

# ESOS Compliance Audit Need to Know Guide

## Contents

<b>Section 1: Audit need to know information</b> .....	<b>1</b>
<b>Section 2: ESOS compliance audit process</b> .....	<b>6</b>
<b>Section 3: Compliance audit good practice</b> .....	<b>8</b>

## Section 1: Audit need to know information

For more details about ESOS and to find the Environment Agency (EA) full ESOS guidance, please visit: <https://www.gov.uk/guidance/energy-savings-opportunity-scheme-esos>

Question	Response
<b>Why does the Environment Agency (EA) carry out ESOS compliance audits?</b>	<p>The EA is responsible for monitoring compliance with ESOS and therefore audits a selection of participants to ensure they have complied with the regulations.</p> <p>The EA has adopted the ‘Better Regulation’ approach for all its regulatory activities. This means being consistent and transparent with all our customers and using a risk-based approach to target our resources more efficiently. Our aim is to work with participants to rectify any issues and help them comply with ESOS.</p>
<b>Who will carry out the audit?</b>	<p>The audit will be carried out by staff from the EA or equivalent agency or our trained and approved contractors. Please note that all our contractors are bound by confidentiality agreements as part of their contracts with the EA. They have appropriate powers under the Regulations to carry out Compliance Audits on behalf of the EA. If you are going to be audited by one of our contractors, we will provide you with a letter of authorisation to confirm this.</p>
<b>Why was my organisation selected for audit?</b>	<p>We use a risk-based approach to select participants for audit, using a number of criteria based on the information submitted by participants in their ESOS compliance notification. Typically, the participants with the highest perceived risk are selected first. If you would like to see our Risk Matrix, this is available upon request by contacting <a href="mailto:cctrscompliance@environment-agency.gov.uk">cctrscompliance@environment-agency.gov.uk</a></p>

Question	Response
<p><b>Our ESOS contact has left, what should I do?</b></p>	<p>You need to appoint someone to be the responsible person for your organisation for ESOS going forward. They should have appropriate knowledge and seniority and they should have support from staff who can assist them. They will need to locate your ESOS evidence pack on your internal company systems.</p> <p>You may wish to contact your Lead Assessor to request their assistance, however this is not mandatory.</p>
<p><b>I cannot contact my Lead Assessor, what should I do?</b></p>	<p>It is not mandatory for you to involve your Lead Assessor in the compliance audit process and it is your responsibility, as an ESOS participant, to hold the ESOS evidence pack. However, if you wish to get hold of your Lead Assessor their contact details can be found on your ESOS compliance notification, alternatively you could try to get in touch with the company for whom your Lead Assessor worked.</p> <p>If that is not successful, you can contact the Approval Body that registered your Lead Assessor. You can find the contact details of the Approval Bodies here: <a href="https://www.gov.uk/guidance/energy-savings-opportunity-scheme-esos">https://www.gov.uk/guidance/energy-savings-opportunity-scheme-esos</a></p> <p>If you do not know which Approval Body registered your Lead Assessor, you can look up this information on your ESOS notification.</p>
<p><b>Where will the audit be held?</b></p>	<p>The audit may be held by teleconference, webinar or at one of your sites. Your auditor will advise you which approach will be taken during the initial stages of the audit process. This will depend on the complexity of your organisation and/or the quality of the information you provide in response to our initial information request.</p>
<p><b>Who should attend the audit?</b></p>	<p>You can choose who you wish to attend the audit. However, you should ensure that the person/people who attend are familiar with your evidence pack and can explain how you complied with ESOS. Attendees at the audit may be required to locate specific pieces of information within the evidence pack and for a webinar audit, please have evidence available online to share on-screen during the audit.</p> <p>You can choose to invite your Lead Assessor; however, this is not a requirement.</p>
<p><b>Why have I been contacted by an external auditor, is this a legitimate request?</b></p>	<p>We are undertaking compliance audits currently. In some instances, we have contracted external auditors to undertake ESOS Compliance Audits on our behalf so that we may utilise our internal resource in other work areas across the Climate Change, Trading and Regulatory Services (CCTRS) regimes (CRC, CCA, EUETS and ESOS).</p> <p>If you require further confirmation, please feel free to contact <a href="mailto:cctrscpliance@environment-agency.gov.uk">cctrscpliance@environment-agency.gov.uk</a></p>

