

Smart Trial Process Document

Prepared for DCLG

March 2016

1. Introduction

The Cross Scheme Moderation Group is pleased to produce this Process Document that describes the 'Smart Auditing Trial' that the Accreditation Schemes would like to run with approval from DCLG in Q2 2016.

The Cross Scheme Moderation (CSM) group will manage the trial and they will meet regularly during the process. All stakeholders will be kept informed of progress and the final reports will be circulated to DCLG, which can be passed to the third party auditors (Jacobs).

2. Executive Summary

The purpose of the Smart Auditing Trial is to help DCLG and the Industry understand how smart auditing may work in practice, so as to help drive and improve the Quality Assurance regime. The trial may feed in to future revisions of the Scheme Operating Requirements.

3. The Smart Trial - Process Overview

Overview

Schemes will continue to run the QA regimes according to the current SORs, except that schemes will be granted approval by DCLG to replace 100 random audits of EPCs for existing dwellings with 100 EPCs selected for audit using smart audit rules for each month that the trial continues. The smart trial will operate alongside this normal activity. The smart trial is only for Energy Performance Certificates (EPCs) for existing dwellings in England and Wales.

The trial will have significant cost to Schemes and as such it is agreed with DCLG to offset the current audit regime with the smart trial as indicated above.

Timescales

Schemes believe that the trial should be run for an initial period of three months, which could be extended if all stakeholders believe it to be of benefit. The trial will consist of the following stages:

Stage 1 (preparation)

- Identify Potential Smart Audit Rules - currently underway
- Data Analysis – currently underway
- Agree Process – this is the purpose of this document

Please note due to timescales this work is currently being undertaken, so that the smart trial can begin when DCLG and Industry are both ready.

Stage 2 (execution)

Month 1

- implement defined smart rules against a month's lodgements
- Send initial smart audit requests to assessors

- Audit EPCs as evidence is sent in by assessors

Month 2

- Request any 'follow on' audits
- implement defined smart rules against a month's lodgements
- Send new smart audit requests to assessors
- Audit EPCs as evidence is sent in by assessors

Month 3

- continue smart and follow on audit requests as month 2 - complete the trial¹
- CSM to review progress and recommend whether to continue with the trial

Month 4

- Produce the Results Report

The report will highlight:

- Results of smart rules
- Assess failure rates versus assumptions
- Understand follow on audit volumes
- IT and process implications for Schemes
- Feedback from Schemes, Auditors and Assessors

Scope

This trial will be limited to those Schemes that operate Accreditation Schemes for energy who produce Energy Performance Certificates for existing dwellings and enter them onto the domestic Energy Performance of Buildings Register for England and Wales. These Schemes are Elmhurst Energy, Stroma, NES, ecmk, Quidos & Sterling. Each Scheme will select 100 EPCs for audit using smart audit rules per month for the stage 2 period of the trial. Therefore there will be a total of 1,800 smart audits taking place over the currently defined trial period (3 months).

Smart Rules Analysis

The CSM group will produce the Official Smart Rules in a separate document that will be used during the trial. These will be created based on the data analysis, which is undertaken in stage 1.

Smart Rules:

The following rules will apply during the trial:

- Smart Audits will be requested based on the ten smart rules that have been defined by the CSM for the purposes of this trial
- Schemes shall select 100 EPCs per month using the smart auditing principles set out in this and any supporting documents
- In month one, for each smart audit rule, all Schemes will:

¹ CSM group suggest that the trial could continue if all stakeholders agree to the benefits

- Identify the 10 DEAs to have produced the highest volume of EPCs that contravene that smart rule in that month and
- select for audit one EPC that contravenes that rule for each DEA that has been identified
- For month 2 onwards, follow on audits will be deemed to take priority over other audits triggered as a consequence of this trial.
- Schemes shall be required to apply the following order of priority when selecting the 100 EPCs for audit under this trial, which is aimed at achieving as wide a coverage of all smart rules as possible:
 - Priority 1. Assessors triggering a smart rule that they triggered and failed an audit for in the preceding month will be selected first.
 - Priority 2. The assessor with the highest volume of lodgements contravening a smart rule will be selected for each smart rule in turn.
 - Priority 3. Should capacity still exist for new smart audits the assessor with the next highest volume of lodgements contravening a smart rule will be selected, again taking each smart rule in turn.
 - Priority 4. Step 3 will repeat until the necessary number of new smart audits has been called for audit.
- If a Scheme does not generate 100 smart audits in a month, then schemes can use their discretion to interrogate their own data and call EPCs for audit accordingly. Schemes must report this back to the CSM group.
- Re-lodgements of Certificates will be required if the EPC is declared defective and needs replacing (as per current SOR rules). These re-lodgements are not part of the 100 trial audits. Checks of re-lodged EPCs by schemes may be partial and may focus on checking the data changes required for the re-lodged EPC are correct
- Schemes will apply the same timescales and general criteria as currently applied to random audits.

