

**ENTRUST
ENVIRONMENTAL BODIES
ACCREDITATION PROCESS GUIDELINES**

ENVIRONMENTAL BODIES ACCREDITATION PROCESS

1. Introduction

- 1.1 ENTRUST is the regulatory body appointed under the Landfill Tax Regulations (Regulations) by The Commissioners of HM Revenue & Customs, for monitoring Environmental Bodies (EBs) compliance with the statutory requirements of the Regulations. As part of the process for achieving this objective, ENTRUST adopts a risk based approach to its compliance activities, focusing both on strategic risk through systems based reviews of EBs and targeted project based assessments.
- 1.2 In developing a systems based review, ENTRUST recognises that the business models that organisations adopt are not universal and this inevitably leads to structural and cultural differences, which is reflected in how they are managed and controlled. However, in most instances organisations have a governing body (normally their Board), which sets the strategic direction and governance framework for the organisation. The day to day management of this process is delegated to the Executive who are responsible for delivering the Company's aims and objectives.
- 1.3 To help both ENTRUST and EBs to comply with the Regulations and ensure that organisations adopt a best practice framework to operate within, ENTRUST has developed the EBs Accreditation process. This process provides EBs with the flexibility to design and operate governance processes and controls which are appropriate for their own organisation in order to facilitate their compliance with the Regulations.
- 1.4 The process is also designed to address observations raised by the National Audit Office ("NAO") from their audit of the Landfill Tax Scheme undertaken in June 2005.
- 1.5 All EBs are eligible to apply for Accredited status. However, it should be noted that while some organisations may wish to apply for this status, the process has also been designed to allow ENTRUST to carry out systems based reviews of those organisations who do not wish to be Accredited.

2. Framework

- 2.1 The Accreditation process includes four modules. Dependent upon the structure and size of the EBs, different modules, or different sections will apply (See Appendix A).
- 2.2 The modules outline the Accreditation areas, against which the initial assessment and procedures will be undertaken. The assessment process will involve ENTRUST reviewing the processes implemented by an EB in each area to ensure that there are adequate controls in place to mitigate the risks of non compliance with the Regulations.
- 2.3 The modules outline expectations, or best practice principles for each Accreditation area and provide guidance as to the controls which should be considered by an EB in designing or reviewing the processes in place.
- 2.4 The framework is not intended to be a checklist whereby an EB would have to meet each expectation in order to attain the Accredited status. The initial assessment process will provide an overall evaluation which is relevant to the individual EB and will, where appropriate, outline areas for improvement. The process can be seen in a flow diagram at Appendix B.

3. Review Process

- 3.1 An EB should notify ENTRUST of their wish to become an Accredited EB. The EB does not have to undertake any work itself at this stage of the process. However, the EB may decide to perform an internal review of their own processes and controls against the guidance provided within the Modules to identify any processes that they consider will require to be revised prior to an initial assessment being performed.
- 3.2 ENTRUST will perform an audit of the EB's processes and controls in the Accreditation areas outlined in the relevant modules.
- 3.3 There will be three different outcomes from this initial assessment process:

EBs Accredited	<p>The assessment identified that adequate processes and controls are in place within the EB to enable accreditation status to be granted.</p> <p>Areas for improvement may have been identified and recommendations will be provided to the EB. However, these were not considered significant to affect the accreditation of the EB.</p>
Pending Accreditation	<p>The assessment identified that processes and controls were generally satisfactory, however areas for improvement were identified which must be addressed before the accreditation status can be granted to the EB.</p> <p>Recommendations will be provided on such areas together with timescales for undertaking improvement actions. ENTRUST will review the actions taken by the EB to confirm these have been adequately addressed. Accreditation status can then be granted.</p>
Not Accredited	<p>The assessment identified that processes and controls in the EB were not adequate.</p> <p>A number of areas for improvement have been identified and recommendations and guidance provided.</p> <p>When the EB considers that these areas have been adequately addressed, ENTRUST will perform a full re-assessment.</p>

- 3.4 The process is therefore designed to ensure that appropriate recommendations and guidance are provided to enable every EB who wishes to be accredited to improve the control framework in their organisation and raise their governance standards, with the overall aim of achieving the accreditation status.

4. Ongoing Monitoring

- 4.1 As Regulator of the Landfill Communities Fund, ENTRUST will retain the right to police the scheme where it is deemed necessary and to ensure that independent assurance can be provided to all the scheme's stakeholders that monies are being spent compliantly in accordance with the legislation.
- 4.2 A risk based methodology will be used by ENTRUST to evaluate the risks associated with individual projects. If it is considered that an individual project registered by an Accredited EB is significantly of high risk within the LCF scheme, then ENTRUST may perform a

compliance inspection visit over that individual project. There may also be a programme of 'targeted' testing of a sample of projects for ongoing compliance.

