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Feed-in Tariffs (FIT)

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Feed-in Tariffs: Guidance on sustainability audit reports

Overview

This document is for generators of anaerobic digestion (AD) installations in England, Scotland and Wales that made an application on or after 1 May 2017 where the total installed capacity (TIC) is 1 MW or above.

The obligation to meet sustainability requirements and feedstock restrictions applies to all AD installations that made a new application for ROO-FIT preliminary accreditation or full accreditation on or after 1 May 2017. This does not apply to installations where the full application has been made on or after 1 May 2017 but which had preliminary accreditation prior to this date.

The sustainability criteria consider the land from which the feedstocks to produce the biogas are sourced as well as the life-cycle greenhouse gas emissions associated with the biogas. The legislative framework requires AD generators to report against, and meet, the sustainability criteria on a quarterly basis in order to be eligible for generation payments under the scheme.

The feedstock restrictions place an annual limit on the FIT generation payments an AD installation is entitled to, according to the fuel classification of the feedstocks used to produce the biogas. Where the electricity generated from biogas not derived from feedstocks classified as wastes and/or residues exceeds 50% of the total biogas yield (by energy content), the installation is not entitled to FIT generation payments for that year for the proportion in excess of 50%. The generator will be required to report against the feedstock criteria to Ofgem on an annual basis.

Generators of installations with a Total Installed Capacity (TIC) of 1 megawatt (MW) and above will also be required to submit an independent sustainability audit report to provide further assurance on sustainability and feedstock information provided in the quarterly and annual declarations.

This document provides guidance on how to comply with the annual audit report requirements under the FIT which came into force on 1 May 2017. For more information on the sustainability and feedstock restriction requirements please refer to our "Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions".

Context

On 1 April 2010 the Feed-in Tariffs (FIT) scheme was introduced, aimed at encouraging the uptake of small-scale renewable and low-carbon technologies up to a Total Installed Capacity (TIC) of 5 MW in England, Wales and Scotland.

The scheme requires certain licensed electricity suppliers to pay eligible installations for the generation and export of renewable and low carbon electricity.

Installations using solar photovoltaic (PV), wind, hydro and AD technologies up to 5 MW – and fossil fuel-derived combined heat and power up to 2 kW can receive FIT payments, if all eligibility requirements are met.

The FIT scheme, introduced by the Department of Energy and Climate Change (DECC) (now known as the Department for Business, Energy and Industrial Strategy [BEIS]), is administered by the Gas and Electricity Markets Authority (the Authority), which is assisted in its day-to-day functions by the Office of Gas and Electricity Markets (Ofgem).

Associated documents

Policy and legislation

The Feed-in Tariffs Order 2012 (as amended):
http://www.legislation.gov.uk/uksi/2017/131/contents/made

Modifications to Conditions 33 and 34 of the Standard Conditions of Electricity Supply Licences:
https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf

Guidance

All documents are available at www.ofgem.gov.uk

- Feed-in Tariffs: Guidance for Licensed Electricity Suppliers
- Feed-in Tariffs: Guidance for Renewable Installations
- Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions

Other Relevant Publications

Woodfuel Advice Note (published by DECC): see
https://www.gov.uk/government/publications/woodfuel-guidance

FIT Anaerobic Digestion Fuel Measurement and Sampling (FMS) questionnaire and guidance note: see
https://www.ofgem.gov.uk/publications-and-updates/fit-anaerobic-digestion-fuel-measurement-and-sampling-fms-questionnaire-and-guidance-note

Feed-in Tariffs: Quarterly sustainability declaration template: see
https://www.ofgem.gov.uk/publications-and-updates/feed-tariffs-quarterly-sustainability-declaration-template

Feed-in Tariffs: Annual feedstock declaration template: see
https://www.ofgem.gov.uk/publications-and-updates/feed-tariffs-annual-feedstock-declaration-template

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Executive Summary

This document provides guidance for AD installations, and their appointed auditors, on the annual audit report to be submitted under the requirements of the Feed-in Tariffs (FIT) scheme introduced from 1 May 2017.

It aims to provide assistance to these generators and other interested parties by describing the requirements necessary to verify compliance with the FIT sustainability criteria and feedstock restrictions. The Feed-in Tariff (Amendment) Order 2017 requires the annual audit report to be prepared to an adequate standard, which means that it should conform to the International Standard on Assurance Engagements (ISAE) 3000 (revised) or equivalent. Background information to ISAE 3000 (revised) is provided by this document. The FIT legislation also set out some specific points which must be addressed as part of the audit process which are also described in this document.

The audit will require the generator and their auditor to go through a number of steps, working together throughout the verification process. An overview and examples of the actions that may be undertaken as part of the audit are described by this document. So are the data, processes and systems used by the generator to produce the sustainability information reported to us that will be subject to verification.

We do not participate in the verification engagement. It is therefore the output of the audit, (i.e. the audit report) which is used by us to determine whether there is adequate assurance that the generators have reported correctly. This document provides guidance as to the format and contents that the annual audit report must present, in order to meet the auditing requirements set out by legislation and ensure relevant and sufficient information has been provided.

This document has been specifically created for the Feed-in Tariffs (FIT) scheme. It is for guidance only and not intended to be a definitive legal guide.

1. Background

Chapter summary

The common terminology used within this document is explained within this introductory Chapter.

1.1. Some areas of the legislation are prescriptive, others give us discretion. Where the legislation is prescriptive, this guidance is intended to help generators and verifiers understand what we require. Where the legislation gives us discretion, the document gives guidance as to how we might exercise that discretion. It also explains what we need, practically, from generator and auditors to enable them to meet these requirements.

1.2. In instances where parties other than generators are involved (for example the auditor appointed to conduct the annual sustainability audit), the generator is responsible for ensuring any guidance is distributed accordingly.

1.3. This document cannot anticipate every scenario which may arise. Where a scenario arises which is not addressed in this guidance, we will adopt an approach consistent with the relevant legislation.

1.4. This is a guidance document only. Generators are responsible for ensuring that they are aware of the requirements of the legislation. It is not intended to provide comprehensive legal advice on how the legislation should be interpreted. Where necessary, generators should seek their own technical or legal support.

1.5. As a working document it may be updated from time to time and should be read in conjunction with other guidance documents listed in the Associated Documents section, and the relevant legislation. Any separate guidance published in addition to this document will be posted on our website.

Terminology

1.6. The document refers to the Feed-in Tariffs (Amendment) Order 2017. "Ofgem", "us", "our" and "we" are used interchangeably when referring to the exercise of the Authority's powers and functions under the legislation. For more information on our role as the FIT administrator please refer to our 'Feed-in Tariffs: Guidance for Renewable Installations'.

1.7. Where the term "biogas" is used in this document it refers to gas produced by anaerobic digestion which is used to generate electricity at the FIT installation.

1.8. The terms "auditor" and "verifier" are used interchangeably throughout this document. The terminology within ISAE 3000 (revised) refers to this party as 'the practitioner'. The terms "audit", "verification" and "engagement" are also used interchangeably.

Queries

1.9. Any queries in relation to this document should be sent to fuellingandsustainability@ofgem.gov.uk

1.10. All queries in relation to our functions under the FIT Order should be emailed to roofit@ofgem.gov.uk. Written queries should be sent to Ofgem, Commonwealth House, 32 Albion Street, Glasgow, G1 1LH, clearly marked for the attention of the ROOFIT Team.

1.11. Any queries about changes to the FIT scheme and wider policy should be directed to the Department for Business, Energy and Industrial Strategy. Contact details can be found at www. gov.uk/beis.

2. Auditing requirements

Chapter summary

The legislative framework sets out how the annual audit report needs to be prepared, and also the specific points which must be addressed during the audit process. The audit process will require the generator to appoint and engage with an auditor. They will then need to undergo a number of steps during which the generator's sustainability and feedstock information and relevant processes will be verified.

Introduction

2.1. From 1 May 2017, AD installations with a TIC (total installed capacity) which is less than or equal to 1 MW are required to submit an annual sustainability audit report to us verifying their compliance with the sustainability and feedstock requirements.

