

The Property Institute



Guide to Audit

5th Edition



The Property Institute: Guide to Audit

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The Property Institute Audit

Overall aim of The Property Institute audit

The Property Institute (TPI) members undergo an audit check within a three-year cycle. The overall aim of the audit 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.

Member requirements on audit

Under the requirements of TPI bye-laws 2.2 Members will periodically undergo an audit under the terms of the membership requirements set out by the Council details of which are set out in guidance entitled TPI: Guide to Audit. Members will bear the cost of any such audit.

Failure to undertake the audit or compliance with regards to the findings report will then be referred to the 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.

Audit team resource

From 2015 we commissioned the Royal Institution of Chartered Surveyors (RICS) Regulation team to carry out the audits for us. We retain overall control of the scope and frequency of the reviews. They cover all of the TPI Consumer Charter and Standards and look at issues that are not related to client money protection for jointly regulated firms.

We share a common interest with RICS to raise standards and a significant proportion of TPI member firms are also “Regulated by RICS”. This joint approach removes duplication of audit activity and reduces the costs and inconvenience of overlap for the firms that might otherwise have been subject to two separate reviews. RICS has established a large and capable regulatory team that has built up skills and expertise over the last 12 years. By using the RICS team, TPI benefits from being able to use an established and efficient approach and avoids the set-up, training and maintenance costs of a dedicated audit team of its own. It also gives us the flexibility to develop a more focused approach to audit once we have analysed the results from each three-year cycle of audits.

Overview of the audit approach

The audit tests the member against the TPI Standards by reviewing their processes and procedures, making enquiries with staff and sample testing of evidence. Any area of the TPI Standards could be covered by an audit, but all audits include reviewing Client Money (Standard 4.0 Financial Matters).

1. Logistics prior to audit

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

All TPI members must have processes and procedures in place that comply with the TPI Consumer Charter and Standards to gain accreditation. The audits 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 audit, or instigated by the member.

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

Desk based reviews will be carried out on all members. However, should the member be unable to provide the documentation required and comply with the requirements this will result in an on-site visit still being required. Desk based reviews will reduce the cost of expenses incurred by the audit team which are recharged to members and can be significant.

Members who are not RICS Regulated and who are managing over 2,000 units may still be subject to an on-site visit.

All members will be invited to upload a list of all clients (properties) under management to the audit team by a specified date, who will then select those clients to be subject to audit. Should members not provide their client list by the date specified, an on-site visit may be required.

Whether you are to receive a desk based review or an on-site visit, the audit team will endeavour to contact you 2 months before the audit is due to take place to finalise arrangements; agree the date of audit, give details of the general approach, to include the relevant scope of the audit and provide a list of information the audit team will need in advance. Our aim is to make the audit as efficient as possible for both you and the audit team.

2. Desk based review process

The audit team will select the required number of clients to be used as the audit sample from the client list provided by the member. The member will then be informed of the selected clients, provided with the checklists, the chosen scope against which they will be audited and informed of the estimated timescales.

The member will then be asked to upload the requested documents to enable the audit team to complete the desk based review. Once the desk based review has been completed, the audit 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 audit team will select the required number of clients to be used as the audit sample from the client list provided by the member. The member will then be informed of the selected clients, provided with the checklists, the chosen scope against which they will be audited and agree a date for the on-site visit to take place.

The member will then be asked to upload any requested documents for the audit team to review prior to attending the members premises on the agreed date. Once the on-site review has been completed, the audit 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 member will receive from the audit 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.

Audit sample

Depending on the size of your company, the audit 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 audit

Each member will be audited on one of the three scopes set out below. The scope chosen for each member will be on a random basis although where possible we will be looking to ensure that over any three-year cycle, one third of our members will have been audited on each scope.

Scope A

Part 2: Instructing a Managing Agent

Part 3: Client Matters

Part 4: Financial Matters

Scope B

Part 4: Financial Matters

Part 5: Management Matters

Scope C

Part 4: Financial Matters

Part 5: Legal Matters

Part 6: Disputes & Terminations

Findings report

The audit will conclude with each firm being rated as outstanding/good/improvement required/unsatisfactory. Additionally, each firm will be issued with a findings report that details the findings and recommendations made during the review.

The report contains a section for management responses for the firm to complete and attach documentary evidence. Upon receipt of the response, the firm's actions and or evidence will be collated by RICS. Where additional information is required, a member of the regulation team will contact the firm. Once all aspects of the response are collated, the findings report and management responses will be shared with TPI 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 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 member firm. Neither the content or the rating can be disclosed to any third party, and TPI and RICS do not assume any responsibility to any other person. We do however give consent for you to disclose that you passed the audit. The reasons for this being that:

- The findings are based on the information provided by the firm 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 firm's entire scope of activity, and as such the report and accompanying correspondence have been prepared solely for the use of the firm 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.

Further advice on audits

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

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

Audit fees

The audit fees for TPI members are set by the Council and the current rates are available on request.

Administration fee

In addition to the audit fee, there is an additional administration fee for TPI which covers three hours work.

TPI's involvement in the administration is to:

- Identify firms for audit on an annual basis;
- Send each firm an initial notification letter;
- Provide RICS with pre-visit information;
- Deal with any non-responses to RICS second notification letter (confirming date of review);
- Deal with any queries from firms;
- Review the findings report;
- Deal with any disputes from the findings report;
- Invoice each firm; and
- Compile and publish an annual summary of findings for TPI members.

The administration fee is set by the Council and the current rate is available on request.

Expenses (if required following an on-site visit)

The expenses incurred by RICS for carrying out the review will be recharged to each firm. 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 RICS reviewers are based remotely and not from the London or Birmingham offices). 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, RICS are not able to provide every receipt to us and if they undertook this for one member, we would then have to do it for everyone and neither RICS nor TPI can assume this administrative burden.

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