Guidance

Asset Health Inspectorate Audit Methodology

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This document is for Electricity Transmission, Electricity Distribution, Gas Transmission and Gas Distribution licensees subject to the Asset Health Licence Condition. It explains how Ofgem selects, plans, conducts and concludes Asset Health Inspectorate Audits, including licensee responses, Action Plans, follow-up and publication.

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1. Introduction

This section sets out the context, scope, purpose and governance of this document.

1.1 Executive Summary

Ofgem[1]'s Asset Health Inspectorate (AHI) undertakes Audits of network companies' Asset Management System and Relevant Assets, to enhance regulatory oversight of their asset stewardship practices. In doing so, AHI provides increased confidence to consumers and investors that network companies are managing and maintaining their network assets in accordance with their obligations.

This document, the Audit Methodology, sets out the processes which Ofgem uses to carry out Audits of licensees' asset health management arrangements. It is derived from the Asset Health Licence Condition introduced in Electricity Transmission (ET), Electricity Distribution (ED), Gas Transmission (GT) and Gas Distribution (GD) licences, and applies to licensees covered by the Asset Health Licence Condition.

At a high level, the Audit Methodology explains:

- how licensees are selected for Audit and the processes for conducting, concluding and closing an Audit
- how AHI assesses evidence to determine licensees' compliance with Asset Health Licence Condition requirements and this document
- what Audit information AHI will publish

The Methodology is issued under direction under condition X.X of the Asset Health Licence Condition of ET, ED, GT and GD licences.

Should there be any discrepancy or ambiguity between a requirement set out in this document and the Asset Health Licence Condition, the Licence Condition shall take precedence.

1.2 Context

Ofgem's AHI is a dedicated audit function within Ofgem. Through an ongoing Audit programme, AHI provides the Authority with additional, independent assurance about electricity and gas network licensees' management of their network assets.

AHI's Audit programme examines whether:

[1] In this document the terms "Ofgem", "the Authority", 'we', 'us' and 'our' are used interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

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- licensees have asset management systems, policies and procedures in place, follow them in practice, and can demonstrate the justification for their arrangements
- recorded and reported asset condition is supported by evidence, and asset management decisions are informed by the licensees' assessment of risks, assumptions and uncertainties
- licensees address Audit Findings requiring action, with AHI monitoring their response and this evidence of improvement

Licensees are responsible for managing and maintaining their network assets and remain accountable for their asset management and investment decisions. We expect that network licensees are already undertaking strong asset stewardship in the way they manage, operate, maintain and replace their assets, in accordance with established price control business planning and reporting processes. The introduction of the AHI, its associated licence conditions and this Audit Methodology do not override licensees' responsibilities under existing licence conditions or other regulatory frameworks.

AHI complements existing regulatory frameworks to enhance oversight of network companies' asset stewardship. In doing so, AHI provides increased confidence to consumers and investors that network companies are managing and maintaining their network assets in accordance with their obligations.

1.3 Scope

The Methodology applies to ET, ED, GT and GD licensees[2] subject to the Asset Health Licence Condition. Audits will apply to Relevant Assets, including ancillary assets such as directly supporting civil works and structures. Those ancillary assets will not ordinarily be audited in isolation.

This Methodology should be read alongside relevant licence conditions and existing regulatory frameworks. It does not replace or amend existing requirements. AHI provides complementary asset management assurance and does not replace the Network Asset Risk Metric (NARM), price control or other regulatory processes.

1.4 Purpose of this document

The Methodology sets out the approach and processes which Ofgem will use when carrying out Audits of licensees' asset health management arrangements. It is derived from the Asset Health Licence Condition introduced in ET, ED, GT and GD licences.

[2] Independent network operators are excluded from the initial scope of AHI.

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It is designed to support consistent, proportionate, and risk-based regulatory oversight and provides a transparent framework for:

- how we will select licensees and sites for Audit
- how Audits will be undertaken, including timelines and licensee notice periods
- how we will assess evidence relevant to compliance with Asset Health Licence Condition requirements, the requirements within this methodology and any other associated documents
- the types of information and evidence that Ofgem will consider when forming views
- what will happen following an Audit

1.5 Governance of the Methodology document

This document is issued by the Authority under the Asset Health Licence Condition.

The process by which the Authority may amend this document is set out in the Asset Health Licence Condition.

