

Mr Jim Vessey  
Case Manager  
Professional Conduct Directorate  
Institute of Chartered Accountants in England & Wales  
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Milton Keynes MK9 2AF

Ms N K-Dit-Rawé  
3 Jefferson House  
11, Basil Street  
London SW3 1AX

**(By Recorded Delivery)**

Your ref: I69236/JV/hg/INV01

7 March 2006

Dear Mr Vessey

**Re-statement by Pridie Brewster, 29-39 London Road, Twickenham Middx TW1 3SZ,  
of year-end accounts for Jefferson House**

In your correspondence of 2 November 2005 you stated that as you had not received a reply from me to your letter of 6 September 2005 and chasing letter of 22 September 2005, you had "*closed the investigation*".

I have now discussed your correspondence with Mr Nigel Wilkins, Chairman, Campaign for the Abolition of Residential Leasehold (C.A.R.L.), who tells me that he has exposed the failure of a number of your members to deal with service charge accounts in a professional manner.

Furthermore, he has confirmed my opinion that, contrary to your statement, your Office does not conduct "*investigations*", never venturing beyond the content of complaints raised and that your focus is on representing the interests of your members.

In my 19 July 2005 correspondence to your Office, I stated:

➔ **Key issue: the 2003 accounts do not reflect the 17 June 2003 LVT determination.**

I explained that I had copied Mr Roger Clement on my 30 March 2005 letter to Martin Russell Jones. It had led Mr Clement to send me a letter dated 15 April 2005, in which he stated: "*...we were not made aware of the Leasehold Valuation Tribunal determination of 17 June 2003 at the time that we were preparing our certificate*". He then stated that he had "*requested a copy of the determination*".

I replied to his letter on 17 April 2005, taking the opportunity to supply him with a comprehensive pack of enclosures. I also sent him another letter on 9 May 2005 (highlighting the fact that I had obtained a consent order from Steel Services exempting me from the Leasehold Valuation Tribunal related costs).

By 19 July 2005 when I wrote the letter to your Office, **three months** had gone by and I had not received any communication from Mr Clement since his 15 April 2005 letter.

I have received from Martin Russell Jones a document described as "*Steel Services Limited, Jefferson House, 11 Basil Street, London SW3 1AX – Service Charges for the year ended 31 December 2004*". I note that (among others) there has not been any adjustment to reflect the Leasehold Valuation Tribunal determination of 17 June 2003. (Judging by the opening balance, quite clearly, the 2003 accounts have not been restated).

In the 2003 accounts the full wording of the opinion signed by Pridie Brewster reads:

*"Subject to the above, it is our opinion that the attached schedule of costs, expenses and outgoings is sufficiently supported by receipts and other documents and represents a fair summary of the said costs, expenses and outgoings"*

*and, when read in conjunction with the annexed summaries, shows how they are reflected in the service charge demands and specifies the amount payable by each lessee."*

The demand based on your member's accounts is in breach of covenant under the terms of my lease.

Clause 2(f) *"the accountant shall prepare a written statement (hereinafter called the "accountant's certificate..."*

*"...in the accountant's certificate the accountant shall certify..."*

*"(i) that in his opinion the said summary represents a fair summary of the said costs and outgoings..."*

*"(ii) that in his opinion the said summary is sufficiently supported by accounts receipts and other documents..."*

In your 4 August 2005 reply, you stated:

*"I do not see anywhere in the accountant's report an opinion provided that the costs have been checked for reasonableness or completeness or that an audit has been performed to ensure that they have been provided all the information"*

The *"Fourth Schedule"* of my lease states:

*"Lessor's expenses...of which the lessee is to pay proportionate part by way of service charge...Clause 8. "All fees and costs incurred in respect of the accountant's certificate and of accounts kept **and audits made for the purpose thereof**"*

You continued in your reply:

*"Unless you have evidence to the contrary it would appear that the managing agent has failed to inform Pridie Brewster..."*

I draw your attention to the fact that Mr Clement wrote in his 15 April 2005 letter that he had **"requested a copy of this determination and this was provided to me yesterday."** He also stated

*"I will be unable to consider all the matters raised by you in relation to the determination and to **the provisions of your lease** in time to provide a full reply before the deadline referred to in page 3 of your letter.*