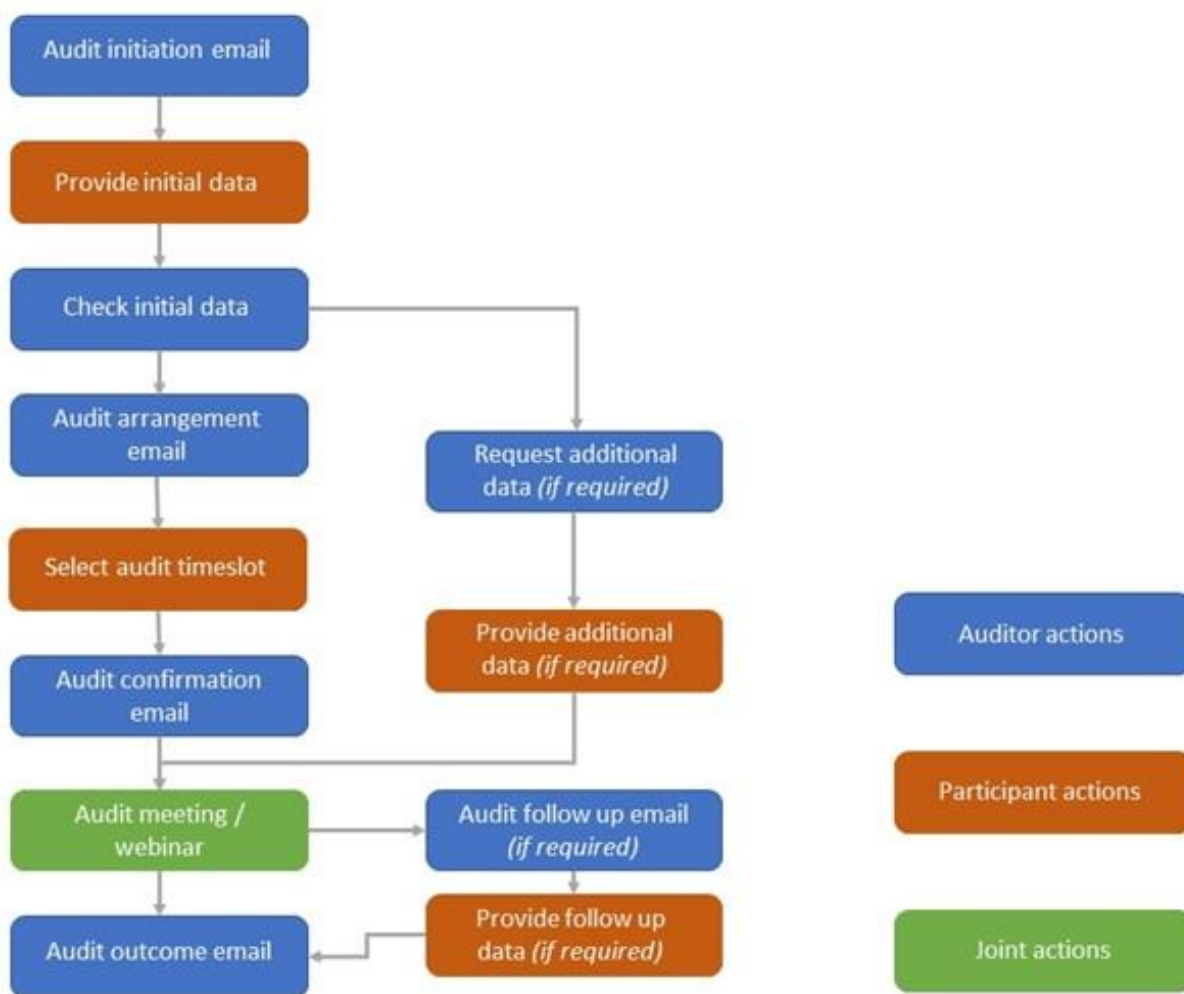
Question	Response
<p><b>What happens during the audit?</b></p>	<p>During the audit, we will discuss aspects of your ESOS compliance including:</p> <ul style="list-style-type: none"> <li>• how you managed ESOS</li> <li>• the format and contents of your evidence pack</li> <li>• your organisation structure</li> <li>• your TEC and SEC and how each was calculated (including any supporting information for these calculations)</li> <li>• your sites, assets and activities at the time of your ESOS compliance</li> <li>• your chosen ESOS compliance route</li> <li>• your sampling approach for the ESOS energy audits and the type and quality of audits undertaken (if relevant)</li> <li>• your identified energy saving opportunities, including extrapolation to unvisited sites in the SEC</li> <li>• your Lead Assessor and Board Director sign off</li> </ul>
<p><b>What information do I need to have to hand for the audit</b></p>	<p>You need to have all the information above. If we are auditing you by teleconference or webinar, preferably in a format that can be shared electronically. In particular, your full ESOS evidence pack which should include:</p> <ul style="list-style-type: none"> <li>• ESOS report</li> <li>• TEC and SEC calculation</li> <li>• All supporting evidence for TEC (invoices, fuel records etc.)</li> <li>• Information on the opportunities identified and how these have been assessed.</li> </ul>
<p><b>How long will the audit last?</b></p>	<p>The audit itself will typically last one to two hours if held as a teleconference or webinar and three to five hours if undertaken as a face-to-face meeting.</p>
<p><b>How long will I have to complete any follow-up actions?</b></p>	<p>Your auditor will provide you with information on any follow-up actions to be completed prior to the audit report being produced.</p> <p>These are typically requests for further information which was not present in the evidence pack and could not be located during the face-to-face / webinar audit. Your auditor will advise you of the timescale for completing these.</p>
<p><b>When will I hear about the audit outcome?</b></p>	<p>Once the face-to-face / teleconference / webinar audit and any follow-up requests for further information have been completed the auditor will prepare an audit report for the EA who will formulate a response on your audit outcome. This will include information on any immediate follow up actions and the timescale for completing these (if applicable) as well as any useful recommendations to help you get the most benefit out of your future ESOS assessments.</p> <p>You will receive one of the following audit outcomes:</p> <p><b>Compliant:</b> No issues identified which significantly affect the participant's compliance with the scheme. Only minor compliance issues raised which the participant can correct within future ESOS assessments.</p>

