

Compliance Inspections – what to expect



Why do we carry out inspections?

We are the Regulator appointed by HMRC under the Landfill Tax Regulations (1996) (Regulations), which sets out our duties and the procedures you need to follow as an Environmental Body (EBs).

We have a duty to make sure that EBs that receive Landfill Communities Fund (LCF) monies are working within and meet the Regulations that govern the scheme. One way of doing this is by visiting EBs and their projects to look at their procedures and records. If necessary, we offer advice and recommendations for improvement.

What can I expect?

Our Compliance Inspectors carry out the inspections. We will try to minimise the level of disruption to you and your EB as much as possible. For a small EB the visit may only last a couple of hours, whilst it will take longer for a larger organisation. Depending on the size and nature of the projects you have we may carry out a desk top review instead of a visit. For these reviews we will ask you to supply relevant documentary evidence to us.

We carry out two forms of inspection, a Project Compliance (PC) inspection or a Control Framework inspections (CFI). Both look at how the EBs are managed and how the projects have been delivered.

A PC inspection is primarily focussed on your projects, while the more detailed CFI inspections also cover the EBs governance and management arrangements. The type of inspection you receive will be determined by the scale and level of LCF activity.

One of our Compliance Inspectors will contact you to arrange a convenient date and time to carry out the inspection. The inspector will outline what we intend to review at the visit, including some specific projects and explain what will be required of you. This will also give you the chance to ask any questions you may have. Details will then be confirmed to you in an email or letter.

Why am I being inspected?

In order to satisfy our Regulatory duties, we carry out an annual schedule of compliance reviews. These are risk-based reviews identified through our Risk Model. This incorporates a number of risk indicators. The key indicators include:

- amount of LCF monies received, spent or uncommitted;
- EBs performance in complying with statutory returns; and
- Results of previous compliance reviews.

We would also act on any information received indicating possible non-compliance with the Regulations.

The majority of visits are routine compliance reviews and are nothing to be concerned about.

What information do the Inspectors need?

The Inspectors will need to see a range of documents and records which demonstrate how LCF monies have been spent and that the EBs have complied with their regulatory obligations. These will include the following:

- bank statements and mandates for LCF accounts;
- management accounts and information on the EBs running costs charged to the LCF;
- details of how qualifying contributions have been spent, and information on contributing third parties;
- project files; (including project costings , budgets; project expenses and invoices);
- any contracts, planning permission or other legal obligations;
- any documented procedures used by the EB;
- EBs Board papers and project approvals; and
- EB governance structures.

Specific details will be provided in the confirmation email or letter issued once a date has been agreed for the visit. During the visit the Inspector may also ask to see additional random samples of files, as is normal audit practice.

Prior to the visit, our Inspectors will review information already held by ENTRUST such as; Annual Returns (Form 4), Contribution (Form 3) and Transfer (Form 7) details; Director/Trustee records and the EBs Memorandum and Articles.

It would be helpful if EBs could review these details prior to the visit to ensure all records are up to date e.g. changes to Directors/Trustees have been notified to ENTRUST.

Who do we need to see and where?

Visits are usually arranged by the Compliance Inspector who will undertake the visit. As we review both EBs management procedures, financial records and specific project records we will need to speak to people with knowledge of each of these areas. Alternatively, we can speak to another person who has the authority to discuss these details.

Most visits are conducted at the main contact address provided by the EB. The venue will be confirmed by the Inspector at the initial contact. If the visit is arranged away from where you keep your accounts and records, you will need to ensure that all the required documentation is available for the Inspector on the day of the visit. We will also need to visit one or more of your projects sites so we can check that they have been delivered according to plan and remain in compliant use. We will notify you in advance of which projects we wish to visit.

Feedback

At the end of the inspection the Inspector will discuss our initial findings with you. A more detailed draft report will be issued after the visit, following our management review of the inspection file. The draft report will detail any recommendations for improvement with suggested timescales for introducing changes and invite your responses. You will be given

28 days in which to respond and provide your management responses. A final report will then be issued incorporating your responses and timescales for implementation.

We may arrange a follow-up visit at a later date to check that agreed actions have been carried out and procedures have been put in place to address the issues identified at the initial visit.

A short compliance satisfaction questionnaire is issued with our draft reports which invites comments on our inspection process and we would encourage EBs to complete these as your feedback does help us to improve the way we work.

Further information and contact details

If you would like more detail on the inspection process or have any concerns or complaints about your visit, our Compliance Managers will be more than happy to discuss these with you.

Please contact Compliance Managers, Andrew Wood or Mike Holland on 01926 488 310 or 01926 488 309 respectively. Or try our main telephone number 01926 488 300 and choose the Compliance option.