



VEEC Creation Audit Guide for Accredited Persons

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Introduction

About this guide

The Essential Services Commission (the commission) conducts audits of accredited persons who create Victorian energy efficiency certificates (VEECs) under the Victorian Energy Upgrades (VEU) program.

This guide explains our VEEC creation audits, including the audit process, and details your obligations as an accredited person.

This guide is divided into the following sections:

- Section 1 provides information about our auditors
- Section 2 outlines the types of audits that we conduct
- Section 3 outlines the audit process
- Section 4 explains compliance investigations and audit standards
- Section 5 outlines your record keeping obligations as an accredited person
- Section 6 details our compliance and enforcement policy

Who should use this guide

You should use this guide if you are an accredited person under the VEU program and:

- are seeking information about VEEC creation audits undertaken by the commission
- need to understand your obligations as an accredited person in relation to audits undertaken by the commission.

About VEEC creation audits

The aim of a VEEC creation audit is to establish whether an accredited person has complied with:

- Victorian Energy Efficiency Target Act 2007 (the VEET Act)
- Victorian Energy Efficiency Target Regulations 2018 (the VEET Regulations)
- Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017 (the PBA Regulations) (as applicable).

We perform audits to substantiate information submitted by an accredited person with respect to the creation, registration and transfer of VEECs. We decide on the frequency and type of audit undertaken and inform each accredited person when an audit will be performed.

Legal context for this guide

We have prepared this guide as a general summary of relevant parts of:

- Victorian Energy Efficiency Target Act 2007 (the VEET Act)
- Victorian Energy Efficiency Target Regulations 2018 (the VEET Regulations)
- Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017 (the PBA Regulations)
- Victorian Energy Efficiency Target Guidelines (the VEET guidelines)

View these documents at www.esc.vic.gov.au/veu-legislation

This guide should not be relied upon as substitute for legal advice and should be read in conjunction with the above source documents. You should seek your own legal advice in relation to your obligations as a relevant entity under the VEET Act. In the event of inconsistency between this guide and the source documents, the content in the source documents apply.

1. Commission auditors

Under our direction, commission auditors conduct VEEC creation audits of accredited persons. We may appoint any person that we consider has the 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 we consider has the appropriate skills, qualifications and experience.

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

2. Types of audits

We conduct two main types of audits:

- Pre-accreditation/additional activity audits.
- Post-VEEC creation audits.

2.1. Pre-accreditation/additional activity audits

We conduct pre-accreditation/additional activity audits to:

- gain an understanding of how your business plans to operate in the VEU program
- determine whether your business has the appropriate controls in place to manage the prescribed activity and minimise the risk of improper VEEC creation.

For businesses applying for VEU accreditation, or for existing accredited persons applying for additional activity approval, we require that you meet with a commission auditor from the audit and compliance team before we grant your business accreditation or additional activity approval under the program.

The objective of the pre-accreditation audit is to assess the processes and controls that you have in place to meet the compliance requirements of the relevant VEU activity for which you are applying.

A commission auditor will assess the information you provide about your business and determine whether a recommendation should be made to grant you VEU accreditation or additional activity approval.

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

The information collected at the pre-accreditation/additional activity audit helps us to determine the risk rating (i.e. low, medium or high risk) that we assign to you, as an accredited person under the program. The accredited person risk rating determines the level of scrutiny that we apply to activities you submit for VEEC creation.

2.2. Post-VEEC creation audits

Periodic walk-through audits (detailed or limited scope)

We conduct walk-through audits to:

- identify and understand your business model
- understand your VEEC creation and record keeping processes
- provide you with findings and recommendations on how you can improve your processes and controls to mitigate the risk of non-compliance.

A walk-through audit may be categorised as a detailed audit or limited scope audit, which varies depending on the audit scope.

Detailed data, record and performance audits

We conduct detailed audits to examine whether you have created VEECs properly and to determine if your internal controls, governance and management processes are appropriate. It is also used to assess whether you maintain adequate records to support activities you submit for VEEC creation.

Investigative audits

We conduct investigative audits to examine specific issues identified during an audit of an accredited person or to investigate other information provided to us that indicates potential non-compliance.

Detailed investigations

Detailed investigations involve the assessment of the installations you have submitted for VEEC creation.

Phone and field audit testing

We conduct phone and field audit testing to examine whether your installations have been conducted in accordance with program legislation and compliance requirements.

3. Detailed audit process

3.1. Notification and timing

We will notify you prior to the commencement of an audit. In consultation with you, we will confirm the date of the audit and provide you with an audit agenda. The agenda provides you with the scope of the audit program, the relevant staff members we wish to interview, and any on-site compliance testing we intend to undertake.

A detailed audit may occur at any time. We select accredited persons for audit on a risk-based approach, which includes an internal risk assessment of accredited persons. We aim to perform a detailed audit of an accredited person at least once every three years.

3.2. Request for information

Prior to the audit, the commission auditor may request documentation from you to assist with our compliance testing and other aspects of the audit.