2.2. The obligation to meet sustainability requirements and feedstock restrictions applies to all AD installations that made a new application for ROO-FIT preliminary accreditation or full accreditation on or after 1 May 2017. This does not apply to installations where the full application has been made on or after 1 May 2017 but they had preliminary accreditation prior to this date.

2.3. Please note that if your installation's TIC is <1MW and consequently does not require an annual sustainability audit report, you may still be audited by us. As part of this you would need to provide the relevant evidence and information to demonstrate that sustainability criteria and feedstock requirements have been met.

2.4. The Feed-in Tariffs Order 2012 (as amended) sets out the requirements on how the audit report is to be prepared including that it must:

- be prepared by a person who is not the generator or a connected person[1],
- be prepared in accordance with the ISAE 3000 (Revised): Assurance engagements other than audits or reviews of historical financial information dated 9 December 2013 or an equivalent standard, and
- state whether anything has come to the attention of the person preparing the report to indicate that the sustainability information provided in the quarterly declarations is not accurate; and consider, in relation to each consignment:
  - whether the systems used to produce the sustainability information are likely to produce information which is reasonably accurate and reliable
  - whether there are controls in place to help protect the sustainability information against material misstatements due to fraud or error

[1] A connected person is deemed in the FIT Order to be any person connected to the generator within the meaning of section 1122 of the Corporation Tax Act 2010(a).

- the frequency and methodology of any sampling carried out for the purpose of obtaining or checking the data on which the generator relied in preparing the sustainability information, and
- the robustness of the data on which the generator relied in preparing the sustainability information.

- state that the person preparing the report has reviewed the annual feedstock declaration and the feedstock information in respect of the annual reporting period and states whether the declaration is correct.

2.5. 'Sustainability information' refers to the information which demonstrates the greenhouse gas (GHG) emissions and land criteria have been met. For biogas produced from feedstock which was waste, it refers to evidence to demonstrate the correct classification of waste for that feedstock.

2.6. 'Feedstock information' refers to the total amount of electricity generated in the relevant reporting period, the feedstock type(s) used to do so, the classification of that feedstock and the apportionment by feedstock type of the total biogas produced (based on the energy content of each feedstock type).

2.7. It is the responsibility of the generator to provide us with an annual sustainability audit report. This report must meet the requirements specified by the Feed-in Tariffs Order 2012 (as amended) and be submitted to us within three months after:

- each anniversary of the installation's eligibility date, or
- the relevant period as the Authority may otherwise require.

2.8. For example, if an installation's Eligibility Date was 21 April 2018, the audit report for the first reporting year must be submitted by 20 July 2019 and annually thereafter.

2.9. To ease the burden of reporting where a FIT station is also accredited under the RHI scheme, we may change the dates of the FIT reporting periods in order to align them with the RHI reporting periods. In this instance we will notify the generator and licensee. For more information on this please refer to Chapter 2 of our 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions'.

2.10. The report must consider and report on each consignment of biogas used during the annual period it is reporting on.

2.11. Organising the verification is the responsibility of the generator. This report must be supplied regardless of the conclusion reached by the independent auditor.

2.12. The audit report must be submitted to Renewable Electricity Fuelling and Sustainability team, to FuellingandSustainability@ofgem.gov.uk.

2.13. The email must clearly mark the name of the installation that the audit report has been produced for.

2.14. It is the responsibility of the generator to ensure that the audit report is submitted by the deadline of three months of the end of the annual period.

2.15. Where the annual sustainability audit report is not provided by the relevant deadline or is provided but is incomplete or unsatisfactory, FIT generation payments may be impacted. Please see Chapter 11 "Consequences of non-compliance" of our guidance document 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions' for further detail.

2.16. Where the generator is awaiting a decision on an application for FIT accreditation for their installation, then given the timing of the accreditation process can vary they may wish to consider the auditing requirements and engage with auditors at an appropriate stage. The generator should contact the fuelling and sustainability team at fuellingandsustainability@ofgem.gov.uk to discuss delaying the submission of their audit report if this applies to them.

Assurance standard – ISAE 3000 (revised)

2.17. The FIT Order requires the sustainability audit report to be prepared to an adequate standard: ISAE 3000 (revised) or equivalent.

2.18. ISAE 3000 (revised) sets out a framework for verifiers when undertaking assurance engagements of non-financial information. Developed by the International Auditing and Assurance Standards Board (IAASB) it is based on the same framework that underpins the IAASB's International Standards on Auditing.

2.19. ISAE 3000 (revised) is not, however, limited to sustainability reporting and covers a wide range of non-financial assurance engagements. The standard itself is therefore sparse on the detail that may help generators and verifiers conduct the specifics of the engagement consistently.

2.20. It is the responsibility of the auditor to perform the assurance engagement and complete the written report in accordance with ISAE 3000 (revised). However, the generator is responsible for ensuring they are appointing a relevant and competent auditor and agreeing an appropriate scope of work with them. The generator should therefore ensure that they fully understand the requirements of ISAE 3000 (revised).

Background of ISAE 3000 (revised)

2.21. ISAE 3000 provides the background information to the parties involved in the assurance engagement, in this case the generator and their appointed auditor. It sets out the importance of the initial work required to identify the scope of the engagement. While ISAE 3000 (revised) principally provides guidance to the auditor on carrying out assurance engagements and structuring the report, it should also be read by the generator so they understand the role and requirements of themselves and their auditor.

2.22. The rest of this section sets out more detailed information on what ISAE 3000 (revised) covers. This should provide a useful summary in the context of sustainability reporting, but should not be seen as an alternative to reading ISAE 3000 (revised) itself in full.

2.23. **Ethical requirements** – Details how the verification body and its personnel should comply with the requirements of Parts A and B of the 'Code of Ethics for Professional Accountants'.

2.24. **Quality control** – Illustrates the internal controls that the verification body should have in place. These should assure it that the firm and its personnel comply with all necessary professional standards and regulatory and legal requirements, and that the assurance reports issued by the verifier are appropriate in the circumstances of the particular engagement.

2.25. **Engagement acceptance** – Information explaining that the verifier should accept engagements only if they are satisfied that the personnel performing the engagement have both the necessary professional competency and the appropriate knowledge of the subject. The verifier should ensure they can deliver to the requirements of the engagement, to comply with ISAE 3000 (revised).

2.26. **Terms of the engagement** – It is important that there is a clear understanding and agreement concerning the scope and purpose of the engagement between the verifier and the generator. At this stage, preparatory work (ie initial risk assessment) must have been completed by the verifier in order to define the scope and hence the terms of the engagement which should be recorded in an engagement letter or other suitable form of contract.

2.27. The terms of engagement should be set out so that the responsibilities and liabilities of the generator and auditor are clearly and unambiguously defined. It is importantthat the generator fully appreciates the importance of this document and the terms agreed as it will set out the basis on which queries or issues raised by us, if any, will be addressed. For example, if the terms of engagement between the generator and the audit do not include the complete requirements for producing the FIT sustainability audit report, this may cause issues for the generator if further information is requested by us. Where aspects of the FIT requirements are not included within the terms of the engagement, they may be considered to be outside of the scope of the engagement by the verifier.

2.28. **Planning and performing the engagement** – Describes the need for the verifier to plan the engagement so that it will be performed effectively, appropriate ongoing evaluation of the engagement and revisions of the initial risk assessment where necessary. In order to perform this work, the verifier will need to understand the generator's data, systems, processes and controls.

2.29. **The use of experts** – For the purposes of the audit reports, a verification body, with expertise in ISAE 3000 (revised), may wish to appoint an expert with specific subject knowledge, for example an agronomist, to support the verification engagement. This section explains that if the verifier is to use a technical expert during the engagement process, they should obtain sufficient appropriate evidence that the expert's work is adequate for the purposes of the engagement and that the verifier accepts full responsibility for the opinion formed.

2.30. **Obtaining evidence** – Gives examples on some of the generic circumstances where the verifier should have obtained sufficient appropriate evidence upon which to base their opinion.

2.31. **Representations** – The verifier should obtain representations from the

responsible party (the generator) as appropriate. In this context the verification body would be advised as a minimum to obtain a formal management representation letter from the generator confirming that all relevant data, information and records have been made available to the verifier in order for them to conduct their work. It also confirms that the generator takes full responsibility for ensuring that all such material information is both complete and accurate.

