



## Monitoring Strategy

# Monitoring Strategy 2014

RECC's Monitoring Strategy to be implemented from October 2014 onwards.

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## Introduction

The Renewable Energy Consumer Code (RECC) is a Trading-Standards-Institute Approved Code.

In April 2013 Trading Standards Institute (TSI) took over responsibility for the [Consumer Codes Approval Scheme \(CCAS\)](#) from the Office of Fair Trading. As a result, RECC has been approved by TSI rather than OFT since that date.

All approved Codes must monitor members' compliance with the Code. This is so that Code Sponsors can be confident in their Code's performance and continue to satisfy stakeholders that they are working effectively to reduce consumer detriment.

RECC has always devoted considerable resources to monitoring members' compliance. RECC summarises monitoring results every three months for its Supervisory Panel and annually on the website and for TSI. The [latest annual report is here](#).

This document sets out RECC's Monitoring Strategy to be implemented from October 2014 onwards.

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## 1. The aims of the Monitoring

The strategy aims to provide, when taken as a whole, a clear picture of:

- the level of compliance across the RECC membership;
  - areas that are causing particular difficulty and may require guidance or other assistance from RECC;
  - how individual members perform against the average;
  - improvements in the level of compliance and reduction of consumer detriment over time;
  - reported customer satisfaction levels; and
  - the aspects of service giving rise to complaints, the level of complaints and the status of their resolution.
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## 2. Key Compliance Areas

RECC has undertaken an analysis of the results of all its activities since its inception in 2006. This has enabled us to identify the ten key compliance areas of the Code against which it will monitor members and, as far as possible, entrants to the Scheme.

These are:

- Awareness of consumer protection/RECC (including staff training);
- Microgeneration Certification Scheme;
- Marketing and selling;
- Estimates/quotes, particularly performance estimates and financial incentives;
- Finance agreements;
- Contracts and cancellation rights;
- Taking and protection of deposits and advanced payments;
- Completing the installation;
- After-sales (guarantees, workmanship warranties and warranty protection, after sales support: customer service); and
- Complaints numbers, handling, procedures.

Gathering data on members' performance against these CAs going forward will give RECC a clear picture of the state of compliance of the individual member, of the individual member against the average and across the Scheme as a whole.

At an individual member level, monitoring enables RECC to pinpoint areas where needs to improve and to assist them to reach compliance, as well as to identify instances where disciplinary action may be required.

RECC has identified a number of performance indicators under each of the key Compliance Areas. These indicators cover performance of members at audit, results from Customer Satisfaction Surveys and complaints received about the key Compliance Area.

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## 3. Monitoring applicants to join the Code

### Applications

The Application process is intended to check whether applicants are compliant under all the relevant key compliance areas.

RECC makes available guidance on the code and various model documents, including a model contract as well as technology-specific model performance estimates and quotes, to assist applicants to achieve compliance.

All applicants must:

- **Complete a Compliance Questionnaire** which covers the key compliance areas;
- **Make certain very important declarations** regarding the business's and certain key individuals' trading and criminal histories (or submit a hard copy application along with further information, if they are unable to make any of these declarations);
- **Submit evidence under each Compliance Area** evidence is either uploaded to RECC's file-sharing system or provided in hard copy;
- **Submit photo ID** for Directors and sole traders if requested to do so.

Applications are then monitored by RECC.

## Monitoring applicants

RECC checks all applications.

To do this RECC carries out:

- a) a review of all the evidence provided in the application; and
- b) a due diligence/risk assessment exercise to check:
  - an applicant's web presence
  - an applicant's and its directors' current and past trading and RECC history,
  - key intelligence from sources such as credit licensing, information from consumers, Trading Standards Departments, MCS Certification Bodies and media.

At the end of the process, RECC identifies an applicant either as:

- o **low-risk and compliant;** or
- o **higher-risk and/or non-compliant applicants.**

### Low-risk applicants

These applicants are admitted to the Scheme. If they are unable to submit certain evidence for legitimate reasons (eg they are unable to access deposit insurance until admitted) they may be granted temporary membership to give them a chance to put their arrangements in place (link to explanation in Bye-Laws).

### Higher-risk applicants

These applicants will be subject to additional monitoring. They are applicants assessed at the end of the checking process as high-risk or where there is any suggestion of non-compliance or any other cause for concern will be referred for additional monitoring.

Additional monitoring comprises a full external remote audit by one of RECC's independent auditors.

