There are just five letters in the word “audit”, but they regularly give rise to debate about what is required where a lease provides that the service charge accounts will be audited.

The RICS Service Charge Residential Management Code (3rd ed.) has, erm, next to nothing on the matter. Unsurprisingly, there is rather more in TECH 03/11, the ICAEW’s guidance on accounting and reporting on residential service charges.

The RICS Professional Statement on Service Charges in Commercial Property (1st ed.) has a useful section (§4.5.3.4) that is well worth a read. It defines an audit as “an independent external review process that adds to the credibility of an entity’s disclosures… it will also add credibility to the service charge accounts”.

TECH 03/11, at §3.1, records that the first Auditing Standards & Guidelines were published in April 1980. The RICS Professional Statement (§4.5.3.4), advises that “where a lease made after 1980 specifically refers to an ‘audit’, this should be carried out in accordance with ISA800(UK) … by a registered auditor”, but that “leases that refer to audit and were made before 1980 may not have anticipated the work required by a modern auditing framework”.

LAW & LEASE