2.32. **Considering subsequent events** – Outlines how events occurring after the end of the reporting period that is subject to verification up until the date of the audit report, should be considered by the verifier. It is possible that some events, eg changes in processes, may have an impact on the subject matter and thus the verifier's opinion.

2.33. **Documentation** – The verifier is required to maintain adequate level of documentation that supports that the engagement was performed to the relevant professional standards. Issues which are, or have the potential to be, material should be appropriately documented to support the assurance report. This can be done via an issues log.

2.34. **Preparing the assurance report** – Demonstrates the areas that must be included within the written report. More information on the basic elements of the report is set out in Chapter 3.

Risk and materiality based assessments

2.35. ISAE 3000 (revised) states that the auditor should consider the assessment of materiality and assurance engagement risk when planning and performing an assurance engagement.[2]

2.36. The determination of inherent risk will be down to the professional judgement of the auditor. The risk assessment is intended to reduce the risk of the auditor failing to observe a misstatement present in the data. When considering the risk assessment the auditor will strive to identify the areas where they consider there to be the greatest risk of error or misreporting. This will then determine the sampling strategy. The risk assessment should be clearly set out and documented so that it can be presented to us, following the audit, if further details are required.

2.37. Examples of factors that may increase the risk of misstatement are the complexity of the fuel supply chain, use of actual carbon intensity values rather than default values, when carbon intensities reported are close to the emission saving threshold, or where data is recorded manually rather than electronically.

Selective procedures

2.38. In determining the selective procedures that may be used, the auditor identifies where they will focus their attention during the assurance engagement. This selection should be based on the risk of misstatement assessment previously performed by the auditor and should be sufficient to satisfy the auditor that the level of risk is acceptable.

[2] Paragraph 22 of ISAE 3000 (revised)

2.39. It may be expected that as the verification process progresses, should the auditor identify areas of concern, they may determine to enlarge the selection of information and procedures under the scope of review in order to achieve an acceptable level of risk.

2.40. Where a generator has a portfolio of installations, the verifier may consider, based on similarities in feedstocks, fuel measurement and sampling (FMS) procedures and other processes, not to visit all of the installations if they consider that sufficient appropriate evidence is available on which to base their conclusions. This is acceptable, but the auditor should be able to provide robust justification for this, and for the selection of sites chosen to visit. Where the audit identifies issues during any of the installation visits, the auditor may determine that additional sites need visiting.

Materiality

2.41. Assessment of materiality must also be conducted by the auditor to determine whether the presence or absence of information will impact decisions or actions of the reporting party or the intended users of the report. For example, we will be using the assurance statement to help determine whether the installation has reported correctly against the sustainability and feedstock criteria, and to determine whether any payments have been made for biogas which the auditor determines do not meet the criteria.

2.42. Materiality is best regarded as a concept relating to the importance or significance of a factor, amount or discrepancy, or combination of such issues, in the determination of a professional judgement, in this case whether the audit report can or cannot be verified. Materiality decision making can be applied in two ways, firstly at a 'qualitative level' where there is a significant problem with due process ie major non-compliance with agreed process or procedure with a regulatory requirement, and secondly at a 'quantitative level' where reported data contains errors and misstatements.

2.43. There are various factors that can affect materiality. For example, when the generator reports biogas consignments which are produced from feedstocks classified as wastes or processing residues, given that these types of feedstock are exempted from certain reporting requirements, the risk of misstatement of the fuel claims must be considered. Another example would be the use of actual values to calculate the carbon intensity reported to us, as the Feed-in Tariffs Order 2012 (as amended) requires a minimum GHG emissions threshold that must be met in order to comply with sustainability requirements.

Assurance approach

2.44. ISAE 3000 (revised) defines two types of non-financial data assurance engagement, a 'reasonable assurance engagement' and a 'limited assurance engagement'. These refer to the level of assurance engagement risk acceptable and will determine the form in which the verifier's conclusion is expressed.

2.45. In a reasonable level of assurance engagement, verification risk is reduced to a level where the auditor's conclusion is expressed in a positive form. For example, "In our opinion, the generator has reported correctly, in all material

respects, against the FIT sustainability and feedstock requirements."

2.46. In a limited level the assurance engagement risk is reduced to an acceptable level where the auditor's opinion is expressed in a negative form for example "Based on our work described in this report, nothing has come to our attention that causes us to believe that the generator has not reported correctly, in all material respects, against the FIT sustainability and feedstock requirements."

Other requirements of the Legislation

2.47. As well as requiring the sustainability audit report to be prepared in accordance with ISAE 3000 (revised), the legislation sets out specific points which must be addressed as part of the audit process (see paragraph 2.4) this section provides further information on these requirements and how the auditor can address them.

2.48. **Accuracy and reliability of the systems.** The auditor must consider whether the systems used by the generator to produce the relevant sustainability and feedstock information are likely to produce information which is reasonably accurate and reliable. When discussing the scope of the engagement, the generator and their auditor will discuss the systems used by the generator to produce the relevant sustainability information. These systems may include bespoke IT systems, manual systems (for example paper-based filing systems) or widely available tools such as the UK Biomass and Biogas Carbon Calculator. Methods that could help the generator ensure accuracy and reliability of the information include:

- up-to-date written procedures outlining how staff should use the systems
- a staged process of checking data, involving review by multiple people for quality control
- where the UK Biomass and Biogas Carbon Calculator is used, a regular check for software updates
- where input data for GHG calculations is based on existing literature, a regular review to ensure these figures are the most up to date and appropriate
- quality assurance or quality control procedures
- internal audit procedures, and
- sign-off processes.

2.49. **Fraud or error prevention measures.** The auditor must consider whether there are controls to help protect systems used by the generator to produce the relevant sustainability information against misstatements due to fraud or error.

2.50. While it is impossible to identify and prevent every eventuality, considering fraud and error risks is likely to already be part of the day-to-day running of the generator's business. It is therefore likely that the generator will already have considered potential areas for fraud or error, so has controls to reduce these risks. Examples of measures that may help protect against fraud and error are:

- limiting access to systems to specified employees
- ensuring that IT-based systems are protected by appropriate virus software and against hacking
- quality assurance or quality control procedures
- sign-off processes

- use of an appropriate and safe record system
- keeping paper documentation in a lockable area, and
- internal audit procedures.

2.51. **Sampling frequency and methodology**. The auditor must consider the frequency and methodology of any relevant sampling performed by the generator as part of their processes for preparing or checking the sustainability and feedstock information. This consideration aims to determine whether it produces the sustainability and feedstock information required by the legislation. Examples of such procedures are:

- FMS procedures: These are agreed with us during the accreditation process and are intended to describe how the generator will determine the quantity of biogas used, energy content and split to the consignment level. The auditor is expected to review the installation's FMS procedures and confirm whether they have been approved by us, whether they are being followed by the generator and independently consider their adequacy to produce the sustainability and feedstock information to be reported to us. Further information on FMS procedures and how the auditor can use them is set out from section 2.83 in this Chapter.

- Other fuel sample and analysis: As well as what is set out in the FMS procedures, the generator may complete other regular fuel sampling and analysis to be confident that the material they have purchased is in line with the fuel specification. This process is likely to be completed at specific intervals, with both the sampling and analysis performed to standard methodologies.

- Checks for new suppliers: Before entering a contract with a feedstock supplier, the generator is likely to perform checks. As suppliers will provide information in different formats, the generator will want to be confident that the sustainability and feedstock information can be provided in a reliable and timely manner.

- Quality assurance protocols: The generator may receive input data for GHG calculations with each fuel delivery. The generator may take a sample of this data to verify that the values are appropriate. This may entail desk-based research using the internet or scientific journals to substantiate the values.

2.52. **Robustness of data** – The auditor must consider the robustness of the data the generator would rely upon in preparing the sustainability report. Examples of these are external data, information and documentation, such as:

- input values, such as fertiliser use or crop yield, to be used as part of the GHG calculation
- voluntary scheme certification confirmation
- declarations, and
- certificates of laboratory analysis.