1.6 AHI Audit Methodology

The Methodology has three key sections:

- Section 2 explains licensee selection process, Audit focus, asset and site selection process, and the annual Audit programme
- Section 3 explains notification, planning, Audit Terms of Reference (Audit ToR) and the conduct of Audits
- Sections 4, 5 and 6 explain Audit Findings, Action Plans, follow-up and publication

1.7 Three Pillar Assurance Model

AHI will use a three pillar model to examine licensees' asset management arrangements within the scope of each Audit. They are:

- Pillar 1: Policies and standards
- Pillar 2: Data and systems
- Pillar 3: Onsite condition

AHI will generally examine all three pillars through a single Audit process but may focus on one or two pillars where appropriate to the Audit objectives. The pillars and lines of enquiry will be identified in the Audit ToR detailed in Section 3.1.3.

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Audits may include Relevant Assets not covered by NARM[3].

1.7.1 Pillar 1: Policies and standards

Policies and standards Audits focus on a licensee's current policies to examine whether licensees have policies in place and that are informed by relevant standards to govern inspection, maintenance, monitoring, and remediation for the specific asset(s) in scope of Audit – and whether licensees are adhering to these policies in practice.

Scope

The scope of a policies and standards Audit includes a licensee's:

- asset management and maintenance policies, procedures and guidance
- governance frameworks for continuous improvement and decision-making
- organisational awareness and capability
- scope and status of the Asset Management System certification, associated audit reports and any asset management maturity assessments

1.7.2 Pillar 2: Data and Systems

Data and systems Audits consider whether a licensees' asset health information, supporting systems, and associated controls provide an accurate, complete, reliable, and traceable basis to understand asset condition, record asset management activity and support decision-making for the asset(s) in scope of Audit.

Scope

The scope of a data and systems Audit may include a licensee's:

- asset registers and records
- asset condition information, including but not limited to, maintenance, inspection, fault, defect data, and any corrective actions
- data quality, completeness and consistency
- ownership and governance of asset health data
- systems used to collect, store, manage and analyse information
- controls supporting the reliability and traceability of information

[3] Ofgem, NARM Handbook, Version 4.0, 30 June 2025. NARM provides the applicable framework for measuring, reporting and assessing the delivery of asset-related risk reduction through the price control.

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- alignment between datasets, records and regulatory reporting, and
- the use of evidence in asset health decision-making

1.7.3 Pillar 3: Onsite condition

Onsite condition Audits will consider how actual physical onsite asset condition reflects the efficacy of licensees' management and maintenance policies, practices, data and systems. Onsite condition Audits will also assure that the reported asset condition aligns with the physical onsite condition.

Scope

Pillar 3 may cover onshore Relevant Assets within the scope of the Asset Health Licence Condition and the final Audit ToR.

1.8 Supporting Information

1.8.1 ISO 55000

One of the main international standards for asset management is the ISO 55000 series, and we have therefore considered this standard as part of the development of our Methodology.

Within this Methodology, we refer to the ISO 55000 suite,[4] which encompasses related yet distinct standards:

- ISO 55000 provides an overview of asset management and sets out the principles and common vocabulary for use within the ISO asset management framework
- ISO 55001 sets out the requirements on Asset Management Systems. This is typically the standard against which accreditation is sought by businesses looking to provide assurance of their Asset Management Systems

Within this Methodology, we refer to ISO 55001 wherever we specifically mean the requirements for Asset Management Systems or accreditation processes, and to ISO 55000 wherever we mean either the higher-level principles of Asset Management or the broader suite of ISO Asset Management standards (including ISO 55001).

We acknowledge that there may be other appropriate standards of national / international standing. The use of ISO 55000 in this Methodology reflects its status as a

[4] British Standards Institution, BS ISO 55000:2024, Asset management. Vocabulary, overview and principles, 2024; and BS ISO 55001:2024, Asset management. Asset management system. Requirements, 2024.

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recognised standard for Asset Management, without excluding the use of other appropriate standards.

1.8.2 Standards

Electricity and gas assets are numerous and varied. There are many bodies[5] which provide standards, guidance and best practice for maintaining and managing these assets.

We understand that licensees will have different approaches to managing specific assets and will be able to draw on their own operational experience with assets in their portfolios. However, we do expect that licensees have given appropriate consideration to such standards, guidance and best practice in development of their own asset management policies (including regular review as standards develop).

