

## FCA REGULATED ENTITY

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the Financial Conduct Authority (FCA) requirements and to clarify our respective responsibilities in respect of that work.

### 1 Your responsibilities

#### ***Regarding the audit of the financial statements***

- 1.1 You are required by SUP 3.6.1R of the FCA Handbook to cooperate with us as auditors. This includes taking steps to ensure that, where applicable, each of your appointed representatives and material outsourcers gives us the same right of access to records, information and explanations as you, the authorised firm (the *Financial Services and Markets Act 2000* (FSMA 2000), s. 341, and the FCA Handbook, sections SUP 3.6.2G to 3.6.8G). It is a criminal offence for an investment business or its officers, controllers or managers to provide false or misleading information to the auditor (FSMA 2000, s. 346 and the FCA Handbook, section SUP 3.6.9G).

#### ***Regarding the client assets***

- 1.2 Where the business does not hold client assets (see **Key Facts**), you are required to advise us if you do not hold client assets (whether or not you are authorised to do so).
- 1.3 Where the business holds client assets (see **Key Facts**), with regard to the client asset report, you are required where necessary to provide explanations in sufficient time to enable the four month reporting deadline to be met of:
- (a) the circumstances that gave rise to any breaches identified; and
  - (b) any remedial action undertaken or proposed to correct those breaches.
- 1.4 Our report is solely for use by the FCA. It is not intended for use by third parties such as your customers/clients, potential customers/clients or shareholders and the report should not be provided by you to anyone other than the FCA.
- 1.5 The primary responsibility for keeping the FCA informed about the affairs of the business rests with you.

### 2 Our responsibilities as auditors

#### ***Regarding the audit of the financial statements***

- 2.1 In addition to our responsibilities as stated in the Schedule for Limited Company – Audit, (Schedule **2.01**), as auditors under the FCA we are required to confirm that the financial statements have been prepared in accordance with the requirements of the FCA rules.
- 2.2 We shall report to the management any significant deficiencies in, or observations on, the company's systems that come to our attention of which we believe the directors should be made aware. Any such report may not be provided to any third party other than the FCA without our prior written consent.

#### ***Regarding the client assets***

- 2.3 Where we are reporting that the business does not hold client assets (see **Key Facts**), as stated above you are required to advise us if you do not hold client assets (whether or not you are authorised to do so). Where this is the case, we have to report in accordance with Financial Reporting Council (FRC) Assurance Standard *Providing assurance on client assets to the Financial Conduct Authority* (November 2019) as applied for a limited assurance engagement that:
- (a) the entity is not authorised to hold client money or client assets (if applicable);
  - (b) the partners/proprietors/members/directors have stated that the entity did not hold client money or other assets during the year; and