2.53. An example of a weak form of evidence to be relied upon would be a self-certification or declaration. To be considered robust enough, this would generally need to be supported with other forms of evidence, such as third-party verification.

2.54. **State whether anything has come to the attention of the auditor to indicate that the relevant sustainability and feedstock information is not accurate.** As well as the requirements set out above, the auditor will

have to state whether anything observed during the audit process indicated that the sustainability and feedstock information submitted in the quarterly and annual declarations relating to the period covered in the audit was not accurate. This statement will be made as part of the conclusions and qualifications the auditor is required to express as a result of the audit. See the Conclusions and qualifications section in Chapter 3 for how this information needs to be provided within the report.

The verification process

2.55. As previously stated, to provide us with assurance over the sustainability and feedstock information provided by the generator, this information must be independently verified. Though the independent auditor will verify the data and produce a conclusion, the auditor and generator will have to work together throughout the verification process.

2.56. The verification process will require the generator to go through a number of steps. Table 1 provides an overview of these.

Table 1: Steps for generators in the verification process

Step 1	Read and understand the auditing requirements as set out by the legislation and their responsibilities in the verification process
Step 2	Engage a verification body that is appropriately qualified to undertake a limited assurance engagement of the generator's sustainability and feedstock data following ISAE 3000 (revised) standard or equivalent
Step 3	Continually engage with, and submit the relevant information and sustainability and feedstock data and evidence to, the auditor
Step 4	Host any visits from the auditor
Step 5	Respond to any of the auditor's questions
Step 6	Correct any material and non-material misstatement(s) identified by the auditor
Step 7	Read the audit report provided by the auditor and check that it includes all the information required (eg by using the checklist included in Appendix 1)
Step 8	Submit the annual sustainability audit report to us by the relevant date as noted in paragraph 2.7

Appointing a verifier

2.57. The generator is responsible for engaging a verifier to carry out a limited assurance engagement in accordance with ISAE 3000 (revised) standard, or equivalent. They are responsible for satisfying themselves that their selected verifier is appropriately qualified and competent.

2.58. The following list includes some guidance on how the verification body may demonstrate their suitability:

- is not a connected person[3] to the owner or generator
- has experience in carrying out ISAE 3000 (revised) assurance engagements
- has experience in working with supply chains (the extent to which expert skills and knowledge relating to sustainability and feedstock information for biogas are required will depend on the complexity of the fuel supply chain)
- has internal quality controls
- has established and maintains personnel records, which demonstrate that the verification personnel are competent
- has effective procedures for the training and recruitment of competent staff (employees, contractors and technical experts)
- ensures that the personnel involved in verification are competent for the functions they perform
- has systems to monitor the performance of verifiers and reviewers, which are reviewed regularly, and
- keeps up with verification best practice.

2.59. Whilst the generator is appointing an expert to conduct the verification process, they still need to have an understanding of the process as the outcome of it will determine whether they are reporting correctly against the requirements under the FIT.

[3] A connected person is deemed in the FIT Order to be any person connected to the generator within the meaning of section 1122 of the Corporation Tax Act 2010(a)

Performing the engagement

2.60. Following the appointment of the auditor, and with the terms of engagement agreed, the auditor plans and performs the engagement. Figure 1 describes examples of the actions that the appointed auditor may undertake during the engagement process.

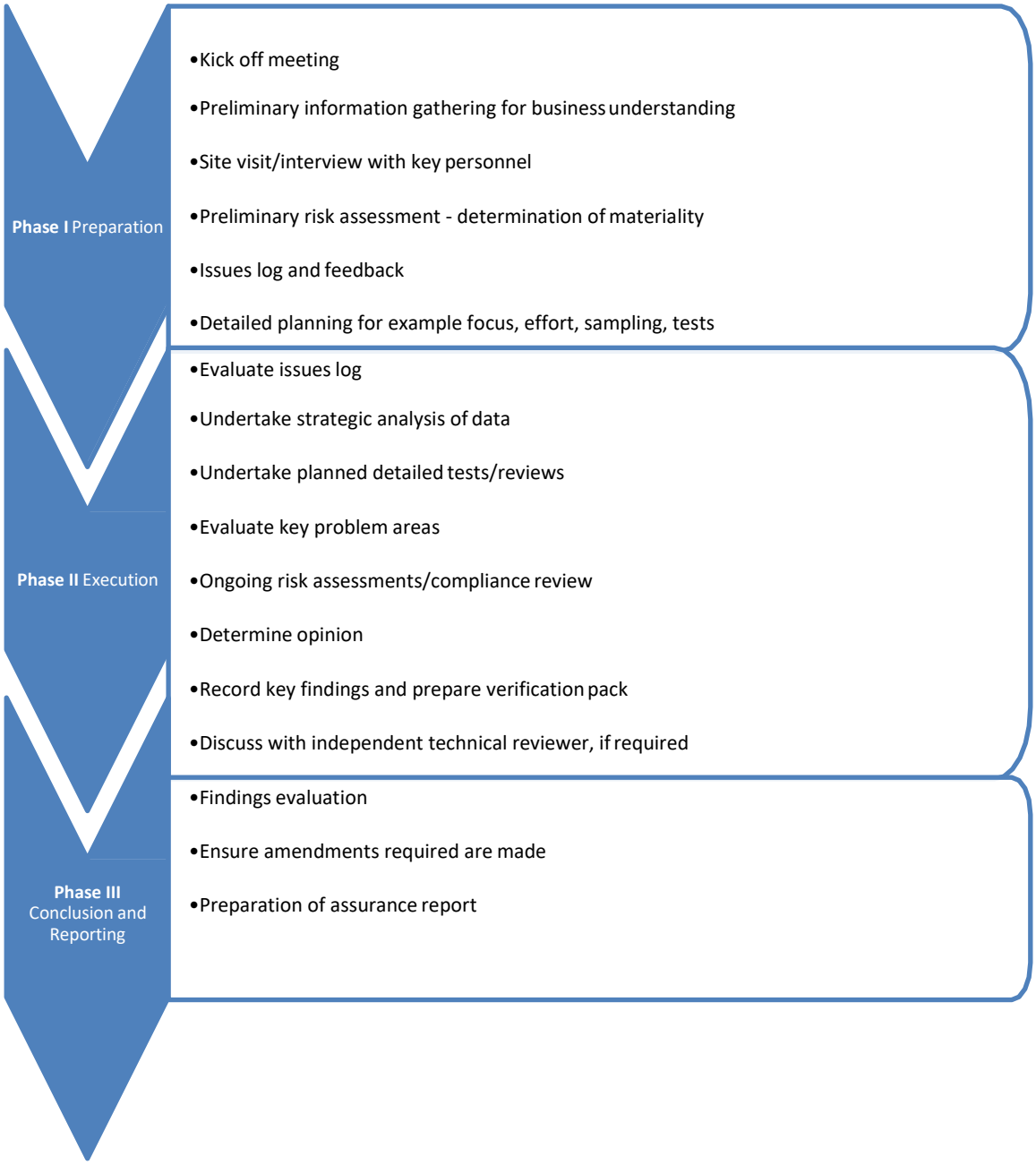

Figure 1: Typical steps undertaken by the auditor during the verification process

2.61. The first phase of the verification process involves engagement between the auditor appointed and the generator in order to agree a plan to perform the assurance engagement in accordance with the terms of engagement previously agreed (see paragraphs 2.25 and 2.26). An initial meeting is held allowing the auditor to gain further understanding of the subject matter and other engagement circumstances,for example how the installation operates, its processes and supply chains. Having gathered sufficient information, the auditor will then assess the engagement risk, determine materiality and establish detailed planning.

2.62. During the second phase the auditor will perform the verification of the data and consideration of the processes and systems following the planning and testing defined in previous phase. As a result of the ongoing risk assessment, further scrutiny of the information under the scope of the audit may be required. At this phase the auditor will also determine whether any action is required to be implemented by the generator prior to producing their conclusions. Any action required to be undertaken should form part of the final report submitted to us, even if this has been completed prior to the submission of the report.

