

The Property Institute



# Guide to Compliance Reviews

5<sup>th</sup> Edition



# The Property Institute: Guide to Compliance reviews

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3rd Floor, 2–4 St George's Road,  
Wimbledon, London SW19 4DP

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# The Property Institute Compliance Review

## Overall aim of The Property Institute compliance review

The Property Institute (TPI) Company Members undergo a compliance review within a three-year cycle. The overall aim of the compliance review is to provide an assurance to TPI, its members, clients and leaseholders that accredited members of TPI are complying with the TPI Consumer Charter and Standards. The process will also help to raise standards across the managing agent sector and protect the public. By being open to scrutiny in this way TPI members are distinguishing themselves from competitors through a commitment to delivering high quality work for consumers.

## Company Member requirements on compliance review

Under the requirements of TPI bye-law 4.2 Company Members are required to periodically undergo a compliance review in accordance guidance entitled TPI: Guide to Compliance Reviews. A Company Member will bear the cost of its compliance review.

Failure to undertake the compliance review or compliance with regards to the findings report will then be referred to The Property Institute (TPI) Independent Adjudication Service administered by Centre for Effective Dispute Resolution ("CEDR"). The Scheme provides an informal and independent way of adjudicating complaints made against Company Members of TPI. Details of the Scheme are available on request.

## Compliance review team resource

From October 2022 the compliance review has been carried out by our own in-house team of compliance reviewers. The team transferred from the Royal Institution of Chartered Surveyors (RICS) and therefore the integrity and experience were retained.

The team consists of individuals with backgrounds in compliance reviews, property management, and in dealing with client's money.

## Overview of the compliance review approach

The compliance review tests the Company Member against TPI Standards by reviewing their processes and procedures, making enquiries with staff and sample testing of evidence. Any area of TPI Standards could be covered by a compliance review.

### 1. Logistics prior to compliance review

One third of TPI Company members are reviewed in any one year. Therefore, all Company Members will have been reviewed within any three-year cycle.

All TPI Company Members must have processes and procedures in place that comply with the TPI Consumer Charter and Standards to gain accreditation. The compliance reviews are very much there to help you comply with the Standards and understand areas where improvement may be needed. TPI should be notified in the annual membership renewal of any change to procedures and processes as a result of a compliance review or as instigated by the Company Member.

TPI Company Members will be notified of an intended compliance review in the year before it takes place. This initial notification will be from TPI and will also set out the quarter in which the compliance review is likely to take place.

Desk-based reviews will be carried out on all Company Members. However, should the Company Member be unable to provide the documentation required and comply with the requirements this may result in an on-site visit being required. Desk based reviews have proven to reduce the cost of expenses incurred by the compliance review team which were recharged to members and could be significant.

All Company Members will be invited to submit a list of all clients (properties) under management along with some additional information to the compliance review team by a specified date, who will then select those clients to be subject to the compliance review. Should Company Members not provide their client list by the date specified an on-site visit may be required.

The compliance review team will endeavor to contact you two months before the compliance review is due to take place to finalise arrangements; agree the date of the compliance review, give details of the general approach, to include a questionnaire and provide a list of information the compliance review team will need in time for the compliance review. This notification will also include a link to a webinar titled "Guide to Compliance Review" for you to watch prior to the review. Our aim is to make the compliance review as efficient as possible for both you and the compliance review team.

## **2. Desk based review process**

The compliance review team will select the required number of clients to be used as the compliance review sample from the client list provided by the Company Member. The Company Member will then be informed of the selected clients, provided with the checklists, questionnaire, and informed of the estimated timescales.

The Company Member will then be asked to upload the requested documents onto a secure data room to enable the compliance review team to complete the desk-based review. Once the desk-based review has been completed, the compliance review team will arrange a closing meeting telephone or video call with the member to discuss any issues found, and recommendations to remedy them.

## **3. On-site visit process (if required)**

The compliance review team will select the required number of clients to be used as the compliance review sample from the client list provided by the Company Member. The Company Member will then be informed of the selected clients, provided with the checklists, compliance review, questionnaire and agree a date for the on-site visit to take place.

The Company Member will then be asked to prepare any requested documents for the compliance review team to review when attending the members premises on the agreed date. Once the on-site review has been completed, the compliance review team will carry out a closing meeting with the member to discuss any issues found, and recommendations to remedy them.

