

Explanatory note – Victorian energy efficiency certificate (VEEC) audits of accredited persons

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The Department of Environment, Land, Water and Planning develops policy for the [Victorian Energy Upgrades](#) program. The program provides incentives for Victorian households and organisations to make energy efficiency improvements that save money on their energy bills and reduce Victoria's greenhouse gas emissions

The Essential Services Commission administers the program as the 'Victorian Energy Efficiency Target (VEET) scheme' under the *Victorian Energy Efficiency Target Act 2007*.

For more information, visit veet.vic.gov.au.

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1. Summary

The Essential Services Commission (the commission) has an obligation to conduct audits of accredited persons (APs) pursuant to the *Victorian Energy Efficiency Target Act 2007* (the Act).

The purpose of an audit is to establish whether an AP has complied with the Act, the *Victorian Energy Efficiency Target Regulations 2008* (the Principal Regulations) and the *Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017* (the PBA Regulations) in cases where an AP has completed PBA activities.

Specifically, an audit is performed to substantiate information with respect to the creation, registration and transfer of Victorian energy efficiency certificates (VEECs) submitted by an AP.

The commission decides on the frequency and type of audit to be performed. The commission also informs each AP when an audit will be performed.

2. Commission auditors

Under the direction of the commission, a commission auditor will conduct the VEEC AP audits. The commission may appoint any person it considers has appropriate skills, qualifications and experience to be a commission auditor, including:

- an employee of the commission
- an independent third party
- any other person or organisation who the commission considers has appropriate skills, qualifications and experience.

The commission may also engage an independent auditor to assist with or complete an audit where required.

3. Types of audits

The types of the audits that may be conducted by a commission auditor are listed below in Table 1 (pre-accreditation audits) and Table 2 (post-VEEC creation).

3.1. Pre-accreditation audits

Table 1: Pre-accreditation audits

Audit type	Audit purpose
Pre-accreditation/additional activity audit	To gain an understanding of how the business plans to operate in the VEET scheme and to determine whether the business has the appropriate controls in place to manage the prescribed activity and minimise the risk of improper VEEC creation.

Businesses who seek to apply for VEET accreditation or existing APs seeking to apply to undertake an additional VEET activity are required to meet with VEET Audit & Compliance (VEET A&C) before being granted accreditation or additional activity approval.

The objective of the audit is to assess the business' proposed processes and controls that the business has in place to meet the compliance requirements of the VEET activity.

A commission auditor will assess the information about the business and determine whether a recommendation should be made to grant VEET accreditation or approval for an additional activity.

A commission auditor will also provide recommendations to the applicant regarding processes and controls that could be implemented to reduce their risk of improper VEEC creation.

The information collected at the pre-accreditation/additional activity audit helps determine the risk rating assigned to an AP (i.e. low, medium or high risk). An AP risk rating determines the level of scrutiny that should be applied to the VEEC claims submitted by the AP.

3.2. Post-VEEC creation audits

Table 2: Post-VEEC creation audits

Audit type	Audit purpose
Periodic walk-through audit (detailed or limited scope)	<p>To identify and understand the AP's business model, certificate creation and record keeping processes and to provide findings and recommendations on how the AP can improve processes and controls to mitigate the risk of non-compliance.</p> <p>A walk-through audit may be categorised as a detailed audit or limited scope audit, which varies depending on the audit scope.</p>
Detailed data, record and performance audit	To review that certificates have been properly created and to review that internal controls, governance and management processes, and compliance documentation are appropriate.
Investigative audit	To review specific AP issues identified during an audit or other information provided to the commission that indicates potential non-compliance.
Detailed investigation	Assessment of AP installations.
Phone and field audit testing	To review that the installations performed by AP have been conducted properly and in accordance with scheme and compliance requirements.

4. Detailed audit process

4.1. Notification

The commission will notify the AP prior to the commencement of an audit. In consultation with the AP, the commission will confirm the date of the audit. Following this notification, the commission will provide the AP with an audit agenda. This agenda provides the AP with outline or scope of the audit program, the relevant staff members to be interviewed on the day, along with any on-site compliance testing that will be undertaken by VEET A&C.

4.2. Request for information

Prior to the audit, VEET A&C may request documentation from an AP to assist with compliance testing and other aspects of the audit.

4.3. Timing

A detailed audit may occur at any time. The commission selects APs for audit on a risk based approach, which factors in an internal risk assessment of APs. The commission expects to perform a detailed audit of an AP at least once every three years.

4.4. Pre-audit meeting

The commission auditor will chair a pre-audit meeting at the AP's premises prior to the commencement of the audit. At this meeting, the commission auditor will outline the purpose, agenda and scope of the audit. The commission auditor will also discuss the expectations the commission has of the AP to assist in the completion of the audit, including for the AP to:

- provide answers to questions related to the creation or transfer of certificates, scheme acquisitions or any other information under the Act
- allow the commission auditors to conduct interviews with all staff who perform duties in relation to the VEET scheme
- provide any document requested by the commission auditors that is related to their participation in the VEET scheme.

4.5. Walk-through audit

Interviews with AP staff will take place to identify and understand the AP's business model, certificate creation and record keeping processes. This is conducted in combination with testing conducted prior to the audit, as well as testing and interviews held during the audit.

4.6. Post-audit meeting

Once all testing and interviews are completed and the commission auditor is satisfied that the audit is complete, the auditor will discuss with the AP the next steps of the audit process, including the delivery of a draft audit report by the commission to the AP outlining all findings of the audit and recommendations to mitigate the risk of improper VEEC creation.