AHI will consider whether licensees' arrangements are consistent with the relevant requirements of the Asset Health Licence Conditions, including those relating to Good Industry Practice. Good Industry Practice has the meaning given in the draft Asset Health Licence Conditions. References to Good Industry Practice should be read alongside the specific obligations in those conditions. AHI will consider whether licensee's arrangements are appropriate and effective in the circumstances, having regard to factors including, but not limited to:

- relevant standards and guidance have been considered, including recognised technical standards, manufacturer recommendations and industry learning
- inspection and maintenance arrangements have a sound technical basis, reflecting asset condition, operating environment, deterioration mechanisms and the consequences of failure
- decisions are supported by reliable information, with material gaps, assumptions and uncertainties identified and appropriately addressed
- arrangements are implemented in practice, through checks of maintenance records, work orders, condition assessments and selected site observations
- deferred work and exceptions are justified and controlled, with appropriate authorisation, interim measures, monitoring and review dates
- governance and competence are appropriate, with clear responsibilities, suitable technical oversight and effective escalation of material concerns

[5] Examples include the British Standards Institution (BSI), International Organization for Standardization (ISO), International Council on Large Electric Systems (CIGRE), International Electrotechnical Commission (IEC), Institute of Electrical and Electronics Engineers (IEEE), Energy Networks Association (ENA), and Institution of Gas Engineers and Managers (IGEM).

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- experience informs subsequent decisions, including whether incidents, defects, inspection results and relevant industry learning lead to proportionate reviews of policies and practices

We would assess this evidence against the licence definition, taking account of the circumstances and information available at the relevant time. This would preserve flexibility for licensees while allowing scrutiny of the basis for their arrangements.

For clarity, Ofgem is not setting standards for management of specific assets through this Methodology / the Asset Health Licence Condition.

2. Licensee Selection

This section outlines the process for selecting licensees for Audit.

AHI will undertake Routine Audits included in an annual programme of planned audit activity and Non-Routine Audits outside that programme. Selection for an Audit does not, in and of itself, indicate that a licensee is suspected of a non-compliance or any specific concern.

2.1 Licensee and audit focus selection process

2.1.1 Routine Audits

AHI will ordinarily select licensees through rotation, with the intention of auditing each in-scope licensee at least once during each price control period.

The order and timing of Audits shall, where possible, take account of programme capacity, other regulatory activity, previous routine or non-routine audits, and the need to avoid unnecessary duplication or disproportionate demands on licensees and licensee groups.

AHI will use regulatory data and intelligence from a range of sources to inform initial discussions regarding the Audit focus. Sources may include but are not limited to:

- NARM data and other price control or regulatory submissions
- business plans, asset management strategies, incident reports and engineering justification papers
- asset management maturity self-assessments
- regulatory engagement, previous Audit Findings and other regulatory intelligence

Quantitative NARM information will be considered alongside other evidence; it will not be the sole basis for selection.

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2.1.2 Non-Routine Audits

Ofgem may initiate a Non-Routine Audit at any time and select any in-scope licensee, Relevant Asset, asset category, system, process or site.

A Non-Routine Audit may be initiated in response to unforeseen circumstances, a specific incident or event (e.g. an asset failure or system incident), emerging risks, or regulatory intelligence. A Non-Routine Audit may also be carried out where Ofgem otherwise considers that additional assurance is appropriate. A specific event, risk or other trigger is not required for Ofgem to initiate a Non-Routine Audit.

This approach recognises that licensees have differing network characteristics and asset management approaches, and that the AHI requires sufficient flexibility to provide responsive and proportionate assurance.

Where appropriate, Ofgem will coordinate with other regulatory bodies to avoid duplicating regulatory or industry investigations. However, the presence of other regulatory investigations would not prevent Ofgem from proceeding with an Audit where we consider it appropriate to do so.

2.2 Asset and site selection

For both Routine and Non-Routine Audits, AHI will propose assets and sites, consider relevant licensee comments on the Audit ToR and determine the final selection through the process in Section 3.1.3. Selection will reflect the Audit objectives and may include (though shall not be limited to) assets or sites that:

- represent material asset-health risks identified through the regulatory data and intelligence described in Section 2.1
- enable comparison of policies, data and decisions with physical asset condition, and / or
- otherwise provide relevant evidence against the Audit objectives.