- (c) nothing has come to our attention that causes us to believe that you did in fact hold client money or client assets during the period covered by the report (FCA Handbook, section SUP 3.10.4R (2)).
- 2.4 Where the business does hold client assets (see **Key Facts**), we are required, in compliance with the FCA Handbook section SUP 3.10.4R, to report to the FCA in accordance with the FRC Assurance Standard (November 2019) as applied for a reasonable assurance engagement, any breaches of the client money regulations which have come to our attention during the period.
- (a) Our responsibility is to express an opinion on the client assets report as to whether:
- (i) the entity has maintained adequate systems to enable it to comply with FCA rules throughout the period;
  - (ii) the entity was in compliance with the FCA rules at the reporting date;
  - (iii) where relevant, when a subsidiary of the entity has been a nominee company during the period, that the subsidiary's systems for the custody, identification and control of custody assets throughout the period were adequate and included reconciliations at appropriate intervals; and
  - (iv) if there has been a secondary pooling event during the period due to the failure of another entity, the entity has complied with the relevant FCA rules (client money distribution) in relation to that pooling event.
- (b) Where necessary we will annotate our report with explanations provided by you of:
- (i) the circumstances that gave rise to any breaches identified; and
  - (ii) any remedial action undertaken or proposed to correct those breaches.
- We are also required to comment on those matters where the applicable requirements have not been met.
- 2.5 We are required, in compliance with the FRC Assurance Standard, to communicate to management and those charged with governance on a timely basis, deficiencies in internal control arising from the audit that, in our professional judgement, are of sufficient importance to merit management's attention. In reporting to management and those charged with governance, we will report those issues which, in our professional judgement, pose the most significant risk of non-compliance with the CASS rules, and which require the most urgent resolution.
- 2.6 We have a duty under the FCA rules to report to you any significant deficiencies in, or observations on, the entity's systems that come to our attention of which we believe the directors should be made aware. If we have no such comments to make, we have a duty under the FCA rules to provide you with a statement to that effect. Any such report may not be provided to any third party other than the FCA without our prior written consent. Such consent will only be granted on the basis that such reports are not prepared with the interests of any party other than the members in mind and that we therefore neither have nor accept any duty or responsibility to any other party as concerns the reports.
- 2.7 Our report must be submitted to the FCA in the form prescribed by the FCA Handbook, section SUP 3 Annex 1, and be signed by the Senior Statutory Auditor in their own name on behalf of the firm.
- 2.8 We are required to submit our report within four months of the end of the period. Should we have not received your comments to our client asset report by the due date, we are required to submit our report by the due date, together with an explanation for its absence. Whilst the report will be submitted to you it will be addressed to the FCA in its capacity as a regulator under the FSMA 2000. Under the FCA Handbook, section SUP 3.10.8R we are required to notify the FCA if this timetable will not be achieved.
- 2.9 In accordance with the FCA Handbook, section SUP 3.10.8AR, the FCA may, within six years of the end of the period covered by the report, request that we deliver a copy of our report to them.

- 2.10 In connection with the duties above, we have a duty to carry out such investigations as we consider necessary to form an opinion on the above matters. In order to meet these requirements, we will undertake whatever tests and examinations of your records we consider necessary. In planning, executing and completing our work we will follow the FRC Assurance Standard.
- 2.11 As noted above, the primary responsibility for keeping the FCA informed about the affairs of the business rests with you. However, under *The Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001* (SI 2001/2587), we have both a right and a duty to report on any circumstances in which we have reasonable cause to believe that the matter is likely to be of material significance for determining whether:
- (a) a person is a fit and proper person to carry on investment business; or
  - (b) disciplinary action should be taken, or powers of intervention exercised, in order to protect investors from significant risk of loss; or
  - (c) any other circumstances which would be relevant to the functions of the Secretary of State.

Such reports must be made in writing directly to the FCA without your knowledge or consent. However, we envisage that the need to make such a report will only arise in extremely rare circumstances where we consider that the interests of depositors/policyholders/investors require such a report.

By virtue of *The Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001*, our duty of confidentiality is not contravened by reason of such communication in good faith.

- 2.12 We have a duty to provide further information or verification if requested to do so by the FCA and to assist and co-operate with any other auditor appointed under the FCA's rules by the FCA or by the member at the direction of the FCA.
- 2.13 If, to our knowledge, we become disqualified or ineligible to act as auditors of the entity in accordance with the FCA's rules, we shall forthwith resign office and notify you and the FCA in writing that we have vacated by reason of disqualification or ineligibility.
- 2.14 If we resign or are removed from office or are not reappointed at the end of our term of office, we shall prepare a statement to the effect that there are no circumstances connected with our ceasing to hold office which we consider should be brought to the FCA's attention, or a statement specifying all such circumstances.

## ESTATE AGENTS

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the *Estate Agents (Accounts) Regulations 1981* (SI 1981/1520) and, if applicable (see **Key Facts**), the Propertymark Conduct and Membership Rules, and to clarify our respective responsibilities in respect of that work.

### 1 Your responsibilities

#### ***Estate Agents (Accounts) Regulations 1981***

- 1.1 You are responsible for keeping the accounting records required by the *Estate Agents Act 1979* and the *Estate Agents (Accounts) Regulations 1981* and for ensuring that all transactions in clients' money are in accordance with that legislation.
- 1.2 You are responsible for preparing accounts under the *Estate Agents (Accounts) Regulations 1981*, Regulation 6, in respect of consecutive accounting periods. These must be audited within six months of the end of the accounting period. The latest audit report must be produced on demand to a duly authorised officer of an enforcement authority.