4.7. Draft audit report

Following the walk-through audit and once the compliance testing is complete, the commission auditor will prepare a draft audit report that contains:

- a summary identifying key issues arising from the audit
- a description of the audit method used
- a traffic light assessment of the audit findings for each matter or issue identified as part of the audit
- a summary of findings for each matter, which includes a detailed description of each issue of non-compliance
- the response from the AP to each of the recommendations as to how they will implement each of the recommendations and reduce the risk of improper VEEC creation
- a date within which the AP is required to provide the commission with evidence of implementation of each audit recommendation.

The commission will provide a draft copy of the audit report to the accredited person for comment, including how the accredited person intends to implement the commission's recommendations.

4.8. Final audit report

After the auditor is satisfied with the AP's responses to the draft audit report, the audit report is finalised and signed by relevant commission staff. Following this, a final audit report is issued to the AP.

4.9. Audit close-out

The audit will be formally closed-out once the AP has:

- provided evidence to the commission that all audit recommendations have been implemented in line with agreed timeframes
- voluntarily surrendered or withdrawn any activities identified as being non-compliant.

5. Compliance investigations and audit standards

5.1. Compliance investigations

The commission may conduct investigations of specific issues when audits or other information received by the commission indicate possible breaches of the Act, the Principal Regulations, the PBA Regulations, or the *Victorian Energy Efficiency Target Guidelines* (the Guidelines). The compliance investigation will include a number of measures.

The findings of a compliance investigation may lead to enforcement actions against an AP as set out in the Guidelines clause 16.2.

5.2. Audit standards

The audit will be performed pursuant to the established procedures and the Guidelines developed by the commission. The commission auditor will:

- investigate compliance with each obligation or matter identified under the Act
- analyse relevant data in the AP's information systems and records in order to:
 - ensure that the data in those systems and records are consistent with the content of the registered VEECs
 - verify the correct application of formulae and accuracy of the arithmetic calculations
 - identify any missing data or unusual figures or trends that might suggest incorrect data, data entry errors or data manipulation.
- analyse any documented procedures, to assess whether they are consistent with the matters that are the subject of the audit
- interview responsible staff to assess whether they understand and comply with the requirements of the Act
- analyse any quality controls to assess whether misrepresented data is, and information defects are, systematically identified and corrected
- test a sample of VEECs to establish actual compliance and the extent to which relevant information is free of defect
- take any other action requested by the commission.

The audit will also have regard to the requirements of the Auditing and Assurance Standards Board (AUASB), the relevant Australian Standards for Audit Sampling (ASA 530), and Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ASAE 3000).

6. Accredited person record keeping obligations

APs are responsible for maintaining records that provide evidence of compliance under the Act. The commission may audit these records at any time.

Any records kept or obtained under, or for the purposes of, the Act must be retained until the end of six years after those records were prepared or obtained, or the completion of the transactions or acts to which those records relate, whichever is the later.

For PBA projects, an AP is obliged to keep a copy of all records relating to a measurement and verification (M&V) project for a period of six years after lodging the final impact report, noting that this final report could be up to 10 years after the project works have been completed.

Pursuant to the Act, APs that fail to maintain and keep records in support of their VEET activities or M&V projects, or who fail to provide information to the commission upon request may be liable for a penalty.

6.1. Types of records to be maintained

An AP is obliged to keep records which provide evidence of the matters listed below. The records must be made available to the commission on request.

Matters for which an AP is required to keep records include:

- VEET certificate information:
 - Details of all certificates created by the AP during the year. This includes both VEET activities that are uploaded and not uploaded to the commission.
- Matters specified in Clause 13.1 of the Guidelines:
 - the records referred to in clause 8.8 of the Guidelines (refer below) in relation to assignments of rights to create certificates
 - sales, purchase and/or service records of each product or service which constitutes a prescribed activity for which certificates have been created, including make and model number if applicable, and the street address and postcode of the consumer
 - evidence of removal or destruction of existing products where removal or destruction is required by the Principal Regulations
 - evidence that all relevant individuals have been assessed as competent in each relevant unit of competency specified by the commission under clause 7.2 of the Guidelines, including the title of each unit, the name of each relevant individual, the date(s) on which they are

assessed as competent and by which Registered Training Organisation under the Australian Quality Training Framework.

- Matters specified in Clause 8.8 of the Guidelines;
 - An assignee must maintain
 - a copy of the completed and signed form of assignment
 - evidence of the benefit provided to the consumer.

Note: for activities occurring in business and non-residential premises, an AP should also maintain records of the ABN, business/premises name, address and post code.

7. Compliance and enforcement

The Act provides the commission with compliance and enforcement powers. The commission also has in place a [VEET compliance and enforcement policy](#) that outlines the commission's approach to promoting and enforcing compliance with the Act, Principal Regulations and PBA Regulations (where applicable).

Where necessary, a commission auditor or a qualified or experienced person appointed by the commission may conduct compliance investigations of specific issues where an audit, compliance test or other information received by the commission indicates possible non-compliance with the Act, the Principal Regulations or PBA Regulations.

The findings of a compliance investigation may lead to enforcement action being taken by the commission against an AP. Should investigations indicate possible non-compliance with Victorian or Commonwealth laws, the commission will refer the matter to the police or relevant authority.

To mitigate non-compliance with the Act, the Principal Regulations and PBA Regulations, all APs should ensure that they have effective compliance monitoring and reporting systems in place. Those systems should be frequently reviewed, to ensure that non-compliance is detected, reported on, and rectified in a timely manner.

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