RECC expects approximately 1 in 5 applications to be referred for external audit in 2015.

### Applicant audits

Applicants referred for external audit will be assessed by RECC's independent auditors. They may be required to submit further evidence for monitoring.

RECC's independent auditors will then:

- review all the evidence,
- liaise with the applicant on the findings,
- request further information as appropriate; and
- advise the applicant on what it needs to do to reach compliance.

The auditor will report back to RECC.

RECC determines whether to admit the applicant or, if there may be circumstances for refusing membership, may refer the application to the independent Applications Panel.

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## 4. Monitoring members' compliance with the Code

This section describes the design of RECC's monitoring of members and the methods it uses.

It covers:

- risk-based monitoring
- audits
- mystery shopping
- Consumer Satisfaction questionnaires and
- complaint-handling.

### **Risk-based monitoring**

RECC's Monitoring Strategy for members is designed to be both:

- risk-based, that is RECC focusses its monitoring resources where the potential risk of consumer detriment to consumers and/or non-compliance is highest: the higher the risk, the more intensive the level of monitoring will be; and
- comprehensive, seeking to ensure that all members' compliance with all key elements of the Code is monitored at regular intervals.

In this way, RECC targets its most intensive auditing (site visits) and its mystery shopping efforts where it considers consumers to be at higher risk of detriment and/or where there is potentially a higher risk of non-compliance.

In keeping with this most audits of medium- or low-risk members are desk-based rather than site visits.

All members are monitored with reference to Consumer Satisfaction Survey results and may be the subject of a complaint registered with RECC.

### **Assessing risk**

Based on experience of operating the Code, RECC has found the level of risk associated with a member to be related to:

- the level of business being conducted,
- the technologies dealt with,
- the business model, including where sales leads come from
- whether deposits and further advance payments are taken
- complaints/feedback logged with RECC in the past year
- RECC collects information on all the above by means of information gathered at application and at audit, as well as through Consumer Satisfaction Survey results.

### **Monitoring methods**

RECC's methods of monitoring members, described in more detail elsewhere on this website, include:

- Audits;
- Mystery shopping;
- Consumer Satisfaction Survey questionnaires; and
- Complaint-handling.

### **AUDITS**

RECC devotes a considerable proportion of its resources to auditing compliance with the Code.

Audits are described in more detail on RECC's website. They can be:

- an on-site visit to a member's premises from one of RECC's 16 independent auditors, based around the country
- a desk-based audit of documentation, along with research, by external auditors or by RECC staff

Coupled with external audits of at least one in five applicants, RECC expects to monitor around 700 businesses in 2015.

**Audit results** are:

- recorded by auditors for each member audited;
- collated at RECC to provide a picture of compliance levels by member, by compliance area, across the Scheme and over time;
- summarised on the RECC website All members audited are subject to **follow-up**

### ***On-site audits***

Members considered to be high risk are subject to the most intensive level of monitoring, an on-site audit visit carried out by an external independent auditor using the audit questionnaire.

(In practice, an audit visit can be triggered for any member if there is concern about their compliance or if a complaint is received at RECC).

Estimated number of onsite audits to be carried out in 2015: 175

### **Passing the audit**

The on-site audit questionnaire covers the ten key Compliance Areas (CAs) with a number of questions within each area.

The CAs are weighted such that 7 of the ten are high priority and three are medium priority.

Members being audited are assessed as compliant or non-compliant on each question within a CA and on each CA overall.

To pass the audit overall, members have to be compliant:

- in all 7 high priority sections; and
- in 2 out of the 3 medium priority sections.

Non-compliance in more than 2 of the 7 high priority areas automatically triggers consideration for disciplinary action.

All members audited are then subject to **follow-up**

### ***Desk-based audits***

Medium and lower-risk members are subject to a remote or desk-based audit, either by an external independent auditor or by RECC staff (for the lowest-risk members).

Members will:

- complete a questionnaire;
- submit evidence for review by the auditor;
- have checks run on credit and trading history, website claims, complaints/CSS history at RECC, checks with QANW on registration of contracts etc.

There may also be a telephone-based, semi-structured interview. And, if necessary, RECC may decide a site visit should be carried out.

Estimated number of desk-based audits by external auditors in 2015: 75

Estimated number of desk-based audits by RECC staff in 2015: 250

### **Passing the audit**

The audit **questionnaire** covers the 10 key Compliance Areas (CAs) with a number of questions within each area.

