

## ➔ Compliance Audit Need To Know Guide

### ➔ Why do we carry out Compliance Audits on organisations?

Under the CRC Order the Environment Agency (EA) as administrator has a duty to monitor compliance with the CRC Scheme. Therefore we audit participants to ensure they are keeping sufficient records within their evidence pack and they have accurately reported their emissions.

The EA has adopted the '[Better Regulation](#)' approach for all its regulatory activities. This means being consistent and transparent with all our customers and using a risk based approach to target our resources more efficiently. Our aim is to work with participants to rectify any issues and help them comply with the Scheme.

### ➔ Who will carry out the Compliance Audit?

The audit will be carried out either by staff from the EA, Scottish Environment Protection Agency (SEPA), Northern Ireland Environment Agency (NIEA), Natural Resources Wales (NRW) or our trained and approved contractors. Please note that all our contractors are bound by confidentiality agreements as part of their contracts with the EA. They have appropriate powers under the Order to carry out Compliance Audits on behalf of the EA. If the audit is to be undertaken by one of our contractors then we will send you a letter of authorisation to confirm this.

### ➔ What are the selection criteria?

Organisations are selected for audit based on a number of criteria that helps prioritise who is audited. Factors considered include the risk of non-compliance, complexity of organisational structure, any claimed exemptions and previous compliance history. However, our aim is to audit all participants at least once per phase.

### ➔ What is the Compliance Audit process?

We will email the Primary and Secondary contacts to arrange a mutually convenient date and time to hold a teleconference or web conference with you. The scope of the audit and what we are trying to achieve will be explained and tailored to each participant. Prior to this meeting we will request various pieces of information from you including a summary of your evidence pack, energy usage, and a copy of your most recent Internal Audit Report. All of these documents can either be sent to us electronically or by mail within an agreed timescale.

### ➔ The Teleconference

This will be a teleconference lasting up to one hour and is your opportunity to provide us with an overview of how your CRC responsibilities are managed within your organisation. We will give you the responsibility to lead the teleconference and demonstrate to us how your organisation manages its CRC responsibilities. Therefore you are strongly encouraged to prepare well in advance. We have created other useful guidance documents to help you prepare for the Compliance Audit, which can be downloaded from the [Compliance Audit section of our website](#).

### ➔ A web conference may be a better option if you have the facilities available

If your CRC information and recording systems are available electronically then it may be best practice to have a web conference with you so you can show and talk us through your CRC systems screen by screen. Please let us know if your organisation has web conference facilities available and if you would prefer to use it.

### ➔ The next step

Following the teleconference we will email you with a summary of what was discussed and how the Compliance Audit will be progressed, typically this will be via correspondence. However, on some occasions it may be necessary to have a further telecon or site visit. You will be given the

opportunity to review the findings and provide any feedback. We may also request further information from you that was discussed and agreed during the teleconference and this must be provided within a time specified by ourselves. Flexibility will be considered for more complex information requests.

From the communications and correspondence provided it may come to light that further information is required to support the data already provided. Evidence such as a written explanation, a statement of a method used to estimate supply figures, evidence of a CCA Member exemption, primary data or other relevant information may be requested.

### ➔ **Site visit and meeting**

We may request to have an onsite meeting to discuss any outstanding matters or actions with you. Where we request a site visit, we can discuss any issues in person where the required documentation is available. During the visit we will inspect your evidence pack and therefore a copy must be available at your site that you have chosen for the meeting. We will refer to specific documents that are related to any unresolved issues, which you would have already been made aware of. You should ensure the relevant contacts are available so documents can be easily identified and located, as this will help keep the time of the site visit down to a minimum. It is the participant's responsibility to provide us with the required documents upon request.

### ➔ **Evidence Pack and Primary Data**

We will perform checks on a sample of this data as part of the Compliance Audit process. The number of checks that an auditor carries out is calculated from the total number of energy supply points. Any errors that are identified will be documented in an interim audit report.

### ➔ **Information review**

Once the requested information has been provided we will review the data and prepare an interim audit report. If you have provided us with the required information and we are satisfied that any outstanding issues have been resolved, we may pass the Compliance Audit at this stage. We will notify you of the outcome as soon as possible and provide you with a copy of the report.

However, where there are unresolved issues then we will continue with the audit process and request further information. There may be several reasons why we have not been able to pass the audit at this stage. Examples may include where your primary data does not match your summary data, which is used to populate the data in your Annual Report. We will inform you of the outstanding issues and what information/evidence is required. Examples of issues we may identify include errors in supplies, incorrect organisational structure, incorrectly claimed Member CCA exemption etc.

### ➔ **Audit Review**

All audits will be peer reviewed and their proposed outcome agreed before a final decision is made. This ensures fairness and consistency across all our Compliance Audits. It also provides quality assurance to all participants. The Review Group also discuss best practice that has been identified during the Compliance Audit process. We aim to share generic best practice with all participants through our website to help them improve their CRC compliance and any related processes. Please note examples of best practice will only be used with the participants consent and all information will be made anonymous prior to being published on our website.

### ➔ **Audit outcomes**

Following the information review an audit report will be completed and a copy will be sent to you, notifying you of the outcome. There are two possible outcomes:

**1) Pass** – the organisation has provided all the required evidence to successfully demonstrate they are complying with the Scheme at this time.

**2) Further action required/non-compliance** – issues have been identified which may have resulted in a breach of the Order and a non-compliance. We will request that corrective actions are taken and timescales agreed for the improvements to be made. All non-compliances will be reviewed and in some cases it may be necessary to refer the matter to our Enforcement Panel who will look at the evidence on a case by case basis.

Participants are required by the Order to submit Annual Reports, and a Footprint Report in the first year of each Phase, which comply with the relevant Articles of the Order, this includes reporting accurate supplies. Article 76, which refers to errors of over 5%, does not in itself set out any legal obligation. It simply identifies the fact that for errors, where an inaccuracy is over 5%, a civil penalty sanction may be imposed. Therefore the position in relation to errors under 5% is that these errors do constitute a breach of the Order, but they cannot be enforced by the imposition of a civil penalty.

Where issues of this nature occur, participants are required to update their Annual Report, and/or Footprint Report, through the further actions stated in the interim audit report. This will ensure that going forward the correct number of allowances can be purchased and surrendered. We will work with participants to ensure satisfactory completion of all further actions detailed in the interim audit report. This will result in the audit being closed and confirmation provided by us that the further actions as required have been completed.

#### ➔ **Enforcement Panel**

Where a breach is identified during a Compliance Audit we will consider our enforcement response according to the circumstances of the case. The minimum response is normally the issue of a warning letter. Other responses may include the issue of an enforcement notice, a civil penalty or prosecution. In cases where we are considering the issue of a civil penalty, we have a discretion under Article 72 of the Order to waive or modify the penalty where evidence is provided within a reasonable period of time and that a participant has taken all reasonable steps to comply with the Order or rectifies a failure as soon as they become aware. In applying this discretion, we take account of the [DECC Statutory Guidance](#) and [Offence Response Options](#).

#### ➔ **We welcome your feedback**

We welcome all feedback regarding the Compliance Audit process and you will be given the opportunity to provide feedback. We will use feedback to improve our guidance documents and to help streamline the Compliance Audit process.

#### ➔ **Further information including useful tips and frequently asked questions**

We recommend you visit the [Compliance Audit section of our website](#) which contains other useful guidance documents regarding the Compliance Audit process.

➔ **Compliance Audit Process Flow**

