

# **Environmental Body Accreditation process guide**

# Environmental Body Accreditation process

## 1. Introduction

- 1.1 ENTRUST is the regulatory body appointed under the Landfill Tax Regulations 1996 (Regulations) by The Commissioners of HM Revenue & Customs (HMRC), 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 Environmental Bodies (EBs) and targeted project based assessments.
- 1.2 The EB Accreditation process is intended to reduce the administrative burden on those EBs which deliver large numbers of projects on a regular basis by allowing them to approve their own projects. In order to attain Accredited status, EBs need to demonstrate high standards of corporate governance and internal controls the 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.
- 1.3 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 will be of greater benefit to EBs delivering large numbers of projects.
- 1.4 When we are satisfied that an EB has demonstrated high standards of corporate governance and internal controls and EB staff have a good understanding of the LCF Regulations we will submit a report and recommendation to the ENTRUST Board that Accredited EB status be awarded.

## 2. Framework

- 2.1 The Accreditation process involves a detailed review of an EB's internal control systems and procedures. The Accreditation assessment covers four areas:
  - Governance and management;
  - Landfill Communities Fund (LCF) funding arrangements;
  - Project compliance; and
  - EB systems and operations.
- 2.2 The assessment process will involve a detailed review of the EBs procedures to ensure that there are adequate controls in place to mitigate the risks of non compliance with the Regulations and the EB has adopted examples of good practice which are appropriate for the size and structure of the organisation.
- 2.3 EBs would be expected to have detailed, documented procedures in place and be able to demonstrate that the procedures are operating in practice, in order to attain Accredited status. The 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. A recommendation to award Accredited Status will only be put to the ENTRUST Board if there are no areas that require improvement.

2.4 The ENTRUST Board will monitor and maintain an overview of the Accreditation process.

### 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 criteria for each area for review, set out in Appendix A to identify any processes that they consider should be reviewed prior to the ENTRUST assessment being carried out.

3.2 The process is designed to ensure that appropriate recommendations and guidance are provided to enable every EB who wishes to be accredited can improve their internal control framework and raise governance procedures to an acceptable standard, with the overall aim of achieving the Accreditation status.

3.3 A detailed report is issued at the conclusion of the accreditation review. This report will contain one of three possible conclusions:

<b>EB is Accredited</b>	The assessment identified that adequate processes and controls are in place within the EB to enable Accreditation status to be granted by the ENTRUST Board.
<b>Pending Accreditation</b>	<p>The assessment identified that processes and controls were generally satisfactory, however some areas for improvement were identified which must be addressed before the Accreditation status can be awarded.</p> <p>Recommendations for improvement will be provided where standards have not been met. ENTRUST will review the actions taken by the EB to confirm these have been adequately addressed.</p> <p>Once all issues are addressed a report will be made to ENTRUST Board recommending Accreditation status be granted.</p>
<b>Not Accredited</b>	<p>The assessment identified that processes and controls in the EB do not meet the standards expected of an Accredited EB.</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 Where recommendations for improvements have been made the EB must satisfy ENTRUST that these issues have been addressed and the recommendations fully implemented. This will require submission of documentary evidence by the EB to demonstrate improvements have been implemented and are operating, before a recommendation to award Accredited status can be made to the ENTRUST Board.

3.5 If an EB disagrees with the findings of the Accreditation report the EB can appeal to the Head of Operations. The EB should provide evidence to support the basis of their appeal and explain how they consider they meet the required standards. The findings of this appeal will

be reported to the EB and the decision will be final. The total number of appeals made by EBs will be reported to the ENTRUST Board.

#### **4. Ongoing Monitoring**

- 4.1 EBs awarded Accreditation status will be subject to an annual review. The purpose of the review is to ensure that the EB continues to maintain the standards required to retain accredited status and is correctly applying the Regulations to the projects they deliver. The review will assess any organisational or staffing changes to the EB since the previous review and include targeted testing of a sample of projects for ongoing compliance.
- 4.2 A number of key performance measures will also be monitored by ENTRUST on an ongoing basis for each accredited EB. These measures include:
- % administration costs;
  - Levels of unspent and uncommitted funds;
  - Turnover of funds;
  - Number of projects; and
  - Compliance with submitting reporting forms to ENTRUST.

Wherever possible the monitoring is based on the information held on our ENTRUST online (EOL) system, reducing the administrative burden on an Accredited EB.

- 4.3 Significant variations in performance since the accreditation status was granted 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 EB.

#### **5. Removal of Accreditation Status**

- 5.1 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.
- 5.2 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.
- 5.3 Where an EB disagrees with the decision to remove Accreditation status, the EB can appeal to the Head of Operations. Any recommendation for the removal of Accredited Status will be made to the ENTRUST Board and an EB can make a written submission to accompany the report.

## 6. Benefits

6.1 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 receive a less stringent annual review process to assess whether an organisation can retain its Accreditation status;
- **More Autonomy:** Accredited EBs will be given more authority to approve and register their own projects via the EOL system;
- **Abbreviated Project Registration Forms:** The information that Accredited EBs will need to enter when registering a project via EOL is reduced; and
- **Transparency:** Accredited status will provide Landfill Operators (LO) and other EBs making contributions to you with an increased level of confidence as they know that funds and projects are managed by organisations with high standards of corporate governance and internal controls and demonstrate a good understanding of the Regulations.

## Appendix A

### Environmental Body (EB) Accreditation process: areas for review

#### 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 and organisation structure
- Board independence, including board member rotation.
- Skills, knowledge and experience
- Risk management
- Management information

#### Module 2 - LCF Funding Arrangements (Distributive EBs (DEBs) only)

Designed to assess the funding processes and controls which a DEB has established to ensure that these are aligned to good 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 Accredited 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; and
- Project 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 and control; and
- Project delivery.

#### **Module 4 – EB Operations (All EBs)**

Designed 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;
- Administration costs;
- Regulatory reporting;
- Policies and procedures; and
- Business processes (e.g. Health & Safety, Business continuity, Recruitment, Training).

## Appendix B

### Accreditation process: flow chart