3.3. Pre-audit meeting

The commission auditor will chair a pre-audit meeting at your premises prior to the commencement of the audit. At this meeting, the commission auditor will outline the purpose of the audit, the scope of the audit and the agenda. The commission auditor will also discuss the level of cooperation we expect of you throughout the audit process, which will include:

- providing answers to questions related to the creation or transfer of VEECs, scheme acquisitions or any other information under the VEET Act
- allowing the commission auditor to conduct interviews with all staff who perform duties in relation to the VEU program
- providing any document requested by the commission auditor that is related to your participation in the VEU program.

3.4. Walk-through audit

We will conduct interviews with your staff to identify and understand your business model, as well as your VEEC 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.

3.5. Post-audit meeting

Once we have completed all testing and interviews and the commission auditor is satisfied that the audit testing is complete, the auditor will discuss the next steps of the audit process with you.

3.6. 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 in the audit
- a summary of findings, which includes a detailed description of each issue of non-compliance
- suggested recommendations to mitigate the risk of improper VEEC creation
- a date within which you are required to provide us with evidence of implementation of each audit recommendation.

We will provide you with a draft copy of the audit report for you to review and respond to. Your response to us must include your response to our recommendations and how you intend to implement those recommendations to reduce the risk of improper VEEC creation.

3.7. Final audit report and closure of audit

After the commission auditor is satisfied with your responses to the draft audit report, the audit report will be finalised and signed by relevant commission staff. A final audit report will then be provided to you.

The audit will be formally closed-out once you have:

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

4. Compliance investigations and audit standards

4.1. Compliance investigations

We may conduct investigations of specific issues when audits or other information received by us indicates possible breaches of program legislation. A compliance investigation may include further data analysis and/or compliance testing.

The findings of a compliance investigation may lead to enforcement action being taken against an accredited person (as specified in clause 16.3 of the VEET guidelines).

4.2. Audit standards

The audit will be performed pursuant to established audit standards and procedures, including processes specified in the VEET guidelines. The commission auditor will:

- investigate compliance with each obligation or matter identified under the VEET Act
- analyse relevant data in your information systems and records in order to:
 - ensure that the data in those systems and records is consistent with the data of the related created or registered VEECs
 - verify the correct application of formulae and accuracy of arithmetic calculations
 - identify any missing data or unusual figures or trends that might suggest incorrect data, data entry errors or data manipulation has occurred.
- 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 VEET 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 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).

5. Record keeping obligations

As an accredited person, you are responsible for maintaining records that provide evidence of compliance under the VEET Act. We may audit your records at any time.

Any records kept or obtained under, or for the purposes of, the VEET 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, you are 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.

If you fail to maintain and keep records in support of your VEU program activities and M&V projects, or if you fail to provide information to us upon request, you may be liable for a penalty.

5.1. Types of records to be maintained

You are obliged to keep the following records and provide them as evidence to us upon request:

- VEEC information
 - Details of all VEECs created by you during the year. This includes both VEU activities that are uploaded and not uploaded to the commission.
- Matters specified in clause 13.1 of the VEET guidelines
 - The records referred to in clause 8.9 of the VEET guidelines (refer below) in relation to assignments of rights to create VEECs.
 - Sales, purchase and/or service records of each product or service which constitutes a prescribed activity for which VEECs have been created, including make, model number and product specifications if applicable.
 - The street address and postcode of the consumer (if in a residential premises) or the ABN, business name, address and postcode (if in a business or non-residential premises).
 - Evidence of removal, destruction and decommissioning of existing products where removal, destruction or decommissioning is required by the VEET Regulations.
 - Evidence that all relevant individuals have been assessed as competent in each relevant unit of competency specified by the commission under clause 7.1 of the VEET guidelines, including the title of each unit, the name of each relevant individual, the date(s) on which they were assessed as competent and by which registered training organisation as accredited by

the Australian Skills Quality Authority or the Victorian Registration and Qualifications Authority.

- Any additional record keeping requirement set out in the guides published by the commission at the time the activity was completed.
- Matters specified in clause 8.9 of the VEET guidelines
 - An assignee must maintain:
 - a copy of the completed and signed form of assignment, whether in writing, oral or in electronic form, signed by the consumer or authorised signatory
 - evidence of the benefit provided to the consumer.

For activities carried out under the PBA regulations, plans, reports and information records used must also be kept.

6. Compliance and enforcement

Our VEU Compliance and Enforcement Policy outlines our approach to promoting and enforcing compliance with the VEET Act, VEET Regulations and PBA Regulations (where applicable).

The policy is available at www.esc.vic.gov.au/veu-audit-compliance.

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

The findings of a compliance investigation may lead to enforcement action being taken against you, the accredited person. Should our investigations indicate possible non-compliance with Victorian or Commonwealth laws, we will refer the matter to the police or relevant authority.

To mitigate non-compliance with program legislation, you should ensure that you have effective compliance monitoring and reporting systems in place. You should review your systems frequently to ensure that non-compliance is detected, reported on, and rectified in a timely manner.

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