#### ***Landlord and Tenant Act 1985***

- 1.3 Under the *Landlord and Tenant Act 1985*, s. 21(5), the landlord is responsible for preparing schedules of relevant costs in relation to service charges if requested to do so by a tenant or secretary of a recognised tenants' association.

#### ***Propertymark Conduct and Membership Rules – Accounting Rule***

- 1.4 You are responsible for keeping the accounting records required by the Propertymark Accounting Rule 1 and for ensuring that all transactions in clients' money are in accordance with that Rule.

### 2 Our responsibilities as auditors

#### ***Estate Agents (Accounts) Regulations 1981***

- 2.1 We are required, in compliance with the *Estate Agents (Accounts) Regulations 1981*, to report to you whether, in our opinion, you have complied with the requirements of the *Estate Agents Act 1979* as to the manner in which clients' money is to be kept and whether you have complied, or substantially complied, with the *Estate Agents (Accounts) Regulations 1981*.
- 2.2 We will report that the above regulations have been substantially complied with if, in our opinion, they have been complied with except for certain trivial breaches due to clerical errors or mistakes in book-keeping, all of which were rectified on discovery and none of which, in our opinion, resulted in any loss to any person entitled to the clients' money.
- 2.3 In order to meet these requirements, we will undertake whatever tests and examinations of your records we consider necessary. *The Estate Agents (Accounts) Regulations 1981* require us to carry out the following work:
  - (a) ascertain from you details of all bank and building society accounts operated by you in the course of estate agency work at any time during the accounting period to which the report relates, and
  - (b) examine the accounts and records to enable us to verify whether they comply with the requirements of the *Estate Agents (Accounts) Regulations 1981*, Regulation 6.
- 2.4 As part of our tests, we are entitled to ask for such further information and explanations as we consider necessary. We are not obliged to extend our enquiries beyond the information contained in the relevant documents produced to us, supplemented by such information and explanations as we may obtain from you. We have no duty to consider whether the accounts and records have been properly kept at any time other than the time at which our examination of those accounts and records takes place.
- 2.5 We shall report to you any significant weaknesses in, or observations on, the firm's systems for dealing with client money which come to our attention of which we consider you should be made aware. Any such report may not be provided to third parties without our prior written

consent. Such consent would be granted only on the basis that such reports are not prepared with the interests of anyone other than the firm in mind and that we accept no duty or responsibility to any other party as concerns the report.

***Landlord and Tenant Act 1985***

- 2.6 We will examine those schedules prepared by you as agent for the landlord in respect of the property stated in **Key Facts**. It is our responsibility to form an opinion as to whether these schedules are a fair summary complying with the requirements of the *Landlord and Tenant Act 1985*, s. 21(5), and are sufficiently supported by the accounts, receipts and other documents produced to us.

***Propertymark Conduct and Membership Rules – Accounting Rule***

- 2.7 We are required to form an opinion as to whether the records and controls have been suitably maintained by the Member's Firm's management, having regard to the size of the Member Firm and its scale of operations, during the period examined in accordance with the provisions and limits of the Propertymark Accounting Rule 1.
- 2.8 We will report to you in the format required by Schedule 1 of the Propertymark Accounting Rule 1.
- 2.9 In order to meet these requirements, we will undertake whatever tests and examinations of your records we consider necessary. In particular, we will carry out the work specified in Schedule 1 of the Propertymark Accounting Rule 1.
- 2.10 As part of our testing, we are entitled to ask for such further information and explanations as we consider necessary. We are not obliged to extend our enquiries beyond the information contained in the relevant documents produced to us, supplemented by such information and explanations as we may obtain from you. We have no duty to consider whether the accounts and records have been properly kept at any time other than the time at which our examination of those accounts and records takes place.
- 2.11 We shall report to you any significant weaknesses in, or observations on, the firm's systems for dealing with client money which come to our attention of which we consider you should be made aware. Any such report may not be provided to third parties without our prior written consent. Such consent would be granted only on the basis that such reports are not prepared with the interests of anyone other than the firm in mind and that we accept no duty or responsibility to any other party as concerns the report.