## **4. General feedback from the reviews**

Shortly after the closing telephone or video call or meeting, the Company Member will receive from the compliance review team, their findings report along with a covering letter, which will identify any specific issues and recommendations that are relevant to them.

To help firms improve, TPI will issue all members with a general summary of themes of the most common risk areas on an annual basis. This is to ensure that all members know what they need to focus on to comply with the TPI Consumer Charter & Standards, and to provide a higher quality service to consumers.

## Compliance review sample

Depending on the size of your company, the compliance review team will ask you to provide the requested documents for one or more clients in your portfolio as set out in the sliding scale below.

Size of company	No. of clients
< 500	2
501 – 2,000	3
2,001 – 12,000	4
12,001 – 35,000	7
> 35,001	9

## Scope of compliance review

Each member will be reviewed on the TPI Consumer Charter & Standards.

TPI reviewers will compare your procedures and controls against TPI Consumer Charter and Standards Edition 2B and mark each point as either compliant or non-compliant. Where noncompliance is seen this will then be graded based on the pre-determined criteria. The reviewer then looks at any mitigation against risk and will determine if the grade can be amended based on this risk.

The Compliance Team have processes and guidance in place to ensure consistency is maintained across reviews and between reviewers.

## Findings report

The compliance review will conclude with each Company Member being given a star rating from one to five stars based on the level of noncompliance seen and the risk of that noncompliance. Additionally, each Company Member will be issued with a report that details the findings and recommendations made during the review.

The report contains a section for management responses for the Company Member to complete and attach documentary evidence. The report should be returned to TPI along with any evidence the Company Member wishes to submit to demonstrate compliance. The report and any evidence are collected by our admin team and passed to our Technical Officer who will then review the report in its entirety and contact you directly should any further action be required to resolve any compliance gaps. No further communication from TPI will be necessary providing all the issues raised in the findings report have been satisfactorily resolved, nor are any findings in dispute.






Failure to undertake compliance with regards to the findings report will then be referred to The Property Institute (TPI) Independent Adjudication Service administered by Centre for Effective Dispute Resolution (“CEDR”). The Scheme provides an informal and independent way of adjudicating complaints made against Members of TPI. Details of the Scheme are available within the Members area of the website, this can be found in the Document Library under TPI adjudication Scheme rules.

Please be aware, the findings report, and all associated correspondence have been prepared solely for the use of the Company Member. Neither the content nor the rating can be disclosed to any third party, and TPI do not assume any responsibility to any other person. We do, however, give consent for you to disclose that you passed the compliance review. The reasons for this being that:

- The findings are based on the information provided by the Company Member to the reviewer during the review.
- The rating given in the report is determined using a non-exhaustive question set specific to our monitoring. Therefore, we must emphasise that the reviewers have not reviewed the Company Member’s entire scope of activity, and as such the report and accompanying correspondence have been prepared solely for the use of the Company Member and for TPI only;
- These documents cannot be relied upon as evidence of compliance with any statutory or other regulatory obligations placed upon the firm, its Principals or persons and entities connected to the firm; and
- The report is addressed to the firm and TPI accepts no responsibility for any reliance that might be placed on it for any purpose by third parties.



## Grade framework

				
<p>No high or medium risk non-compliance</p> <p>Very few low-risk non-compliance</p> <p>Strong control environment</p> <p>Positive attitude towards compliance</p>	<p>No high-risk non-compliance</p> <p>Very few medium risk non-compliance</p> <p>Strong/moderate control environment</p> <p>Good attitude towards compliance</p>	<p>Few medium risk non-compliance</p> <p>Some low risk non-compliance</p> <p>Moderate control environment</p> <p>Fair attitude towards compliance</p>	<p>Medium &amp; high-risk non-compliance</p> <p>High level of low-risk non-compliance</p> <p>Weak control environment</p> <p>Unhelpful attitude towards compliance</p>	<p>Several high-risk non-compliance</p> <p>High level of medium and low risk non-compliance</p> <p>Weak control environment</p> <p>Poor attitude towards compliance</p> <p>Failure to upload documents by deadline</p>

## Classification of points

### Critical Point

A serious risk to the security of client money or serious breach of TPI Consumer Charter & Standards has been identified (e.g. a material deficit, a legal breach or not following a “must” in the Standards) or the weaknesses in the systems are such that reviewer is not able to establish whether or not there exists a serious risk to the security of client money (e.g. lack of reconciliations)

### Serious Points

Weaknesses against expected TPI Consumer Charter & Standards Best Practice or client money controls, procedures or in poor administration which if left unattended may impact on the security of client money and/or the controls and procedures are weak and do not provide the required level of assurance that there are no threats to either the security of client money held or to TPI member stakeholders.

