

Carbon Constraint Initiatives

Verifier Risk Analysis

Challenges to verifiers in the 3rd Trading Period

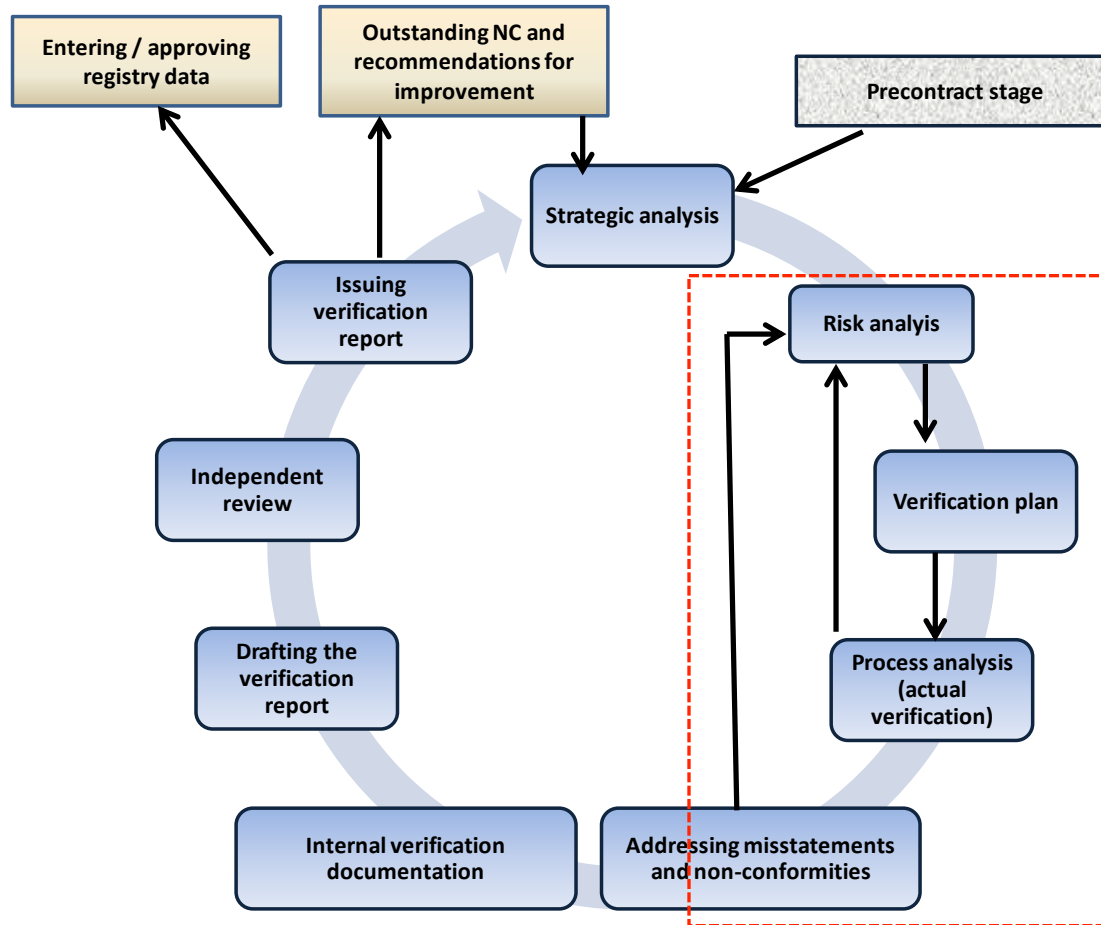
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Verifier Risk Analysis



Verifier Risk Analysis & Conceptual Verification Model

- Art. 12: the verifier shall identify and analyze following elements to 1) design, 2) plan and implement an effective verification.
 - (a) Inherent Risk(s)
 - (b) Control Activities
 - (c) Control Risk(s)
- Conceptual Verification/Audit Model:



AR 5 %

Assurance 95 %

Verifier Risk = probability issuing a inappropriate verification opinion

Objective is to minimise VR (art 13(4) AVR, one cannot eliminate verification risk

