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1. PURPOSE

- 1.1 The requirement includes both a regular planned programme of audits of all Accreditation Schemes that have been approved by the Secretary of State for the Department of Ministry of Housing, Communities and Local Government (MHCLG) and the facility for unplanned audits including any ad-hoc on the basis of intelligence about the way that particular Accreditation Schemes (Schemes) are conducting their business.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 The MHCLG and Local Government's job is to create great places to live and work, and to give more power to local people to shape what happens in their area. Its responsibilities include:
- Deliver homes the country needs.
 - Make the vision of place you call home a reality.
 - Support Local Government to deliver high quality services with sustainable finances
 - Create strong communities socially, economically and a sense of place.
 - Secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their homes
 - The Contracting Authority is referred to as the Client Body in the Conditions of Contract.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 The Energy Performance of Buildings (EPB) (England and Wales) Regulations 2012 require that valid Energy Performance Certificate (EPC) is made available for any building that is sold, rented out or constructed, a Display Energy Certificate (DEC) must be displayed in all public buildings whose floor area exceed 250m² and Air conditioning Inspection Reports (ACIRs) are prepared for air conditioning systems over 12kw. The purpose of the EPB Regulations is to provide for policy measures that improve the energy performance of buildings throughout England and Wales, using measurements and reporting tools as the main levers.
- 3.2 The EPB Regulations mandate that energy efficiency assessments carried out by accredited independent assessors. To enable this, a range of Schemes have been approved by MHCLG Secretary of State. These Schemes offer training and accreditation of energy assessors to produce EPCs, DEC's and ACIRs.
- 3.3 The purpose of the Schemes is to ensure that energy assessments and their accompanying recommendations for cost-effective improvements are high quality, accurate and consistent.



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- 3.4 Schemes in England and Wales are bound by the conditions set out in the letter of approval issued to them by the Secretary of State, including specifically the requirement to comply with MHCLG's Scheme Operating Requirements (SORs). It sets out the minimum operating standards for Schemes. However, Scheme operators may apply additional voluntary requirements should they choose to do so. The aim of the SORs is to ensure that greater consistency is implemented in the Schemes' internal quality assurance systems.
- 3.5 In order to further improve the effectiveness of the SORs in tackling sub-standard practice and detecting and preventing fraud, and identifying potential weaknesses in the production and oversight of EPCs
- 3.6 The Department is responsible for ensuring that the EPB regime is robust and that it provides reliable and accurate information of the energy efficiency of a building so that the building owner can trust the recommendations to make an informed choice about the energy efficiency changes to their building. Therefore, the accuracy and quality of energy certificates are paramount.
- 3.7 The Department is working to improve EPC process by auditing Schemes. EPC play a central part in the implementation of an increasing number of financially driven government policies and are used as lever to achieve the UK's ambitious target of net-zero greenhouse gas emission by 2050. EPC provide policy makers and markets with information about the energy efficiency of the building stock as well as supporting and encouraging individuals to make informed choices about how to improve the energy efficiency of their building. Increasingly a number of government policies rely on buildings having a current EPC and are linked to achieving a specific EPC rating
- 3.8 EPC also have role in relation to qualifying for some funding programmes such as Feed in Tariffs (FITs), Energy Company Obligation (ECO) and Renewable Heat Incentive (RHI), so that their accuracy is particularly important as it has the potential to provide access to government funding. In all of these programmes, EPCs provide a means of either assessing eligibility for funding or verifying that grant funded work has been completed. Key data items, such as floor area, heating system, etc. are vulnerable to manipulation to maximise grant eligibility and/or award levels.
- 3.9 There are currently six approved Schemes operating different strands of the EPB Regulations. Schemes have been issued with a set of frameworks which includes the SORs, including minimum standards in relation to quality assurance, the audit approach that must be adopted and the performance used for reporting the outcomes to MHCLG covering the following stands
- DEA (Domestic Energy Assessor);
 - NDEA (Non-Domestic Energy Assessor) level 3 and level 4;
 - NDEA (Non-Domestic Energy Assessor) level 5;
 - OCDEA (On Construction Domestic Energy Assessor);
 - DECA (Display Energy Certificate Assessor); and
 - ACIR (Air Conditioning Inspection Report).

Audits are carried out against each of these frameworks. The latest version of the SORs can be found at <http://www.easob.co.uk/>



4. DEFINITIONS

Expression or Acronym	Definition
MHCLG	means the Ministry of Housing Communities and Local Government (the Authority).
EPCs	means Energy Performance Certificates.
DECs	means Display Energy Certificates.
ACIRs	means Air Conditioning Inspection Reports.
SORs	means Scheme Operating Requirements.
FITs	means Feed in Tariffs.
ECO	means Energy Company Obligation
RHI	means Renewable Heat Incentive
DEA	means Domestic Energy Assessor
NDEA	means Non-Domestic Energy Assessor
OCDEA	means On Construction Domestic Energy Assessor
DECA	means Display Energy Certificate Assessor
CIR	means Air Conditioning Inspection Report
QMPs	means Scheme Quality Management Plans
QA	means Quality Assurance

5. SCOPE OF REQUIREMENT

5.1 The overall aim of this Contract is for the Supplier to undertake a formal audit of Energy Assessor Accreditation Schemes including un-announced spot checks. The specific objectives of this project are:

- To develop and undertake a program of quality assurance (QA) audits of Schemes' operation against published standards and SORs.
- To develop an audit process and undertake a series of unannounced spot audits on Schemes. These may be identified either through issues identified in schedule audit checks or at MHCLG's request.
- To provide support to finalise the revised SORs where there is an impact on the audit process.