2.63. The final stage involves a final evaluation by the auditor of the verification process findings. During this process the auditor may recommend certain amendments to the generator which should be made before the verification process ends, and the auditor will check have been completed. Finally, the assurance report is prepared with all the information obtained during the verification process and the assurance opinion (the auditor's conclusions). Together these make up the sustainability audit report that must be submitted to us (see Chapter 3 for an explanation of the terminology used). It is considered best practice for an independent technical review of the audit report to be conducted at this stage as a quality check. Information on how to prepare this audit report and the details expected to be included within it is provided in Chapter 3.

2.64. When undertaking the verification engagement, the auditor should use the following basic audit principles to inform their work:

- the **traceability** of the information down the supply chain, to the origin or during and from the process of collection (upon fuel classification), that is, is the reported sustainability and feedstock data traceable back to the party or parties that generated the source information through an appropriate chain of custody system?
- the **completeness** of the reported data, that is, has data been provided for each consignment? Does the available supporting evidence reflect the consignments reported under the FIT?
- the **consistency** of methodologies used in calculating actual carbon data and operating mass balance system,[4] for example, have consistent methodologies been followed for calculating and reporting actual carbon data? Is there any pattern where volumes of biogas change significantly?
- the **accuracy** of the reporting party's collation and reporting of data.

[4] For more information refer to Chapter 3 of our Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions

Good practice

2.65. We recommend the generator engages with an auditor as early as possible in the process to maximise the opportunity to learn from the auditor and help identify any discrepancy, error or gaps early on.

2.66. Common verification practice is for data to be supplied to the auditor in an organised evidence pack. This would normally be expected to include:

- the quarterly sustainability decalarations and annual feedstock declaration
- description of the processes, systems or standard procedures the generator uses to generate their relevant sustainability information (eg the carbon calculator)
- measures taken to protect the systems used to generate sustainability information against fraud or error and to ensure sustainability information produced is accurate and reliable (see 2.48 to 2.54)
- high-level description of the supply chain
- mass balance, chain of custody records
- FMS procedures, including consignment information
- contact details of the organisations in the supply chain
- calculation spreadsheets (preferably supplied electronically so that auditors can test the formulae)
- approved voluntary scheme certificates (see 2.81 and 2.82), and
- relevant supporting evidence to the above.

Later sections in this document refer to the data listed above in more detail and the checks required to be performed by the auditor.

2.67. All the above information and any other relevant to a particular installation would be needed to verify the data. If not provided in an ordered fashion, the verifier will likely need to request further information or clarifications, which increases the verification effort required and so will likely impact the time and cost to the generator.

What needs to be verified

2.68. The 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions' describes the mandatory sustainability criteria in detail. This includes land criteria and greenhouse gas (GHG) emission criteria, FMS and mass balance requirements and the rules for feedstock restrictions. An adequate chain of custody system is required to be used in order to trace back the sustainability data reported by the generator through all the parties in the supply chain who took legal ownership of the feedstocks or product at any point.

2.69. In undertaking the verification engagement, auditors are required to ensure the quantity of biogas reported to us on a quarterly basis, and all information provided by the generator in all declarations submitted for the period covered by the audit are accurate. They are also required to verify that these can be traced back through the supply chain by use of an adequate chain of custody system for the entire reporting period.

2.70. Auditors are also required to consider the processes and systems used by the generator to produce the relevant sustainability and feedstock information reported to us. Background information on the checks that need performing is provided in this Chapter. Information on how to include these within the report is included in Chapter 3.

Sustainability and feedstock compliance evidence

2.71. To demonstrate compliance with the sustainability and feedstock requirements, generators will need to collect relevant information and/or make use of voluntary schemes as evidence for their sustainability audit report.

2.72. Some of the evidence may lie with other parties in the supply chain (for example, evidence for meeting land criteria). While the physical evidence does not need to move through the supply chain with the feedstock, the generator should have sufficient information to report sustainability and feedstock information to us appropriately.

2.73. For this the generator may be relying on contractual agreements. Any information or evidence should be kept and made available if required for verification purposes, even where it is held by parties in the supply chain. This does not necessarily need to be in paper copy, electronic format is acceptable.

2.74. For the sustainability and feedstock information submitted in the declarations subject to verification, the generator will need to give the auditor supporting information. This might include:

- feedstock type (for example food waste, miscanthus)
- fuel classification (for example waste, processing residue)
- production process type
- chain of custody system records
- country of origin of the feedstock
- land use information
- carbon intensity and associated data, for example if actual GHG values were used on, for example crop yield and nitrogen fertiliser use may need to be verified
- voluntary scheme(s) (including any additional checks/audits where these have been performed), and
- sustainable forest management criteria (if using wood fuel).

2.75. To be able to produce data that is of sufficient quality to demonstrate compliance with the sustainability and feedstock criteria, generators need to ensure that they and others in their supply chain have effective systems for reporting and obtaining and retaining sufficient and appropriate evidence to support their data reporting.

2.76. We recommend that generators appoint a single point of contact with responsibility for data reporting.

2.77. All parties in the supply chain must have a document management system in place. This means they must have a verifiable system for the evidence related to the claims they make, that evidence should be kept for the lifetime of the scheme and they must accept responsibility for preparing any information related to the verification of such evidence.

2.78. It is good practice to:

- liaise with the parties in the supply chain to ensure awareness of the need for co-operation and for a chain of custody system
- produce data in a manner that is transparent and is as consistent as possible between years (allowing for improvements in method)
- remove unnecessary complexity from the reporting system
- organise internal checks of the data
- ensure all parties supplying data are aware of the rigour required and that responsibility for supplying the data is allocated
- map the data flow within the organisation, such as between spreadsheets
- minimise the manual transfer of data
- ensure adequate controls around the data
- document the system (who does what, when etc), and
- track data over time to help identify any misstatement.

2.79. Good systems reduce the cost of verification. The greater the confidence that can be placed on controls the less effort that needs to be given to verifying the data for the same level of assurance. The cost of verification can, therefore, be reduced if the verifier has confidence in the system that produced the data.

2.80. Evidence of the effectiveness of controls can come from internal sources, such as management reviews and internal audits, as well as external audits, for example, of the chain of custody.

The role of recognised voluntary schemes

2.81. Evidence of compliance with an approved voluntary scheme[5] can be sufficient proof of compliance with the FIT requirements for which the voluntary scheme has been recognised. In other words, the verifier can rely on the voluntary scheme and does not need to separately check that the party has complied with the sustainability requirements for which the voluntary scheme is recognised. The verifier would simply need to verify that the party is actually certified by the relevant voluntary scheme.

2.82. It may occur that some parties in the supply chain are certified by a recognised voluntary scheme and other parties in the supply chain are not. In that case further verification will need to be undertaken. It may also occur that a party is certified by a voluntary scheme that is recognised for part of the sustainability requirements but not all, for example a voluntary scheme that is approved for the GHG data but not for the mass balance. In that case, the party is still subject to verification on those sustainability requirements

[5] Please see Chapter 5 of the Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions

for which the voluntary scheme is not recognised. For more information on the use of voluntary schemes see Chapter 5 of the 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions'.

Generators' documentation to us

Fuel measuring and sampling (FMS) procedures

2.83. The FMS procedures are required to determine the quantity of biogas used in a quarter, the energy content and how the biogas is split to consignments based on feedstock consignments.

2.84. These procedures will also determine how the relevant sustainability and feedstock information will be reported by the generator as part of their declarations.

2.85. These procedures determine the quantity of biogas and feedstocks, generally an important aspect of verifying reporting of sustainability and feedstock information. For instance, feedback from auditors has been that for the purposes of tracking mass balance, quantities of feedstocks and biogas used are important. In addition to this, should the auditor determine any of the consignments to be unsustainable, we may instruct the FIT Licensee to adjust their payment for the relevant consignments for that reporting period. Therefore, as part of the audit process, the auditor will need to identify whether the installation has FMS procedures, whether these have been approved by us and whether they are being followed. These checks form part of the audit report requirements set out by the legislation to consider the sampling frequency and methodology.

2.86. Where the generator does not have agreed FMS procedures, we recommend that they contact the fuelling and sustainability team at fuellingandsustainability@ofgem.gov.uk to determine whether it is appropriate for them to conduct an audit report at that time, or whether the report ought to be delayed.