Question	Response
	<p><b>Compliant with remedial actions required:</b> Some issues identified which significantly affect the participant's compliance with the scheme. However, the participant has a useful ESOS assessment, which identifies energy saving opportunities. The issues identified need to be corrected as remedial actions as part of this audit.</p> <p><b>Non-compliant:</b> Multiple or large-scale non-compliance. The ESOS assessment and evidence pack does not meet the requirements of the ESOS Regulation. The issues identified need to be corrected as remedial actions as part of this audit. Enforcement action may be considered by the Environment Agency in line with our Enforcement and Sanctions Guidance.</p>
<b>How long will I have to complete any remedial actions?</b>	The audit outcome email and compliance audit report from the EA will contain information on any remedial actions that you have to complete and the timescales for completing them. The timescales will depend on the complexity of the remedial actions.

Question	Response
<b>What should I do if I am unhappy about my Lead Assessor?</b>	<p>ESOS lead assessors are appointed directly by you as an ESOS participant. Section 6.2 of the ESOS guidance document outlines what you can expect your Lead Assessor to do and what actions you will be responsible for.</p> <p>You should try to resolve the issue directly with your Lead Assessor – they should be following the Code of Conduct they signed up to with their Approval Body and the terms agreed to in your contract with them. If you are not satisfied with the resolution get in touch with your Lead Assessor's Approval Body and follow their complaints process. Your complaint will be investigated by the Approval Body.</p> <p>If you do not know which Approval Body registered your Lead Assessor, you can look up this information on your ESOS notification.</p>
<b>What should I do if I am unhappy about the ESOS audit</b>	<p>If you feel strongly that the audit report actions and recommendation didn't reflect the information you supplied for the audit you can get in touch with the EA at <a href="mailto:cctrscompliance@environment-agency.gov.uk">cctrscompliance@environment-agency.gov.uk</a>. However, please note that the audit findings are based on factual and objective reviews of the information that you provide to the auditor. We will not necessarily change the audit report once the process is complete.</p> <p>We have taken the following steps to ensure our external compliance audits are conducted without bias:</p> <ul style="list-style-type: none"> <li>• Provisions in our contractual arrangements require objectivity and professionalism.</li> <li>• Conflict of interest checks are carried out between our contractors and all potential auditees.</li> <li>• Compliance audits are conducted in line with a detailed process.</li> <li>• Our contractors have been informed by us as to what constitutes a recommendation, remedial action or non-compliance.</li> </ul>

	<ul style="list-style-type: none"> <li>• Peer review by the contractor organisation.</li> <li>• Peer review by the Environment Agency.</li> </ul>
<p><b>How long is the information I provided stored by the EA or its contractors</b></p>	<p>The information provided as part of the audit will be stored securely by the EA and its contractors.</p> <p>The data will be securely deleted, within 28 working days, from all parts of the network when either:</p> <ol style="list-style-type: none"> <li>a) The audit is completed and there are no actions required of the participant; or</li> <li>b) The audit is completed and all required actions are completed to the satisfaction of the Environment Agency; or</li> <li>c) All potential enforcement action is completed.</li> </ol>

## Section 2: ESOS compliance audit process



The key steps in the ESOS compliance audit process as illustrated in the diagram above are described here.