## SOLICITORS – REPORTS UNDER THE SRA ACCOUNTS RULES 2019

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 reporting accountants and advisors with regard to reports under the Solicitors Regulation Authority (SRA) Accounts Rules 2019 and to clarify our respective responsibilities in respect of that work.

### 1 Your responsibilities

- 1.1 You have determined that you are required to obtain an accountant's report under rule 12.1 of the SRA Accounts Rules 2019.
- 1.2 You are responsible for keeping the accounting records required by the SRA Accounts Rules 2019 and for ensuring that all transactions in client money or trust money are in accordance with those rules.
- 1.3 You have a duty to provide documentation to us, as required to enable us to complete our accountant's report.
- 1.4 You are responsible for submitting the report to the SRA if required by rule 12.1(b) within six months of the end of the accounting period to which the report relates.
- 1.5 To the extent necessary to enable us to comply with paragraph 2.6 below, you waive your/the firm's/the company's/the limited liability partnership's right of confidentiality. This waiver extends to any report made, document produced or information disclosed to the SRA in good faith pursuant to these instructions, even though it may subsequently transpire that we were mistaken in our belief that there was cause for concern.

### 2 Our responsibilities as reporting accountants

- 2.1 We are required, in compliance with the *Solicitors Act* 1974, s. 34, and Part 4 of the SRA Accounts Rules 2019 to provide you with that accountant's report. We will send a copy of the report to the COFA on behalf of all individuals covered by the report.
- 2.2 Such a report will be qualified by us where, in our judgment, the relevant SRA accounts rules have not been complied with such that the safety of client money is at risk. The form of our report is as required by Rule 12.9 and we will follow the guidance set out in the SRA's 'Planning for and completing an accountant's report.'
- 2.3 In order to meet the reporting requirements, we will undertake whatever work is necessary, in our professional judgment, in deciding whether a report needs to be qualified. We will have regard to the SRA's 'Planning for and completing an accountant's report' in considering the nature and extent of work required. Factors considered in deciding on the work required may include the size and complexity of the firm, the nature of the work undertaken, the number of transactions and amount of client funds held.
- 2.4 We will comment in our report on any material breaches of the Accounts Rules required to be considered as part of the report and/or significant weaknesses in the firm's systems and controls for compliance with the Accounts Rules, as listed above, which we find during the course of our work. Where such breaches or weaknesses exist our report will be qualified.
- 2.5 We do not undertake to discover any shortcomings in your systems or any irregularities on the part of your employees, beyond the work required under the SRA Accounts Rules 2019. However, we will advise you of any such shortcomings that we may discover during our work.
- 2.6 We have a statutory duty as set out in section 34 of the *Solicitors Act* 1974 and section 5, schedule 2 of the *Administration of Justice Act* 1985, to immediately report to the SRA:
  - any evidence of theft or fraud in relation to money held by a solicitor or a law firm for a client or any other person or in a client account or an account operated by the solicitor; or
  - if we have concerns about whether a solicitor or a law firm is fit and proper to hold money for clients or third parties or operate any such accounts.

We may make that report without prior reference to you/your firm/your company/your limited liability partnership.

- 2.7 If we discover a failure by you to submit a qualified accountant's report to the SRA as required by these rules, we must give a report of the matter to the SRA.
- 2.8 We are to report directly to the SRA should our appointment be terminated following the issue of, or indication of intention to issue, a qualified accountant's report, or following the raising of concerns prior to the preparation of an accountant's report.
- 2.9 We are to deliver to you/your firm/your company/your limited liability partnership our report which you should also retain for at least six years from the date of its signature and to produce the copy to the SRA on request.
- 2.10 We are to retain these terms of engagement for at least six years after termination of the retainer and to produce them to the SRA on request and following any direct report made to the SRA, to provide to the SRA on request any further relevant information in our possession or in the possession of our firm.

## INSURANCE BROKER/INTERMEDIARY – REPORTS UNDER CASS 5

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 reporting to the Insurance Intermediary under the rules as set out in the CASS 5 section of the Financial Conduct Authority (FCA) Handbook and in accordance with FRC Assurance Standard *Providing assurance on client assets to the Financial Conduct Authority* (November 2019), and to clarify our respective responsibilities in respect of that work.