- 4.3 A number of key performance indicators (KPIs) will be monitored by ENTRUST on an ongoing basis for each accredited EB from the information held on the ENTRUST On-Line system. The KPIs are designed to provide in-year information relating to the four modules. Examples of the kinds of KPIs which will be monitored include:-
- % Administration Costs;
 - Turnover of Funds;
 - Number of Projects per Certified EB;
 - Lateness of Reporting Forms to ENTRUST; and
 - Average Life of Projects Managed by Certified EBs.
- 4.4 This monitoring process is intended to be undertaken by ENTRUST without the requirement to visit or contact the EB, thus reducing the regulatory burden on an Accredited EB.
- 4.5 The KPIs are designed to allow ongoing monitoring to identify any unusual trends or significant variations evident since the accreditation status was granted. Such trends and variations may indicate that the EB's processes and controls are changing and therefore an additional review by ENTRUST may be warranted to ensure that accreditation status can be maintained by the EBs.

5. Annual Review

- 5.1 An annual review will be performed for each accredited EB. This may involve a short visit by an ENTRUST Inspector to obtain wider updated information about the EB not available from the in-year monitoring process. For example, details of changes in management at the EB, staff turnover data etc. Any significant changes in information may indicate that a further re-assessment is required to ensure that the accreditation status may be maintained.
- 5.2 The annual review process will be significantly less stringent than an existing ENTRUST compliance visit to provide the lighter touch regulation.

6. Removal of Accreditation Status

- 6.1 If any issues are identified during a re-assessment which are considered significant enough to lead ENTRUST to consider that the processes and controls operated by the EB are no longer adequate to ensure compliance with the Regulations, the Accreditation status may be withdrawn.
- 6.2 In any such event, the areas requiring attention will be outlined and recommendations provided as to how to address such issues. If ENTRUST are subsequently satisfied that the actions taken by the EB have satisfactorily addressed the issues raised, then the accreditation status can be granted again.

7. Benefits

7.1 Once an EB has been through the Accreditation review process and has been deemed to have met the necessary standard, there are a number of quantifiable benefits:

- **Lighter Touch Regulation** – Having been Accredited an EB should no longer receive standard compliance visits by ENTRUST. Instead, a less stringent annual review process will be undertaken to assess whether an organisation can retain its status, or whether a full re-assessment is required;
- **More Autonomy** – Accredited EBs will be given more authority to approve and register their own projects via the ENTRUST On-Line system; and
- **Transparency** - It should also be noted that an Accredited EB will allow potential project promoters when applying to organisations and Landfill Operators to donate with an increased level of confidence as they know that organisations are well run and structured. It will also allow ENTRUST to audit the performance of the LCF with the knowledge that a percentage of the total funds available are being managed by robust and well controlled organisations.

8. Questions

8.1 Any questions relating to the process should be addressed to ENTRUST through the normal contact methods.

EB ACCREDITATION PROCESS – MODULES

Module 1 – Governance and Management (All EBs)

Designed to assess the EB's governance arrangements and high level management controls to provide assurance that the EB is effectively set up and managed. This module covers some or all of the following aspects as relevant to the EB:-

- Mission, Objectives and Values
- Strategic Planning
- Responsibilities, Authorities and Reporting Lines
- Board Composition & Organisation Structure
- Skills, Knowledge and Experience
- Risk Management
- Management Information

Module 2 - LCF Funding Arrangements (DEBs only)

Designed to assess the funding processes and controls which a DEB has established to ensure that these are aligned to best practice guidance and that these are adequate to enable a DEB to ensure that only compliant projects will be approved for funding. It is essential that a DEB has adequate processes and controls in this area for ENTRUST to transfer responsibility for Project Registration to Certified EBs. This module covers some or all of the following aspects as relevant to the EB:-

- Access to Funding
- Processing Funding Applications
- Funding Decision Making
- Approval Process
- Payment procedures
- Monitoring and Evaluation

Module 3 – Project Compliance (All EBs)

Designed to assess how the EB ensures that the projects under its control are compliant with the regulations throughout the life of the project. This module outlines the key areas of focus which will be considered within this assessment process. This module covers some or all of the following aspects as relevant to the EB:-

- Project assessment and management processes
- Payment processes
- Procurement processes
- Asset recording & control
- Project delivery

Module 4 – EB Operations (All EBs)

Designed to to assess the business, financial and administrative operations of the EB. This module covers some or all of the following aspects as relevant to the EB:-

- Financial Management & Accounting Controls
- Administration Costs
- Regulatory Reporting
- Policies and Procedures
- Business Processes (e.g. Health & Safety, Business Continuity, Recruitment, Training)

ACCREDITATION PROCESS – FLOWCHART