Step	Actions
<b>Audit initiation email</b>	<p>You will receive an email from the EA or one of its contractors initiating the ESOS audit.</p> <p>The email will request that you send the following information within 10 days:</p> <ol style="list-style-type: none"> <li>The ESOS report, presentation or summary that was provided to your directors for review</li> <li>A summary of your organisation and its structure (companies not personnel) as it was at the time of your ESOS notification</li> <li>Your total energy consumption calculation</li> </ol> <p>This allows the auditor to undertake a number of checks before the audit and speeds up the process. At the initial stage and throughout the audit, it is more helpful to us if you can provide/share the specific documents that we ask for as opposed to providing the full evidence pack. However, you will of course need to have access to your full evidence pack</p>

Step	Actions
<b>Check initial data</b>	Your auditor will check the above information and may respond with questions or a request for further information.
<b>Audit arrangement email</b>	Your auditor will email you with a list of possible timeslots for an ESOS audit. The auditor will also specify whether the audit will be held via webinar or at one of your sites. This will depend on the complexity of your organisation and/or the quality of the information you provide in response to our initial information request.
<b>Audit confirmation email</b>	Once you and the auditor have agreed on a timeslot, the auditor will send you an audit confirmation email. This will include information on the date, time and location of the audit (including the joining instructions if the audit is to be held via webinar).  The email will also outline the proposed structure of the audit (see below).
<b>Audit meeting / webinar</b>	During the audit, the auditor will discuss some or all of the following topics with you: <ul style="list-style-type: none"> <li>a) An overview of your organisation and how you managed ESOS</li> <li>b) The format and contents of your evidence pack</li> <li>c) The company structure of your organisation</li> <li>d) Your total energy consumption and significant energy consumption and how each was calculated (including a review of source data)</li> <li>e) Your sites, assets and activities at the time of your ESOS compliance</li> <li>f) The ESOS compliance route you used</li> <li>g) The sampling approach you used for your ESOS energy audits and the type and quality of audits undertaken</li> <li>h) The energy saving opportunities you identified, including extrapolation to non-site visited SEC</li> <li>i) Your Lead Assessor and Board Director sign off</li> </ul>
<b>Audit follow up</b>	Where additional information is required, the auditor will summarise this at the end of the audit meeting / webinar or in a follow up email and will provide you with timescales for sending this information.
<b>Audit outcome</b>	The auditor will write a report outlining the audit, structured around the topics listed in the audit meeting / webinar row above. The report will provide your audit outcome: <ul style="list-style-type: none"> <li>a) Compliant: You may have recommendations to improve aspects of your ESOS compliance which should be taken into account in the next phase of ESOS. However, you will not have to complete any further actions as part of this compliance audit</li> <li>b) Compliant with remedial actions: You will receive a list of remedial actions and a timescale for completing these. The actions need to be completed before the ESOS compliance audit can be closed</li> <li>c) Non-compliant: You will receive an enforcement notice as well as remedial actions and a timescale for completing these</li> </ul> <p>You will be sent the audit outcome by email from the EA (<a href="mailto:cctrscalpliance@environment-agency.gov.uk">cctrscalpliance@environment-agency.gov.uk</a>), along with the audit report.</p>

## Section 3: Compliance audit good practice

Good practice	Comments / suggestion actions
<b>Comprehensive evidence pack</b>	<ul style="list-style-type: none"> <li>• Agree / locate the person accountable for ESOS</li> <li>• Section 8.4 of the EA full ESOS guidance outlines what information should be kept in your evidence pack</li> <li>• Go through the EA full ESOS guidance and identify and then locate any items that you have not already included in your evidence pack</li> </ul>
<b>Well-structured evidence pack</b>	<ul style="list-style-type: none"> <li>• Have a contents page for your evidence pack that directs you to the location of each of the key pieces of evidence</li> <li>• Use appropriate file names to help identify what each file contains and to distinguish between interim and final versions</li> <li>• Include source data for calculations with data linked rather than typed in</li> </ul>
<b>Store your evidence pack securely</b>	<ul style="list-style-type: none"> <li>• Store your evidence pack in one location and ensure that is secure and backed up regularly</li> <li>• The participant not the Lead Assessor is responsible for storing the evidence pack. The participant must keep the evidence pack for the compliance period to which it relates and the two subsequent compliance periods</li> </ul>
<b>Be prepared</b>	<ul style="list-style-type: none"> <li>• Be prepared for a compliance audit by having your evidence pack ready</li> </ul>
<b>Organisation structure</b>	<ul style="list-style-type: none"> <li>• Be aware of any overseas parent company</li> <li>• Ensure that you have details of all the active UK organisations in your corporate group</li> <li>• Know who your UK highest parent company is</li> <li>• Have an organisation structure diagram showing all the organisations under the UK highest parent</li> <li>• Have a structure diagram showing any other UK highest parent groups under the overseas parent</li> <li>• Know which companies have energy consumption and which don't</li> <li>• Be aware of any agreements to aggregate or disaggregate and ensure that the relevant authorisation letters are stored in your evidence pack (see Section 1.8 of the ESOS guidance document for more details)</li> </ul>