2.87. AD installations will have a copy of the approved FMS procedures and the approval email from us which should be made available to the auditor and used to support the audit process.

Consignment information

2.88. Auditors are required to confirm that the number of biogas consignments, as determined by the number of feedstock consignments, against which the installation reports is correct as well as the chain of custody system used is consistent with that declared. Guidance on determining consignments is provided in Chapter 3 of the 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions'.

Fuel Classification Review

2.89. When submitting their FMS questionnaire for review, the generator will need to consider the classification of their feedstocks. The common classification tables in Appendix 2 of the 'Feed-in Tariffs: Guidance on sustainability criteria

and feedstock restrictions' will help with this. There are some exemptions to sustainability reporting, based on whether the fuel is considered a waste or a type of residue. The classification will also have a impact on payments in relation to the feedstock restrictions. Where the generator considers the fuel to be a waste or a type of residue which is not covered in the common classification tables, we will ask them to provide evidence of the fuel classification at the FMS review stage. Generators can also request our view on the fuel classification when they consider the fuel classification indicated by these tables is not appropriate for a particular feedstock they are using. Chapter 3 of the 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions' provides general information on fuel classification.

2.90. Our views on fuel classification does not represent and should not be considered as 'a decision' or 'official approval'. We expect the generator's independent auditor to consider all the relevant evidence, and where necessary, seek further information, as part of the sustainability audit report. Where it has been identified that evidence of fuel classified as a waste or a type of residue has had to be provided to us, the auditor will also need to verify that the evidence provided is appropriate for the fuel and that the fuel classification is correct. All views provided by us will be given case by case and based on the information given to us by the generator. As such, we will not consider sufficient for the auditor to rely solely on the correspondence between us and the generator for coming to a view as part of the audit.

3. The sustainability audit report

Chapter summary
As a result of the verification process the generator and auditor will prepare a report presenting the outcomes of the audit. The generator will need to submit this to us.

In order to meet the requirements of the legislation, the sustainability audit report must be presented with certain format and contents that are appropriate and facilitate the review. ISAE 3000 (revised) sets out the required sections within the report.

Format

3.1 Following verification, the independent auditor will provide the generator with a formal assurance opinion (a verification statement) on the data the generator holds. The assurance opinion is submitted by the generator to us as a key part of the annual sustainability audit report.

3.2 The legislation refers specifically to the provision of a sustainability audit report. However, ISAE 3000 (revised) uses the term 'assurance report'. The bullets below set out the terminology we use:

- **Sustainability audit report/annual audit report**: These terms refers to the document that is submitted by the generator as required by the Feed-in Tariffs Order 2012 (as amended) and should include the information set out in the checklist in Appendix 1. It is made up of the assurance report, assurance opinion, requirements under the audit report requirements of the FIT Order. It should also have the four quarterly sustainability declarations and the annual feedstock declaration as any annex to the report.
- **Assurance report**: This term refers to the sections required by ISAE 3000 (revised) and should be submitted as part of the sustainability audit report.
- **Assurance opinion**: Also referred to as 'verification statement', this is the term used to describe the conclusion provided by the verifier within the assurance report.
- **Other requirements of the legislation:** Aside from the requirement for the audit to be conducted in accordance with ISAE 3000 (revised) (or equivalent), the legislation sets out other checks (for example the accuracy and reliability of the systems used to produce the sustainability information) that the auditor needs to conduct as part of the audit and which outcome must also be included within the report. The outcome of these requirements will form part of the assurance report.

Where the generator has more than one AD installation accredited under the FIT, the auditor will likely be engaged to conduct a multisite audit. In this case, parts of the audit may be shared by all the installations (for example they may have the same fuel and supplier). Even so, the auditor will need to produce a report for each installation. This should be tailored to each individual installation and contain relevant and specific details for that installation. It should also account for any special circumstances that apply to the installation in question.

Author of report

3.4. While there is a need for consistency in the reports, we recognise that different auditors may have different styles. As such, we will accept reports in one of two structures:

- Written entirely by the auditor, including the requirements of ISAE 3000 (revised), information on systems and copies of the sustainability and feedstock declarations verified. This approach exists on the basis that the generator provides the raw data to the auditor rather than a summary report.
- Two sections: the generator writes an initial 'report' containing a management assertion and information on the sustainability systems, and the auditor writes the second section in accordance with ISAE 3000 (revised).

3.5. There are some aspects of the report that have to be written by the auditor (ie the party not connected to the installation), for example the additional requirements around accuracy and reliability of systems. In both approaches, the generator remains responsible for the subject matter, ie the declarations.

Documentation

3.6. We require that all the information is set out in a single document submitted by the generator. This document needs to include all the requirements of both the Feed-in Tariffs Order 2012 (as amended) and ISAE 3000 (revised). The following sections and the supporting checklist in Appendix 1 will assist in providing us with this information.

3.7. After the initial review of a sustainability audit report, there may be times when we require further information. Where this information is required, we will set this out formally and clearly to the generator. We may agree that this additional information can be provided in a supplementary document, but this will be determined case by case.

Provision of evidence

3.8 The purpose of the annual audit is to require a qualified party, independent from the installation, to review and verify the annual and quarterly declarations, systems and write the audit report. Generally, we will rely on the professional expertise of the auditor in evaluating the evidence that supports these declarations as has been presented during the verification engagement, and as described in the sustainability audit report, and will therefore not need to see the evidence itself.

3.9 Sometimes we may need to see additional evidence to come to a final determination. In this case, we will ask the generator for the extra details in writing, after initial review of the sustainability audit report.

Content of the report

3.10 Paragraph 69 of ISAE 3000 (revised) sets out the required content that must be included in the sustainability audit report. Along with these requirements, those set out by the legislation also need to be included in the report. As much as possible, these should be in clear distinct sections. This approach will help support and facilitate the efficiency of our review process.

3.11 Alongside a clear structure of the report, a satisfactory level of detail is also vital for us to be able to review the sustainability audit report as it is upon the reported information alone that we will determine whether the generator had reported correctly during the period and that the verification has been carried out in an appropriate manner to an acceptable standard. Likewise, the provision of irrelevant information will not add any value to the report but will increase the time required by us to review the reports.

3.12 Reports that fail to sufficiently address all the below sections or provide a sufficient level of detail will not be accepted as providing an adequate level of assurance. We expect each of the requirements to be appropriately addressed by the verifier within the sustainability audit report. Where evidence required to appropriately address a particular section is not available, we expect a statement to be made explaining the reasons for its absence.

3.13 To assist with structuring the sustainability audit reports, we have provided further information on the required contents including the ISAE 3000 (revised) requirements and other requirements set out by the legislation in the sections below. Additionally, a checklist setting out the main points that need to be addressed within the report is provided in Appendix 1. This list should be used by both auditors and generators as a final check to ensure that requirements are met in advance of submission of the sustainability audit report to us.

Title

3.14 A relevant title must be located at the top of the document. This must include the words 'independent assurance report' and note the level of assurance provided. In the case of the sustainability audit reports, this is to a level of 'limited assurance'.

Date

3.15 The date the report has been compiled must be included. This is generally included either at the front of the document or alongside the signature at the end.

Addressee

3.16 The report must say who it has been prepared for. In the case of sustainability audit reporting, this would be the generator. While the report may name a specific person, the name and address of the organisation should also be included. This must be provided in addition to the address of the installation, to help us identify the relevant installation where they differ.

3.17 Sometimes the report is to be addressed to a party who is not the generator (see example in paragraph 3.28). In this situation, as the audit requirement lies on the generator, the generator has to authorise the third party to liaise with us and submit the report on their behalf. Evidence of this (for example

written authorisation letters) must accompany the report. A clear explanation of the relationships between the parties will also need to be provided in the report. We will assess these on a case-by-case basis and determine if further details or actions are needed.

Responsibilities

3.18 It is important that both parties to the engagement fully understand and respect each other's responsibilities. Within ISAE 3000 (revised) the two parties to the verification engagement are referred to as the 'reporting party' and 'the practitioner', these being the generator and the verifier respectively. The following examples indicate some of the responsibilities that the generator and verifier should consider when preparing and submitting the sustainability audit report.