The CAs are weighted such that 7 of the 10 are high priority and 3 are medium priority.

Members being audited are assessed as compliant or non-compliant on each question within a CA and on each CA overall.

To pass the audit overall, members have to be compliant:

- in all 7 high priority sections and
- in 2 out of the 3 medium priority sections.

Non-compliance on more than 2 of the 7 high priority CAs automatically triggers consideration for disciplinary action.

All members audited are then subject to **follow-up**

### **Audit follow-up**

All members audited as part of the Monitoring Strategy receive follow-up from RECC and their auditor. This sets out:

- any areas of non-compliance; and/or
- where members are required to take action to achieve compliance within a defined period.

If monitoring identifies extensive non-compliance there may be additional action. The action will depend on how severe the non-compliance is and whether the member is making efforts to achieve compliance.

There is more information on this in [RECC's Bye-Laws](#).

### **MYSTERY SHOPPING**

Each year, RECC identifies a sample of members to be 'shopped'.

Members are selected for a mystery shop on the basis of some intelligence received, for example:

- received consumer (or prospective consumer) feedback;
- whistle-blowers' feedback;
- complaints information;
- auditors' recommendations.

RECC has recruited and manages a panel of shoppers based all around the country. These shoppers:

- undergo sales visits from companies in their homes; and
- complete [reports on the process](#).

Where a mystery shop reveals non-compliance, RECC:

- follows up with the member directly, requiring them to respond to the findings; and/or
- uses the findings as part of a case for referring a member to the Non-Compliance Panel.

Shops also assist RECC in identifying particular problem areas where it may need to issue guidance.

### **CONSUMER SATISFACTION SURVEY**

RECC's Consumer Satisfaction Survey (CSS) is available for [consumers to complete online](#) via RECC's website.

Hard copy questionnaires are available on request from. These surveys have a freepost return to RECC.

Hard copy questionnaires are also distributed by QANW to every consumer whose contract is registered with them (QANW is the insurer with whom RECC has negotiated a bespoke deposit and warranty insurance package known as the DAWWI Scheme).

The questionnaire:

- gives consumers an opportunity to feed back about members; and
- asks a series of questions designed to find out how compliant the firm was (which consumers may not be able to judge for themselves).

RECC reviews every CSS questionnaire returned. It identifies any obvious unusual patterns of responses and /or adverse comments.

Poor performance reported in a CSS questionnaire returned can lead to the member concerned being referred for additional monitoring.

CSS data is summarised and reported at regular intervals to identify overall levels of compliance and satisfaction.

CSS data provides a 'benchmark' against which RECC can:

- assess individual members;
- identify any that lie outside the norm;
- build up a picture of trends over time.

## **COMPLAINTS**

RECC receives more than 1000 consumers' complaints about small-scale renewable generation systems annually. The complaints team works very hard to broker a resolution to all those complaints that fall within RECC's remit.

Information on these complaints is [summarized here](#).

RECC has a comprehensive, bespoke database in which all such complaints, and feedback, are registered.

The database:

- enables the complaints team to log all activities relating to each individual complaint;
- provides information on individual members for those assessing membership applications and auditing existing members; and
- enables RECC to monitor trends in complaints over time and to analyse the reasons for any changes.

Complaints analysis also:

- feeds into the Code review process;
- helps RECC to identify where it needs to provide additional guidance to members (or consumers); and
- allows RECC to alert other parties such as DECC, MCS or Certification Bodies to emerging issues or problems.

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## **5. Learning lessons**

RECC makes good use of the findings of the monitoring programme. RECC:



- follows up results with individual members. Members are notified of non-compliances and given the opportunity to correct them or face disciplinary action;
- identifies problem areas i.e. aspects of the Code which significant numbers of members appear to find difficult to comply with. In response, RECC in the past has provided model documents and guidance and negotiated bespoke solutions to code requirements (such as deposit and warranty insurance/Protected Payment Scheme);
- notifies members of new guidance or issues via the RECC Newsletter every three months.
- carries out ad hoc surveys into problem areas, with the survey providing guidance as well as asking questions.

The monitoring mechanisms themselves and their outcomes are also reviewed at round-tables:

- an auditors' round-table bringing together all 16 external auditors from all around the UK is convened at the end of every audit round.
- a complaints round-table of in-house and external complaints-handlers is convened at least annually.

RECC summarises monitoring results every three months for its [Supervisory Panel](#) and [annually on the website](#) and for TSI. The [latest annual report is here](#).

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