6. THE REQUIREMENT

6.1 The Supplier shall produce a strategic audit plan, with the agreement of MHCLG, covering a two-year period, with options to extend up to a further one year, to audit MHCLG's approved Schemes to ensure compliance with SORs, published standards and guidance and Scheme Quality Management Plans (QMPs). The annual plan shall detail how the Supplier will:

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- Evaluate Scheme QMPs to ensure that they clearly define how the scheme intends to assure the quality and accuracy of energy certificates;
 - Prepare an audit approach and methodology based on the requirements of the SORs;
 - Plan for and undertake a series of visits to Schemes, both programmed and unannounced, to assess the quality of controls, test the degree of compliance with controls and evaluate, where necessary, the effect of non-compliance and the accuracy of information derived from the system according to all requirements identified in the SORs;
 - Identify, in conjunction with Schemes Internal Audit services, the potential for fraud and corruption, which should be investigated and reported on as necessary;
 - Provide reports and recommendations for action based on the requirements laid down in the SORs, and Scheme Disciplinary Procedures. These reports should be in a format suitable for the Schemes that has been signed-off by MHCLG. Individual reports will also be subject to MHCLG approval prior to being issued to the Schemes. Where necessary provision must be made for additional visits to ensure implementation of corrective actions;
 - Provide support and assistance to MHCLG in preparation for the appeal process where there is a disagreement between Schemes and audit reports; and
 - Provide ad-hoc support during the project as and when required.

Project Management

6.2 Strategic Audit Plans

- 6.2.1 The Supplier must prepare a Strategic Audit Plan. This shall identify the planned depth of coverage and the resources to be allocated in terms of both time and the qualifications and experience of staff undertaking the audit assignments. The Supplier shall prepare this on the basis of a rolling annual programme (two-year contract with an option to extend for a further one year).
- 6.2.2 The Supplier shall, at the same time, prepare an annual Operational Audit Plan, to be submitted to MHCLG for discussion and agreement. The annual Operational Audit Plan should conform to the outline of the Strategic Audit Plan, whilst providing more detailed information on scheduled audit assignments and explaining any proposed variations from the original audit strategy. The Annual Operational Audit Plan should contain provision for at least one full audit visit to every Scheme covering all strands for which the Supplier has approval from the Secretary of State, as well as provision for at least one unannounced audit visit for each Scheme. The provision made for each audit visit, whether it forms part of the planned programme of full visits or is one of the unannounced audit visits for which provision must also be made, must include time for preparing for and reporting on the outcome of audit visits as well as any follow up actions, including further visits, that may be necessary.



- 6.2.3 Draft Strategic and Operational Audit Plans should be submitted to MHCLG for discussion and agreement no later than two months prior to the start of each audit (financial) year.
- 6.2.4 Communication shall in the first instance be between the Project Leader appointed by the supplier and the MHCLG Contract Manager. Communication with other relevant parties including third party suppliers must be either issued by MHCLG or approved in advanced by the MHCLG Contract Manager. Meetings with the supplier will be held at a convenient location or by virtual means if a face to face meeting id not possible.
- 6.3 Audit Personnel
- 6.3.1 The Supplier shall assign staff with the appropriate skills and qualifications, such as in building services or engineering, and/or experience, such as a background of working either with or in the energy performance of buildings industry, to undertake the External Audit process. All planning and reporting processes shall be performed by appropriately qualified and/or experienced staff.
- 6.4 Evidence
- 6.4.1 The Supplier will obtain sufficient, relevant and reliable evidence on which to base conclusions and recommendations.
- 6.4.2 The first round of planned programmed of audit visits must be completed and reports submitted to MHCLG within six months of the contract start. Reports of each audit visit including planned and unplanned visits, must be submitted to MHCLG's Project Manager within four weeks of them taking place. All reports submitted to MHCLG must have received prior clearance from the Project Leader appointed by the supplier. Schemes must also have an opportunity to comment on their own report prior to it begin submitted to MHCLG. Supplier will ensure that arrangements are made to follow up audit recommendations, where necessary drawing up relevant documentation for MHCLG's officials to issue, and to monitor the effectiveness of action taken.
- 6.4.3 MHCLG's Contract Manager may appoint a manager to manage the day to day running of the contract.