The content and process for finalising the Audit ToR are set out in Section 3.1.3.

2.3 AHI audit programme

AHI will conduct an annual programme comprising Routine and Non-Routine Audits, with the majority of available resource dedicated to Routine Audits. The annual programme may be revised to reflect emerging evidence and regulatory priorities.

The Routine annual audit plan (the plan) will be published no later than 31 March[6] and identify:

[6] In AHI's first year, the inaugural annual Audit plan will be published after the Asset Health Licence Conditions take effect.

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- the number of routine audits planned for the year
- the planned quarter for each audit, and
- the licensee sectors in scope.

The published plan will not identify individual licensees and may change during the year.

Routine and Non-Routine Audits will follow the same core process as the one set out in Section 3. The lines of enquiry and evidence examined under each pillar will reflect the Audit objectives and scope.

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3. Audit Process

This section outlines the process for undertaking Audits, including how licensees are notified of Audit, how Audits are planned and conducted, and the different areas of focus for Audits the AHI will undertake as part of its audit programme.

3.1 Audit notification

AHI will notify licensees of its intent to conduct an Audit by issuing a formal Audit Notice to the licensee.

To facilitate the issuance of an AHI Audit Notice and the subsequent responses in accordance with timings outlined in the below sections, each licensee shall provide the AHI with at least two points of contact: the licensees' nominated Regulatory Manager, and another relevant position. Contact information shall include email addresses ('nominated email addresses'), names and roles, or in the case of a group box, business function. Licensees shall ensure these points of contact with the AHI are kept up to date.

3.1.1 Content of an Audit Notice

The Audit Notice will set out:

- whether the Audit is Routine or Non-Routine, Audit area(s) of focus (i.e. Pillar 1, 2, 3); and
- Milestones and timelines for Audit, with provisional dates for planning meetings and Audit timetable.

Where site access is required, the timeframe within which access must be provided, in accordance with Section 3.1.2.

3.1.2 Audit Notification and Licensee Response Timings

3.1.2.1 Routine Audits

Routine Audits undertaken as part of the annual Audit programme will use the following notification protocols:

- Ofgem will issue an Audit Notice to the licensee's nominated email addresses indicating that it will conduct a Routine Audit of the licensee. Following the issue of an Audit Notice, a Routine Audit can commence **a minimum of 40 Working Days** from the date listed on the Audit Notice (unless a shorter time is agreed by the licensee).
- Licensees shall acknowledge receipt of the Audit Notice **within 10 Working Days** of the date listed on the Audit Notice. The Authority may determine that a longer time period is appropriate for licensees to provide acknowledgement,

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where this is the case, the due date for acknowledgement will be provided in the Audit Notice.

- Licensees shall send their acknowledgment to the Authority by email to: AHI@Ofgem.gov.uk.
- Once the Audit Notice has been issued, planning meetings and finalisation of the Audit ToRs will take place.

Where the Authority requires access to a licensee site for Routine Audits the following notification protocols will apply:

- Ofgem will issue an Access Notice to the licensee's nominated email addresses.
- The Access Notice will include at a minimum: the site(s) and date(s) for site(s) to be accessed, the rationale for accessing those sites (aligned to the Audit ToR) and the named personnel who will access the site.
- Licensees must provide access to the site specified in the Access Notice, within the timeframe specified in the Access Notice. For Routine Audits this will be **not less than 10 Working Days** from the date listed on the Access Notice, or such other earlier date as agreed by the licensee and the Authority in the final Audit ToR.
- Where the licensee considers that there are health and safety, security, environmental, information security, or other reasonable requirements (as set out in Section 3.3.2.3) which the Auditor must adhere to in advance of access or when accessing the site, the licensee must communicate these requirements to the Authority by email to: AHI@ofgem.gov.uk, **within 3 Working Days** of the date listed in the Access Notice.

3.1.2.2 Non-Routine Audits

Non-Routine Audits shall use the following protocols:

- Where supplementing the annual Audit programme, the timelines in Section 3.1.2.1 for Routine Audits shall apply.
- Where in response to an incident, Ofgem will issue an Audit Notice to the licensee's nominated email addresses, which licensees shall acknowledge **within 1 Working Day** of the date listed on the Audit Notice. The Authority may determine that a longer time period is appropriate for licensees to provide acknowledgement, if this is the case, the due date for acknowledgement will be provided in the Audit Notice.