Conceptual Verification Model

$$VR_1 = IR \times CR \times DR$$

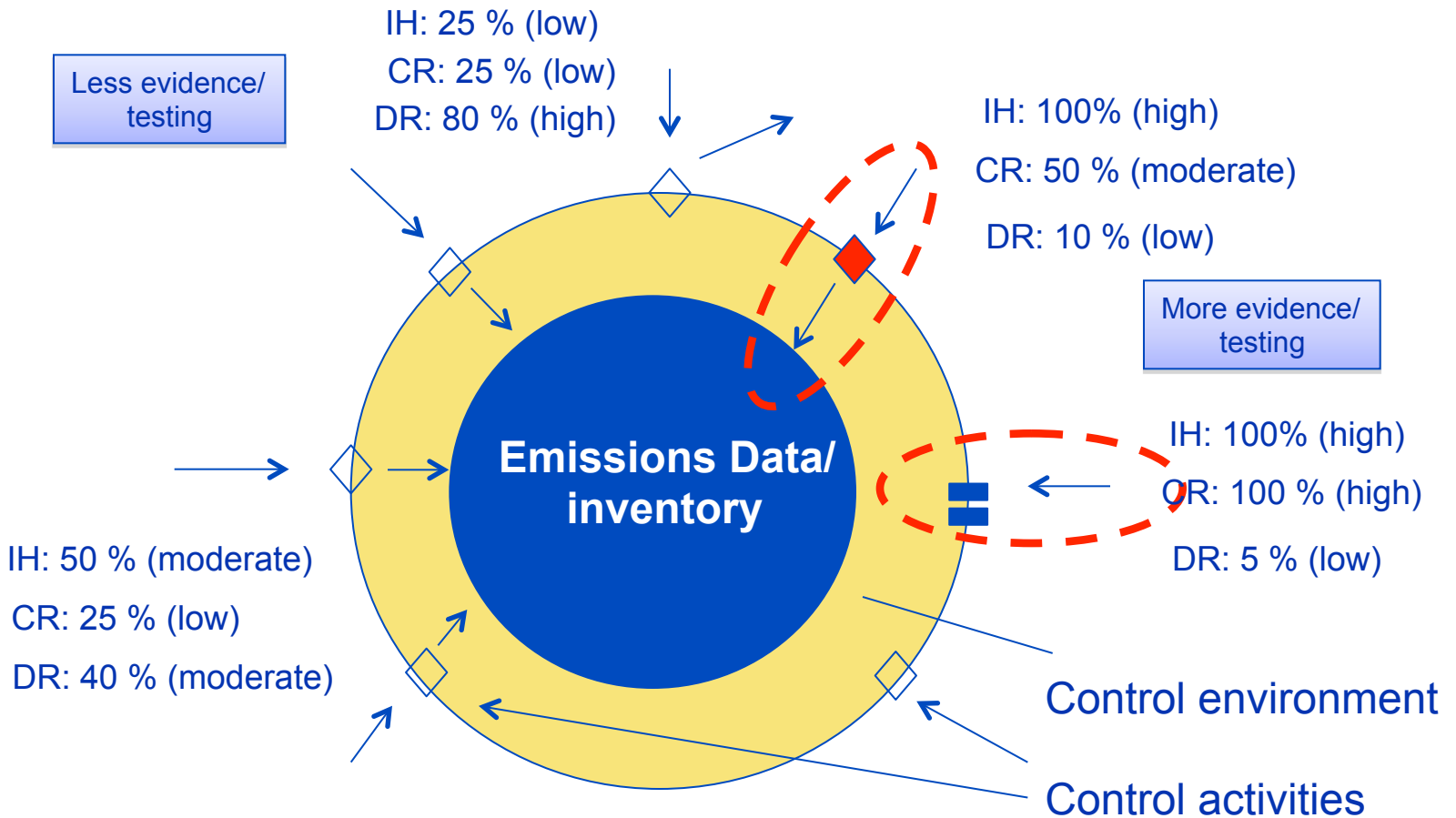
	case A	case B
Inherent Risk	High (100%)	Low (25%)
Control Risk	High (100%)	Low (25%)
Detection Risk	Low (5%) $0.05=1*1*0.05$	High (80%) $0.05=0.25*0.25*0.8$
	More evidence	Less evidence



Feeds into the verification plan, defines test plan & data sampling plan

$${}^1VR=0.05$$

Illustration



RA is an iterative process !

RA - Summary

- RA is a crucial aspect of the verification process, as it determines the further audit activities, focus areas and/or extent of sampling activities.
- The verifier needs to assess and evaluate the IR and CR based upon the info provided (strategic analysis) and using his/her expert judgment. Hence verifier competence and experience is an important assessment factor.
- If during the subsequent audit activities (process analysis) new information becomes available, the verifier may have to go back to his initial model and re-adapt (extent testing, increase sampling/evidence collection, ...) – RA is an iterative process !
- The verifier will need to compile internal verification documentation, including the RA and relation to the verification plan (test plan level of controls and data sampling plan).
- See Guidance Note KGN II.2 published at the Commission's website http://ec.europa.eu/clima/policies/ets/monitoring/documentation_en.htm