7. KEY MILESTONES

- 7.1 The Supplier should note the following project milestones that the Authority will measure the quality of delivery against:

<u>Milestone</u>	<u>Description</u>	<u>Timeframe</u>
1	Launch meeting - with proposed audit programme drafted	Within two weeks of contract award
2	Agreed Audit Programme in place for Year 1	Within 4 weeks of contract award



3	Draft Report produced from each audit inspection.	Within four weeks each audit inspection
4	Arrange and carry out agreed spot audits (outside of the regular programme) within 3 weeks of requirement being identified.	spot audits completed within 3 weeks of requirement being identified.
5	Summary update setting out the overall position in relation to progress with the planned and unplanned audit programmes, and spend to date	Monthly
6	Proposed Audit Programme produced for Year 2	No less than 6 weeks before the end of contract year 1
7	Agreed Audit Programme in place for Year 2	No less than 4 weeks before the end of contract year 1
8	Invoices produced quarterly	Two weeks prior to the end of the quarter
9	Final invoice produced following the end of the contract to capture any outstanding expenses	Two weeks prior to the contract end date

8. AUTHORITY'S RESPONSIBILITIES

8.1 Not applicable.

9. REPORTING

- 9.1 MHCLG will appoint a Contract Manager/Client Officer from the EPB Operation team to oversee the management of the Contract.
- 9.2 Communication shall in the first instance be between the Project Leader appointed by the Supplier and the MHCLG Contract Manager/Client Officer. Communication with other relevant parties, including third party suppliers, must be either issued by MHCLG or approved in advanced by the MHCLG Contract Manager/Client Officer.
- 9.3 Meeting with the Supplier will be held at MHCLG's premises at Marsham Street or via virtual if a face to face meeting is not possible
- 9.4 In exceptional circumstances the venue may be changed to a convenient location for both the Supplier and MHCLG. Meetings will be held on a quarterly basis.
- 9.5 Reports on the outcomes of Audit visits, whether they form part of the planned programme of visits or part of the provisions made for unannounced visits, will be submitted to the MHCLG Contract Manager/Client Officer within seven working days of completion of the visit. Separate reports need to be submitted for each audit visit, including any follow up visits considered necessary.



9.6 In addition, the Supplier will provide a monthly updated summary setting out the overall position in relation to progress with the planned programme of audits, the number of unannounced audit visits that have been conducted, and the remaining resource available for those purposes, and spend to date against overall project objectives. The format of these monthly summaries will be agreed between MHCLG and the supplier at the contract start-up meeting.

9.7 All audit reports submitted to MHCLG must have received prior clearance from both the Project Leader appointed by the Supplier and the contract lead appointed by MHCLG's Contract Manager/Client Officer before payment can be completed for the deliverables.

10. VOLUMES

10.1 Based on previous contracts, MHCLG expects the supplier will carry out a full planned programme of audits of Schemes each year to ensure that they have the administrative framework in place to ensure compliance with the SORs.

11. CONTINUOUS IMPROVEMENT

11.1 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

12. SUSTAINABILITY

Not applicable

13. QUALITY

13.1 The Supplier must operate according to a recognised Quality Management System - such as ISO9000 (or equivalent).

14. PRICE

14.1 Prices are to be submitted using the template set out in Attachment 4 and must exclude VAT.

15. STAFF AND CUSTOMER SERVICE

15.1 The resources to be allocated in terms of both time and the qualifications and experience of staff undertaking the audit assignments must be set out in the Strategic Audit Plan. The qualification standards for the Audit Personnel are set out in paragraph 6.3.

16. SERVICE LEVELS AND PERFORMANCE

16.1 The Supplier must meet the milestones set out in the table at paragraph 7.1.

16.2 The Authority reserves the right to terminate the contract with two months' notice for poor supplier performance and / or failing to deliver the contract requirements.

17. SECURITY REQUIREMENTS

17.1 None



18. INTELLECTUAL PROPERTY RIGHTS (IPR)

- 18.1 All materials produced in the performance of the contract will be the property of MHCLG.

19. PAYMENT

- 19.1 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.
- 19.2 Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.

20. ADDITIONAL INFORMATION

- 20.1 The Contract is for two years with the option to extend to up further one year.



21. LOCATION

21.1 The contractor will use their own premises in part as well as attending regular meetings at MHCLG

They will also need to travel to the scheme offices to carry out the audits.
The current list is set out below.

- Chartered Institution of Building Services Engineers - 222 Balham High Road, London I SW12 9BS
- ECMK Ltd , Fore 2, 2 Huskisson Way, Shirley, Solihull, B90 4SS
- Elmhurst Energy - 16 St John's Business Park, Lutterworth, Leicestershire, LE17 4HB
- Quidos Limited - 7-9 North Parade Buildings, Bath BA1 1NS
- Sterling Accreditation Limited – Heywood Hall, Bolton Road, Pendlebury, Manchester, M27 8UY
- Stroma Certification - 4 Pioneer Way, Castleford, WF10 5QU.