*"I will, however, respond in detail when I have had the opportunity to review the issues raised"*

You continued in your 4 August 2005 reply:

*"...and as no audit (as referred to in the Companies Act 1985 and 1989) has been conducted to ascertain whether any information was not made available to them, then I am of the belief that the Investigation Committee would not consider that Pridie Brewster's actions warrant disciplinary action*

*You believe that the 2003 accounts need to be re-stated. They do not appear to be statutory accounts (although I stand to be corrected) and hence I am unsure as to what legislation you are referring to that would require a restatement and reissuing of the 2003 accounts...Again, this is an issue for the managing agents to instruct Pridie Brewster accordingly"*

In relation to Clause 2(f) of my lease

*"the accountant shall prepare a written statement (hereinafter called the "accountant's certificate..."*

*"...in the accountant's certificate the accountant shall certify..."*

I draw your attention to the reply from the **Association of Chartered Certified Accountants** to the consultation paper issued by the government on the *"Commonhold and Leasehold Reform Act 2002"*:

*"The accountant's report is referred to in primary legislation as a 'certificate'....certification is only appropriate to a matter capable of determination with certainty".*

➔ **Certification implies certainty**

I also draw your attention to the article in **Audit News, October 1998:**

*"The lease will specify those costs which are, or perhaps are not, recoverable as part of any service charges, and the way in which allowable costs are to be accounted for to the tenants ..."*

*"Do you have copies of the relevant leases (which may be different for each tenant)?"*

*"Have you understood the lease requirements and discussed them with the landlord/agent?"*

*"What level of comfort are you expected to give in your report?"*

*"Are these matters clearly set out in your engagement letter?"*

➔ **What evidence can Pridie Brewster provide that it has complied with this guidance?**

In his 15 April 2005 reply, Mr Clement wrote that he would *"consider...matters raised by you in relation...to the provisions of your lease..."*

Pridie Brewster has decreed, not just that the costs, etc, were sufficiently supported, but also that these accounts specified the amounts payable by each lessee. (Clause 2(2)(f) of my lease states: *"...and specifying the amount of the service charge payable by the lessee...and in the accountant's certificate, shall certify... that the sum specified as aforesaid represents the amount of the service charge payable by the lessee..."*).

However, the Leasehold Valuation Tribunal's view (copy of its 17 June 2003 determination already supplied to your member) was that a much smaller sum was actually payable by each lessee.

**Who should I believe - an accountant appointed by, and who owes a duty of care to the landlord, or an independent tribunal, which is part of the English legal system?**

In this context, I bring to your attention the following correspondence from Mr Tim Watson, FCA, formerly Case Manager in your Office, who stated in his 12 January 1999 letter (attached <sup>1</sup>) to Mr Nigel Wilkins:

*"... in the event that a Court (or a relevant tribunal) decided that expenditure was not sufficiently supported, and an Institute member firm had reported otherwise, that **would give rise to disciplinary considerations.**"*

This is that very situation with the Jefferson House accounts.

The issues do not involve the question of reasonableness of the charges, but of lack of supporting evidence, duplication, and failure to utilise an existing reserve fund that had already been collected.

I will, now for the third time, quote from the 17 June 2003 judgment of the tribunal (ref LVT/SC/007/120/02)

Point 46 - *"The tribunal was frustrated by the lack of detail in the specification. Works were not clearly identified, were not measured where they clearly could have been, and there was some element of duplication.*

Point 44 – *"The reports provided to the tribunal were a "wish list" for refurbishment of the subject property"*

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<sup>1</sup> 12 January 1999 letter from Mr Tim Watson, Case Manager, ICAEW, to Mr Nigel Wilkins  
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Point 44 – *“The tribunal would normally expect alternative proposals to be costed.”*

This is conclusive evidence that the expenses were not supported by anything other than a desire to appease the client.

The service charge demands were based on a ***"wish list"*** and ***"duplication"***, according to an independent tribunal – which is part of the English legal system.

Therefore → **the costs were not *"sufficiently supported"***.

Perhaps you would now like to deal with my complaint in a professional manner.

Yours sincerely

N K-Dit-Rawé

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