3.19 Generators' responsibilities include, among others:

- preparing and reporting their quarterly and annual declarations and supporting evidence to us
- appointing a suitably qualified verifier
- disclosing all necessary information to that verifier for them to fully understand the requirements of the proposed engagement
- ensuring that they have evidence (or that it exists in the chain of custody) to support the information needed by the verifier in order for them to come to an opinion, to a limited assurance level, as to whether the reported data and information complies with the requirements of the assessment criteria
- disclosing any significant changes or events that have occurred or are expected to occur that could have an effect on their opinion
- responding to queries from the verifier providing additional information/evidence when requested
- submitting revised declarations in any instance where the verifier finds the information submitted in the existing declaration to be misstated or necessary to be revised based on available evidence, and
- providing the completed sustainability audit report to us in accordance with the requirements of the legislation.

3.20 Some of the verifiers' responsibilities are:

- Demonstrating to the generator that they are an appropriate party to carry out the verification engagement.
- Planning and carrying out such evidence gathering and testing activities as are necessary to form an opinion, to a limited assurance level, as to whether the reported systems and data are consistent with and/or meet the declared assessment criteria.
- Informing the generator both of any areas of non-compliance or misstatements within the systems and data which need to be addressed or corrected, and/or of any consignments which should be withdrawn from the verification.
- Writing the sustainability audit report, in part or in full, paying particular attention to the requirements set out in ISAE 3000 (revised) and other requirements set out by the legislation and providing the assurance

opinion.

Statement referencing ISAE 3000 (revised)

3.21 A positive statement that the engagement was performed 'in accordance with' ISAE 3000 must be given within the report. Simply stating that the engagement was performed 'with reference to' ISAE 3000 is not sufficient. This statement is generally noted early on in the document as it is not just in respect of what is written in the report but the entire engagement is based on ISAE 3000 (revised). ISAE 3000 (revised) is not the assessment criteria and should not be referenced as such.

International Standard on Quality Control 1 (ISQC1) and the International Ethics Standards Board for Accountants (IESBA) Code

3.22 ISAE 3000 (revised) requires that the verifier provide a statement, that the firm of which the practitioner is a member applies ISQC1, or other professional requirement, and that the practitioner complies with the independence and other ethical requirements of the IESBA Code, or other professional requirement.

3.23 We recognise that not all organisations apply ISQC1 and comply with the ethical requirements of the IESBA code. However, ISAE 3000 (revised) allows auditors to outline other professional requirements that are equivalent to ISQC1 and the ethical requirements of the IESBA Code. In these instances auditors should detail how they meet requirements which are equivalent to ISQC1 and the ethical requirements of the IESBA Code.

Identification of the assessment criteria

3.24 The Feed-in Tariffs Order 2012 (as amended) set out the legislative framework with which the generator must comply. As such, we would expect this order to be referenced as the assessment criteria for purposes of the verification engagement.

3.25 There may be instances where additional criteria are needed, for example to reference the residue definitions that are not set out within the legislation. Appendix 2 of the 'Feed-in Tariffs: Guidance on sustainability criteria and feedstock restrictions' provide information as to the definition of residues.

3.26 Though they must not be referenced as criteria, it is good practice for the audit principles of traceability, completeness, consistency and accuracy (referenced in Chapter 2) to be stated in the audit report, alongside the assessment criteria, to make clear that they were used during the verification engagement.

Subject matter

3.27 Identification and description of the subject matter and the information it contains, including:

- the name of the installation should be clear in the report and should match the name as it appears on the Renewables and CHP Register
- the reporting period that is subject to verification, eg 1 April 2018 to 31 March 2019, and
- a copy of the quarterly and annual declarations as an annex to the report which is the information subject to verification.

3.28 Generators using biogas made wholly from feedstock which is waste are deemed to meet the sustainability requirements. This will be clear in the quarterly and annual declarations. For these installations, the auditor will need to verify the classification of these consignments as waste by reviewing the evidence that supports this.

Risk and materiality based assessments

3.29 Comments as to the approach taken by the auditor when considering risk assessment and materiality, and how this impacts the subsequent sampling strategy must be included within the report. This must cover both qualitative and quantitative aspects of reporting. For example if sample months are reviewed, rather than the complete year's data, then they should comment on why certain months are selected.

3.30 We expect that in order to undertake the audit, the auditor will undertake a site visit. This may be to the generator and/or suppliers. This should be clear within the report as to where the auditor has visited and justification provided for the auditor's approach.

3.31 The scenario in which the verification engagement is conducted with a party who is not the generator is particularly relevant. For example, where the generator has sourced the services of a third party (such as a fuel supplier consultant) to engage with an auditor and submit the audit report on their behalf. In this case, we need to be satisfied that the information is adequate and sufficient. As a result, we will expect the auditor to explain in the report how they ensured and were confident that this was the case. This will be especially important where all the audit activities have been conducted at the third-party site. We also advise that the generator is included in any correspondence with us. This way they will be aware of the information being submitted to us, and so confident that it is adequate and sufficient.

3.32 This information can be provided as a standalone section or as a short paragraph in an existing section. It should always be included before the *"summary of work performed"*, because the risk assessment and sampling strategy determines what work they do.

Summary of work performed

3.33 As set out in ISAE 3000 (revised), the information described in the section, *summary of work performed*, needs to be sufficiently detailed to enable readers of the assurance report, in this case us, to readily understand what work the verifier has performed.

3.34 As we do not participate in the verification engagement we must use the audit report to determine whether we are satisfied that FIT payments should have been issued. We recognise that a significant amount of work is undertaken by both parties; however, a lack of transparency is likely to result in requests for further information or clarification.

3.35 This section of the report must include a description of what activities have been undertaken at the level of the generator and how the evidence for sustainability information up the supply chain has been tested. Some examples of typical activities that may be undertaken by the auditor are provided below:

- Interviews were undertaken with [*provide name*] (Technical Manager at the installation) to understand the systems and processes that are in place at the installation for collecting and collating sustainability information and data.
- An assessment was performed of the evidence that the generator holds to support the fuel classification applied to each of the feedstocks. This included a review of waste transfer notes and declarations by the fuel supplier in accordance with the waste definition and fuel classification tables within our guidance.
- A check was performed against the application of Voluntary Scheme 'A' which was applied for the purpose of demonstrating compliance with the chain of custody system requirements through the supply chain.
- A review of the input and output of the carbon calculator was performed. This included a review of the input data including literature values and a check that the version of the calculator used was the most up to date.
- A site visit to the installation was made on 16 May 2018. During this visit the auditor observed the delivery of fuel, measuring on site, storage and recording of information.

3.36 This section of the report must make clear where the auditor has visited – for example installation, generator's organisational headquarters, fuel supplier, etc. It should be noted that we would generally expect the auditor to visit the installation, otherwise a justification for this needs to be provided.

Other requirements of the Feed-in Tariffs Order 2012 (as amended)

3.37 Chapter 2 introduced the specific audit report requirements points set out by the Feed-in Tariffs Order 2012 (as amended) that must be addressed as part of the audit process. In order for us to accept the audit report submitted, it must clearly state that these points have been addressed and written by the auditor.

3.38 As these points are part of the activities to be undertaken during the verification, this information should be included within the summary of work performed section. However, the auditor may prefer to address these points in a distinct section, for example 'Consideration of the other requirements of the Feed-in Tariffs Order 2012 (as amended)', which we would also accept.

3.39 Examples of how information on how each of these additional requirements can be presented are given below. It is important that the auditor refers to and makes use of the wording in the legislation.

3.40 Consideration of the accuracy and reliability of the systems and existence of controls against fraud and error. The auditor should confirm that these have been considered. We prefer this information to take the form of a statement in the summary of work performed or as a standalone section. For example: "We have considered whether the systems used to produce the relevant sustainability information are likely to produce information which is reasonably accurate and reliable. We have also considered whether there are controls to help protect against misstatements due to fraud or error".

3.41 Where the auditor feels the systems are not appropriate, they should make appropriate recommendations to the generator. These should be included in the written report in the relevant remarks sectioned. Any recommendations should not affect the auditor's conclusion.