### Additional Points

Technical, administrative or housekeeping points which should be rectified in order to achieve good practice against TPI Consumer Charter & Standards or in the handling of client money.

## Grade definitions

### Five Stars

The visit findings report only a small number of administrative or technical issues requiring attention. The Company Member has established effective controls and procedures to meet TPI Consumer Charter & Standards, mitigate the risk of loss of client money and the recording of client money transactions is of a very high standard.

### Four Stars

The visit findings report only a larger number of administrative or technical issues requiring attention. The Company Member has established effective controls and procedures to meet TPI Consumer Charter & Standards, mitigate the risk of loss of client money and the recording of client money transactions is of a good standard.

### Three Stars

The visit findings report two or three matters which have the potential to pose a risk to managing agent stakeholders or the security of client money held by the firm if left unattended and confirmation will be sought that the issues are addressed by the Company Member.

### Two Stars

The visit findings report several significant matters which have the potential to pose a risk to managing agent stakeholders or the security of client money held by the Company Member if left unattended and confirmation will be sought that the issues are addressed by the firm. The Company Member may not have established effective controls and procedures to meet TPI Consumer Charter & Standards and/or mitigate the risk of loss of client money.

### One Star

A serious risk to meeting TPI Consumer Charter & Standards or the security of client money held by the Company Member has been identified, which requires urgent attention by the Company Member, and/or reviewers were unable to obtain sufficient assurance that the Company Member's procedures are sufficient to demonstrate that there is no serious risk to the security of client money held by the Company Member, or to safeguard managing agent stakeholders. Improvements are therefore required and confirmation will be required that the matters raised are resolved.

## Further advice on compliance reviews

TPI have developed specific training for Company Members on the compliance review process, which is in the form of a webinar and is available periodically. Delegates are provided with an interactive overview of the compliance review approach, and the webinar includes guidance and discussions around:

- The aim of introducing compliance reviews;
- Logistics;
- Preparation needed in advance of the review;
- The approach used by the compliance reviewers, which includes process/procedure review, enquiry, sample testing different testing techniques;
- Close of compliance review and reporting – what you can expect at the end of an compliance review; and
- What TPI does with the findings report.

## Compliance review fees

The compliance review fees for TPI Company Members are set by the Board and the current rates are available on request.

## Expenses (if required following an on-site visit)

The expenses incurred by the compliance review team for carrying out the review will be recharged to each Company Member. The exact costs will vary for each firm depending on location/ number of reviewers/number of days. Rechargeable costs include, but are not limited to, hotel accommodation, travel and subsistence.

### Hotel accommodation

As a general rule, hotels will only be provided when an individual is attending a review at a distance of more than 80 miles from their home address (all reviewers are based remotely and not from the London office). All hotel bookings are for room only. There is a £150 (incl. VAT) limit for stays outside major cities and a £225 (excl. VAT) limit for stay in major cities (London, Birmingham, Manchester, Leeds, Newcastle, Liverpool).

### Travel

When travelling by rail, individuals are expected to travel in standard class or its equivalent and to take advantage of low fare options where possible.

Where individuals are travelling by their own vehicle, they may claim a mileage allowance. The current mileage allowance is 45p per mile for the first 10,000 miles and 25p per mile thereafter.

### Subsistence

Breakfast and Lunch: £25  
Dinner: up to £35

Please note, the above is subject to regular review.

### Receipts

Unfortunately, without incurring further expenses, TPI are not able to provide every receipt, and if we undertook this for one member, we would then have to do it for everyone and TPI cannot assume this administrative burden.



**CONTACT US**

**T: 020 7978 2607**

**E: [info@tpi.org.uk](mailto:info@tpi.org.uk)  
[www.tpi.org.uk](http://www.tpi.org.uk)**

**The Property Institute Ltd**

**3rd Floor, 2-4 St George's Road, Wimbledon, London SW19 4DP**

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**Registered in England No. 13753239 at the above address**

**VAT Number: 406 6082 13**