection with the Landlord's obligation under the lease. The report will be addressed to the Landlord/Managing Agent and will be based on the example report attached to this schedule.
 - (b) We accept responsibility to the Landlord/Managing Agent for our final signed report only.

Landlord's financial statements

- 2.9 This engagement is separate from, and unrelated to, our audit work on the financial statements of the Landlord for the purposes of the *Companies Act 2006*.

Example Accountant's Report on service charge accounts, agreed upon procedures

Accountant's report of factual findings to the Landlord of *[insert name of property]*.

You have stated that an audit of the service charge accounts in accordance with International Standards on Auditing (UK) is not required under the terms of the lease for *[insert name of property]*. In accordance with our engagement letter dated.., we have performed the procedures agreed with you and enumerated below with respect to the service charge accounts set out on pages.....to..... in respect of *[insert name of property]* for the year ended in order to provide a report of factual findings about the service charge accounts that you have issued.

This report is made solely to the Landlord for issue with the service charge accounts in accordance with the terms of our engagement. Our work has been undertaken to enable us to make this report to the Landlord and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Landlord for our work or for this report.

Basis of report

Our work was carried out having regard to TECH 03/11 - *Residential Service Charge Accounts*, published jointly by the professional accountancy bodies, with ARMA and RICS. In summary, the procedures we carried out with respect to the service charge accounts were:

- (1) we obtained the service charge accounts and checked whether the figures contained in the accounts were extracted correctly from the accounting records maintained by or on behalf of the Landlord;
- (2) we checked, based on a sample, whether entries in the accounting records were supported by receipts, other documentation or evidence that we inspected; and
- (3) we checked whether the balance of service charge monies for this property shown on page xx of the service charge accounts agreed or reconciled to the bank statement(s) for the account(s) in which the funds are held.

Because the above procedures do not constitute an audit or a review made in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements, we do not express any assurance on the service charge accounts other than in making the factual statements set out below.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Report of factual findings:

- (a) With respect to item 1, we found the figures in the statement of account to have been extracted correctly from the accounting records [except as noted below].
- (b) With respect to item 2, we found that those entries in the accounting records that we checked were supported by receipts, other documentation or evidence that we inspected [except as noted below].
- (c) With respect to item 3, we found that the balance of service charge monies shown on page XX of the service charge accounts agrees or reconciles to the bank statement for the account(s) in which the funds are held.

[Detail any exceptions found in the course of work]

Signed (Name/Firm's name & qualification)

Date

Address

**Delete as appropriate*