3.42 Consideration of sampling frequency and methodology – confirmation that this has been undertaken must be included in the auditor's section of the report, along with its results. This information should be provided in the summary of work performed section or as a standalone section.

3.43 Where the auditor feels the procedures are not appropriate, they should make appropriate recommendations to the generator. These should be included within the written report in the relevant remarks section as explained below. They should not form the basis of a material misstatement or material non-conformity and alter the outcome of the verification.

3.44 The report should state whether we have approved the installation's FMS procedures, whether the generator is following them, and the outcome of the auditor's consideration of their appropriateness. Where there is no evidence that the FMS procedures have been approved by us, this should be noted in the report as well as being listed as an outcome of the auditor's consideration of their adequacy (for example if they are still under review with us or if the generator has changed the FMS procedures approved by us without notifying us). The auditor should also think about whether a qualification of the assurance statement is needed when FMS procedures have not been approved by us. For example, it may not be clear for the auditor what we consider suitable for sampling, measurement etc.

3.45 Consideration of robustness of data – As above, confirmation that this has been considered must be included in the report in the summary of work performed section or as a standalone section. Its results should also be included.

3.46 If there are any recommendations for improvements, these should be included in the written report in accordance with the relevant remarks section, as explained below. Any recommendations should not form the basis of a material misstatement or material non-conformity, as this would alter the outcome of the verification.

3.47 Statement on accuracy and reliability of information. As well as the requirements set out above, the auditor will have to state whether anything observed during the audit process could indicate that the sustainability information is not accurate or reliable. This statement will be made as part of the conclusions and qualifications the auditor is required to express as a result

of the audit. See the Conclusions and qualifications section below for how this information needs to be provided within the report.

3.48 Where the auditor feels that the relevant sustainability information is not accurate or reliable, they should make recommendations to the generator. The auditor should then consider the implications of these inaccuracies in relation to the report (that is whether to include a qualification). Where a qualification is not needed (the audit conclusion is unaffected) these recommendations should be included in the written report in the relevant remarks section.

Limitations (if appropriate)

3.49 Any limits on theevaluation criteria or of the report must be detailed, such as:
- the extent of evidence-gathering activities
- where the work of third parties was relied on, or
- where the company's systems or processes have been relied on without testing them.

3.50 Stated limitations should be included only to clarify the extent of the verification activities. They should not contradict the verifier's opinion. Where the assurance engagement is conducted to a limited level it should not be regarded as a limitation and should not be included in this section.

Restrictions on use of report (if appropriate)

3.51 When the criteria used to evaluate or measure the subject matter are available only to specific intended users, or are relevant only to a specific purpose, an installation restricting the use of the report should note this.

Conclusions and qualifications

3.52 This includes the auditor's opinion and any qualifications to that opinion. The opinion should be expressed accordingly to a 'limited' level of assurance engagement as defined ISAE 3000 (revised).

3.53 In a limited assurance engagement, the opinion should be expressed in the negative form, for example for an unqualified opinion:

3.54 "Based on the work described in this report, nothing has come to our attention that causes us to believe that *John Smith Plc's* quarterly sustainability declarations and annual feedstock declaration submitted to us for the installation *Smith Generating Facility* during the period of 1 April 2018 to 31 March 2019 is not accurate, in all material respects, based on assurance criteria."

3.55 There are times that it may be appropriate for the verifier to express a qualified opinion. This will be the case in circumstances where issues have been identified during the course of the verification, which whilst not sufficiently material as directly affecting the verification outcome are relevant to the manner in which the sustainability audit report has been prepared and should be viewed when read. A qualified opinion will be stated in the same manner as an unqualified opinion with the addition of "with the exception of X, Y and Z".

3.56 Some examples of issues that could lead to a qualified opinion would be when FMS procedures for an installation have not been agreed with us, where the FMS procedures were agreed for part of the reporting period, when the site was non-operational during certain period (e.g. if the auditor was not able to reconcile opening and closing figures), where biogas was not used for generation for certain period or where the meter was out of routine calibration for certain periods of time. Note that reports given with qualified opinions will be carefully assessed by us, particularly where a comment recurs year on year.

3.57 It is also possible for the outcome of the audit to lead to an adverse opinion. Where this is the case, we will assess these case by case to understand the reason for the adverse opinion and what impact this may have on generation payments.

Details of the verifier and signature

3.58 A clear statement of the city or town where the verifier maintains the office that is responsible for the engagement must also be made. For example: "This report was prepared by Martin Price of JJ Verifiers Ltd, London UK".

3.59 The report should be endorsed either by the firm or by the lead verifier or technical reviewer themselves, as required by the verification body's internal procedures.

3.60 While not a requirement, it is considered good practice under any auditing systems (eg ISAE 3000 (revised)) to perform an independent technical review of the report. This would involve a second auditor who has had no involvement in the verification performing a final review of the report. If this review is conducted we recommend that the auditor says so in the report. Technical review is considered an essential part of many compliance audits, and improves the robustness of the audit process.

Relevant remarks

3.61 This section may include:

- details of the qualifications and experience of the verifier and others involved in the engagement
- findings on particular aspects of the engagement, and
- recommendations, eg from the consideration of the sampling frequency and methodology or the robustness of data. It could also be any other recommendations which the verifier believes should be noted upon completing the engagement.

3.62 This section should be clearly separate from the verifier's opinion. It should be worded in a way that does not affect the verifier's opinion.

Other considerations

3.63 In addition to an assurance report, verifiers should consider the need to provide a more detailed report to the management of the reporting party (the generator). This report, which will be confidential between the verifier and

the reporting party, may describe in greater detail the work undertaken by the verifier.

Appendix 1– Audit Report Checklist

This checklist has been developed to help allow both the verifier and the generator check that the sustainability audit report covers the relevant requirements. We consider that in addition to any responsibility held by the verifier - the generator has a responsibility to ensure they are satisfied the sustainability audit report meets the requirements of the legislation before submitting it to us.

Requirement	**Checkbox**
Title	
Date	
Addressee	
Responsibilities of generator and auditor	
Statement confirming ISAE 3000 (Revised)	
Information on ISQC1 and IESBA	
Identification of the assessment criteria	
Identification and description of subject matter	
Risk and materiality assessment	
Summary of work performed	
Limitations (where appropriate)	
Restrictions on use of the report (where appropriate)	
Opinion (auditor's conclusion)	
Recommendations given, as appropriate	
Details of the verifier and signature	
Provision of quarterly sustainability and annual feedstock declarations	
Consideration of accuracy and reliability	
Consideration of controls to prevent fraud or error	
Consideration of frequency and methodology of sampling	
Consideration of data robustness	

Appendix 2 – Glossary

A	AD	Anaerobic Digestion
B	BEIS	Department for Business Energy and Industrial Strategy
	BS	British Standard
C	CEN	The European Committee for Standardization
	CHP	Combined Heat and Power
	CO_{2eq}	Carbon dioxide equivalent
D	DECC	Department of Energy and Climate Change
	DEFRA	Department of Farming and Rural Affairs
	DME	Dimethyl ether
E	EC	European Commission
	EN	European Norm (Standard)
	ETBE	Ethyl tert-butyl ether
	EU	European Union
F	FIT	Feed-in Tariffs
	FMS	Fuel Measurement and Sampling
	FSC	Forest Stewardship Council
G	GHG	Greenhouse gas
I	ISAE	International Standard on Assurance Engagements
	ISO	International Organisation for Standardisation
L	LUC	Land use change
K	KG	Kilogram
M	MBS	Mass Balance system
	MJ	Megajoule
	MTBE	Methyl tert-butyl ether
N	NUTS	Nomenclature of Territorial Units for Statistics
O	OFGEM	Office for Gas and Electricity Markets
P	PERC	Programme For the Endorsement of Forest Certification

R	RED	Renewable Energy Directive
	RFA	Renewable Fuels Agency
	RHI	Renewable Heat Incentive
	RO	Renewables Obligation
	RTFO	Renewable Transport Fuels Obligation
S	SRF	Short Rotation Forestry
T	TAEE	Tertiary amyl-ethyl ether
U	UK-TPP	UK Timber Procurement Policy
V	VS	Voluntary scheme