Good practice	Comments / suggestion actions
<b>TEC and SEC</b>	<ul style="list-style-type: none"> <li>• Know the primary source of all energy consumption data</li> <li>• Know where all the primary energy consumption data is kept</li> <li>• Know the reference period for your total energy consumption (TEC). Note that all fuels should have the same 12-month reference period.</li> <li>• Ensure that all energy consumption estimates are identified and that the estimation methodologies/calculations are available</li> <li>• Ensure that all calculations used to evaluate the TEC are available for verification</li> <li>• Ensure that all conversion factors used along with their source are stated and referenced</li> <li>• Identify any energy consuming sites/activities that have excluded from the TEC, along with the reasons for their exclusion</li> <li>• Identify what has been included in your significant energy consumption (SEC) and what has been excluded as de minimis</li> <li>• Ensure that the calculations used to evaluate the SEC are available for verification</li> <li>• For transport, determine if personal use of vehicles has been excluded from the TEC</li> </ul>
<b>Sites, assets and activities</b>	<ul style="list-style-type: none"> <li>• Ensure that all sites and activities are documented</li> <li>• Ensure that details of the transport fleet are available</li> <li>• Ensure that any site moves between the qualification date and compliance date are documented, including the dates of relocation</li> <li>• Ensure that all sites where energy consumption is included in a facility fee rather than metered are identified</li> <li>• Ensure that information to support 'facility fee' sites exclusion from the TEC is available – portion of floor space occupied, degree of control over energy consumption, etc.</li> </ul>
<b>Compliance routes</b>	<ul style="list-style-type: none"> <li>• Ensure that all documentation is available to support the route to compliance (ISO50001 certificates, GDAs, DEC, energy audit reports)</li> </ul>

Good practice	Comments / suggestion actions
<b>Sampling approach and audit quality</b>	<ul style="list-style-type: none"> <li>• Define the reasoning behind any sampling approach adopted</li> <li>• Explain why the sampling approach is representative of the whole estate</li> <li>• Explain how the audit findings have been extrapolated to the non-audit activities</li> <li>• Identify if you have used a different twelve-month period for the audit to that used for calculating the TEC</li> <li>• Explain how energy profiling been carried out for the whole of the SEC or the sampled activities (trends, half hourly analysis, regression analysis, application-related energy consumption breakdowns)</li> <li>• Explain how analysis/energy profiling has been factored into the audit process</li> <li>• Explain any areas where the analysis/energy profiling is missing</li> <li>• Identify areas where energy benchmarking has been undertaken and how this has been used in the audit process</li> <li>• Where energy benchmarking has not been carried out explain the reasons for this</li> <li>• Summarise energy using activities (buildings, manufacturing, transport) along with production hours, building occupation hours, miles travelled, deliveries, etc.</li> </ul>
<b>Energy saving opportunities</b>	<ul style="list-style-type: none"> <li>• Explain how the savings opportunities adequately reflect the energy consuming activities</li> <li>• Explain any areas where savings opportunities have not been identified and the reasons for this</li> <li>• What are cost-effective criteria for savings opportunities?</li> <li>• How have the savings opportunities been ranked?</li> <li>• How have the savings opportunities been evaluated with simple payback period or with lifecycle cost analysis?</li> <li>• Explain how the savings identified have been extrapolated to the non-audited sites/activities?</li> </ul>
<b>Sign-off</b>	<ul style="list-style-type: none"> <li>• Locate the evidence of ESOS sign-off from the Lead Assessor and Board Director</li> <li>• Confirm that sign-off refers to the four bullet points from the EA full ESOS guidance</li> </ul>