Auditing Standards require us to appoint an engagement partner who shall take overall responsibility for the planning and conduct of the audit, and for the report that is issued on behalf of the firm. We have assessed the professional requirements of this assignment and have nominated the person stated in **Key Facts** as the CASS Auditor.

### 1 Your responsibilities

- 1.1 It is your responsibility to determine whether the firm is exempt from the requirements to appoint an auditor for the purposes of compliance with CASS and therefore whether a client money audit is required.
- 1.2 Our report is made solely for use by the FCA. It is not intended for use by third parties such as your clients/customers, potential clients/customers or shareholders and the report should not be provided by you to anyone other than the FCA.
- 1.3 The primary responsibility for keeping the FCA informed about the affairs of the business rests with you.

### 2 Our responsibilities as auditors

- 2.1 We are required, in compliance with the FCA Handbook, section SUP 3.10.4R, to report to you in accordance with the FRC Assurance Standard and the FCA's rules on the firm's compliance with the CASS 5 rules, including details of any breaches of the client money regulations which have come to our attention during the period.
  - (a) Our responsibility is to express an opinion on the client assets report as to whether:
    - (i) the entity has maintained adequate systems to enable it to comply with the client money rules throughout the period;
    - (ii) the entity was in compliance with the client money rules at the reporting date; and
    - (iii) if there has been a secondary pooling event during the period due to the failure of another entity, the entity has complied with the relevant FCA rules (client money distribution) in relation to that pooling event.
  - (b) Where necessary we will annotate our report with explanations provided by you of:
    - (i) the circumstances that gave rise to any breaches identified; and
    - (ii) any remedial action undertaken or proposed to correct those breaches.

We are also required to comment on those matters where the applicable requirements have not been met.

- 2.2 The FCA Handbook, section CASS 5.4.4R(2) requires auditors to provide written confirmation on the adequacy of the systems and controls to monitor and manage your client money transactions and any credit risk arising from the operation of Non Statutory Trusts. If this is required, we will provide you with separate written confirmation.
- 2.3 The period covered by the report must end not more than 53 weeks after the period covered by the previous report on such matters, or, in the case of the first such report, 53 weeks after that firm's date of authorisation.
- 2.4 Our report will be drawn up in the form prescribed by the FCA Handbook, section SUP 3 Annex 1, and be signed by the CASS Auditor in their own name on behalf of the audit firm.

- 2.5 We are required to submit our report to you within four months of the end of the period covered by the report. Should we have not received your comments to our client asset report by the due date, we are required to submit our report by the due date, together with an explanation for its absence. Whilst the report will be submitted to you it will be addressed to the FCA in its capacity as a regulator under the *Financial Services and Markets Act 2000*. Under the FCA Handbook, section SUP 3.10.8R we are required to notify the FCA if this timetable will not be achieved.
- 2.6 We are required to report any breaches of the rules.
- 2.7 In accordance with the FCA Handbook, section SUP 3.10.8AR, the FCA may, within six years of the end of the period covered by the report, request that we deliver a copy of our report to them.
- 2.8 In connection with the duties above, we have a duty to carry out such investigations as we consider necessary to form an opinion on the above matters. In order to meet these requirements, we will undertake whatever tests and examinations of your records we consider necessary. In planning, executing and completing our work we will follow the FRC Assurance Standard.
- 2.9 We are required, in compliance with the FRC Assurance Standard, to communicate to management and those charged with governance on a timely basis, deficiencies in internal control arising from the audit that, in our professional judgement, are of sufficient importance to merit management's attention. In reporting to management and those charged with governance, we will report those issues which, in our professional judgement, pose the most significant risk of non-compliance with the CASS rules, and which require the most urgent resolution. This does not extend to reporting deficiencies where, in our professional judgement, the matter has been adequately addressed by the wording of a reported breach and the management response on that breach.
- 2.10 As mentioned above, the primary responsibility for keeping the FCA informed about the affairs of the business rests with you. Under the *Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001* (SI 2001/2587), we have both a right and duty to report on any circumstances in which we have reasonable cause to believe that the matter is likely to be of material significance for determining whether:
- (a) a person is a fit and proper person to carry on investment business; or
  - (b) disciplinary action should be taken, or powers of intervention exercised, in order to protect investors from significant risk or loss; or
  - (c) any other circumstances which would be relevant to the functions of the Secretary of State.