Identifying and Dealing with Errors

The following principles shall apply where an EPC is audited because a smart rule has been contravened.

Where the audit finds that:

- The evidence submitted by the DEA supports the information contained in the EPC and/or the XML, and that contravention of the smart rule was justified, then the EPC shall be deemed to be correct and to have passed the audit. The DEA will be informed of the outcome, but no further action shall be taken
- The EPC contains an error that contravenes a smart rule, then a follow on audit will be triggered the next time that the same DEA submits an EPC that contravenes the same smart rule. If the follow on audit finds that the subsequent EPC contains the same error as the first and that it contravenes the same rule, and feedback on the first error had already been provided when the second EPC was submitted, the DEA

will be suspended, given feedback as to the cause of the suspension and required to take further corrective action before being reinstated.

- The EPC contains an error that is not a smart rule, a follow on audit will be randomly selected for that Assessor from their following month's lodgements.

DCLG recognises that for the duration of the trial applying smart audit principles may impact the ability of Schemes to meet the current requirement to audit every assessor at least once a quarter. Schemes are however required to make reasonable endeavours to minimise any such impact.

Example Numbers

We envisage a flow of the following for each scheme through the execution of the trial, the numbers are illustrative and actual numbers will vary from scheme to scheme.

Stage 2 - Month 1

- 100 smart audit requests sent to assessors
- All 100 audited

Stage 2 - Month 2

- 25 follow up audits (same assessor, same smart rule triggered)
- 75 new smart audit requests
- All 100 audited

Stage 2 - Month 3

- 40 follow up audits (same assessor, same smart rule triggered)
- 60 new smart audit requests
- All 100 audited

Stage 2 – Month 4

- Generate Official Report

Suspensions

For clarification purposes, assessors who fail a smart audit will receive feedback, and any corrective action seen fit. They may need to re-lodge the Certificate following current guidelines. They will not get 2 more targeted audits as per current SORs; however, should they trigger the same smart rule again, they will be a priority follow on audit in any future month whilst the trial is running. Should they fail that audit they will be suspended and corrective action will be applied.

4. Approvals

In order for the Industry to proceed with this trial, the Schemes require an approvals letter from DCLG. The letter can then be referred to by all stakeholders especially the third party auditors (currently Jacobs) and domestic energy assessors (DEAs).

If DCLG agree to the process outlined in this document then we await the 'Approvals Letter' in order to validate stage 1 and move to stage 2 of the trial.

5. Communication

Schemes will agree that the communication(s) that are sent out to the DEAs are consistent and are created by the CSM group. This is to ensure that the trial is universally understood by all assessors and the wider industry. Schemes do not want assessors to believe that one scheme implements the smart trial in any different way to the others. This is essential for the success of this trial.

The CSM group will create the communication(s) and each Scheme will send out the communication(s) to its DEA members.

The universal communications are thought to include:

- Initial Communication indicating the start of the trial, telling assessors the purpose and general information about the Trial, this will include reference to the DCLG letter.
- The emails assessors receive during the trial need to reference that the audit request is part of the trial (both requests and feedback e-mails)

Reporting

Following the smart trial auditing phase, the CSM will create a Report which details the results of the smart trial. This report will be presented to DCLG. The aim is to create enough information that allows all stakeholders to understand how smart auditing could work in the real world; and allow the new SORs to detail a correct framework for smart auditing.

6. Third Party Audits

The current third party auditors (Jacobs) will continue to undertake the normal QA procedures of all Accreditation Schemes. As agreed they will note that each Scheme will partake in the trial and as such the 'normal' QA activity that Schemes are required to undertake under the current SORs will be reduced by 100 audits per month, whilst the trial is active.

Jacobs will be invited to relevant CSM meetings.

Each Scheme will attempt to ensure that wherever possible each member will continue to have an audit per quarter. If this is not possible, Schemes will ensure that the numbers are low and justifiable.