Such reports must be made in writing directly to the FCA without your knowledge or consent. However, we envisage that the need to make such a report will only arise in extremely rare circumstances where we consider that the interests of the depositors/policyholders/investors require such a report.

By virtue of the *Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001*, our duty of confidentiality is not contravened by reason of such communication in good faith.

- 2.11 We have a duty to provide further information if requested to do so by the FCA and to assist and co-operate with any other auditor appointed under the FCA's rules by the FCA or by the member at the direction of the FCA.
- 2.12 If, to our knowledge, we become disqualified or ineligible to act as auditors of the entity in accordance with the FCA's rules, we shall forthwith resign office and notify you and the FCA in writing that we have vacated on the grounds of ineligibility.
- 2.13 If we resign or are removed from office or are not re-appointed at the end of our term of office, we shall prepare a statement to the effect that there are no circumstances connected with our ceasing to hold office which we consider should be brought to the FCA's attention, or a specific statement specifying all such circumstances.

## 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*

## SERVICE CHARGE ACCOUNTS – SECTION 21 REPORT

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 tenants have exercised their rights under the *Landlord and Tenant Act 1985* (LTA 1985), s. 21. For the property named in **Key Facts** the Landlord must provide a summary of service charge costs under LTA 1985, s. 21 which carries an accountant's report provided in accordance with that legislation. 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 LTA 1985, s. 21, and in guidance issues by the Institute of Chartered Accountants in England and Wales. 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) Our report will state based on our work performed whether the summary of costs prepared by the Landlord/Managing Agent is a fair summary and whether it complies with the requirements of LTA 1985, s. 21 subs. 5, and whether it is sufficiently supported by accounts, receipts and other documents.
  - (c) 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, section 21 Accountant's Report

### Independent Accountant's Report to the Landlord/Managing Agent of *[insert name of property]*.

In accordance with our engagement letter dated ....., we have examined the service charge statement of account set out on pages ..... to ..... in respect of *[insert name of property]* for the year ended ..... together with the books and records maintained by *[Landlord/Managing Agent]* in so far as they relate to *[insert name of property]*.

This report is made solely to the Landlord for issue with the service charge statement in accordance with section 21 of the *Landlord and Tenant Act 1985*. Our work has been undertaken to enable us to make this report to the Landlord [and tenants as a body] 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.

Under the terms of this engagement, we were not required to, and did not, form any opinion as to either the reasonableness of the costs included within the service charge statement or the standard of the services or works provided.

#### ***Respective responsibilities of the Landlord and Independent Accountant***

Under the *Landlord and Tenant Act 1985*, the Landlord is responsible for the preparation of this service charge statement in respect of the costs in respect of *[insert name of property]*. [The Managing Agent has undertaken responsibility for the preparation of the service charge statement on behalf of the Landlord.] It is our responsibility to form an independent opinion, based on our examination, on the service charge statement and to report our opinion [exclusively] to the Landlord [and Tenants]/Managing Agent.

#### ***Basis of opinion***

We planned and performed our examination so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the service charge statement is a fair summary of the costs relating to *[insert name of property]* and is sufficiently supported by accounts, receipts and other documents which have been made available to us. In view of the purpose for which this service charge statement has been prepared, however, we did not evaluate the overall adequacy of the presentation of the information which would have been required if we were to express an audit opinion under the International Standards on Auditing (UK) issued by the Financial Reporting Council.

The procedures did not constitute an audit in accordance with the International Standards on Auditing (UK) and were not designed to provide any assurance regarding whether the amounts charged are a reasonable amount for the services, or whether those services were provided effectively.

#### **Opinion**

In our opinion:

- (a) The service charge statement is a fair summary complying with the requirements of section 21(5) of the *Landlord and Tenant Act* 1985.
- (b) The summary is sufficiently supported by accounts, receipts and other documents which have been produced to us.

Signed (statutory auditor)

*Date*

*Address*

*\*Delete as appropriate*