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- Licensees shall email their acknowledgment to the Authority at: AHI@Ofgem.gov.uk.
- Once the Audit Notice has been issued, planning meetings and finalisation of the Audit ToRs will take place, although the shorter timeframe may limit discussion before the ToRs are finalised.

Where the Authority requires access to a licensee site for Non-Routine Audits the following notification protocols will apply:

- Ofgem will issue an Access Notice to the licensee's nominated email addresses. The Access Notice will include at a minimum: the site(s) and date(s) for site(s) to be accessed, the rationale for accessing those sites (aligned to the Audit ToR) and the named personnel who will access the site.
- Licensees must provide access to the site specified in the Access Notice, within the timeframe specified in the Access Notice. For Non-Routine Audits this will be **not less than 1 Working Day** from the date listed on the Access Notice.
- Where the licensee considers that there are health and safety, security, environmental, information security, or other reasonable requirements (as set out in Section 3.3.2.3) which the Auditor must adhere to in advance of access or when accessing the site, the licensee must communicate these requirements to the Authority by email to: AHI@ofgem.gov.uk, **immediately** on the date listed on the Access Notice.

3.1.3 Audit Terms of Reference

For each Audit, AHI will prepare audit-specific Audit ToRs setting out the purpose, objectives, scope and boundaries of the Audit. The Audit ToRs will identify whether the Audit is Routine or Non-Routine; the Audit pillars and lines of enquiry in scope; the relevant business areas, processes, systems, asset categories and evidence period; and, where applicable, the sites and assets selected for examination.

The Audit ToRs will also record audit-specific evidence requirements, key contacts and milestones, any information-handling or access arrangements, and any matters expressly outside the Audit's scope. Appendix 2 contains a blank template for Audit ToRs.

Once the Authority has received licensees' acknowledgement of the Audit Notice, AHI will provide draft Audit ToRs to the licensee. Licensees can provide feedback on the draft Audit ToRs to the Authority. The Authority will consider relevant comments received from the licensee on the draft Audit ToRs during planning. The Authority will confirm and provide the final Audit ToRs in writing to the licensee's nominated email

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addresses before substantive audit activity begins. Should agreement on the final Audit ToRs be unable to be reached, the Authority will retain the discretion to issue the final Audit ToRs to the licensee in scope of Audit.

3.2 Planning and scoping

3.2.1 Planning meetings

To plan and scope the Routine and Non-Routine Audits, AHI will schedule planning meeting(s) with the licensee, which will take place after the Audit Notice is issued. Planning meeting(s) will be undertaken with the Authority and its Auditors, and relevant representatives from the licensee in-scope of Audit.

Planning meetings will cover, at a minimum:

- the proposed Audit scope and draft Audit ToR, including licensee comments for Ofgem to consider before determining the content of final Audit ToR
- key milestones and dates
- the documentation and data to be provided, and submission timeframes
- the staff for Auditors to meet to provide contextual information, and meeting arrangements
- practical arrangements for inspecting the selected plant, equipment and sites, and
- logistics, including the daily Audit timetable, safety information, briefings and asset-specific PPE requirements.

Ofgem will determine the final Audit scope and Audit ToR in accordance with Section 3.1.3. AHI and the licensee will agree the practical arrangements for carrying out the Audit. AHI may request additional information relevant to the Audit scope.

3.3 Conducting an Audit

3.3.1 Audit duration

The duration of an Audit will depend on its scope and complexity, however Ofgem will use reasonable endeavours to minimise administrative burden on the licensee by limiting the duration of Audits to a length of time that is necessary and proportionate to the Audit ToRs.

Audit timetables will be agreed with the licensee during planning meetings. When undertaking the Audit, AHI auditors will follow the Audit timetables agreed with the licensee at the planning meeting. Audit timetables will be recorded in the Audit ToR.

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3.3.2 Standard evidence gathering processes

The following evidence gathering processes will apply to all Audits to be undertaken. These processes include document review and data collection, attending licensees' sites, and conducting meetings with licensees' staff.

Documentary evidence, contextual information obtained from relevant staff and visual observations will be considered together, including any inconsistencies or limitations in the evidence.

3.3.2.1 Documentary evidence

During an Audit, AHI will examine, review and analyse a licensee's documentation and data in-scope of the Audit. Auditors require licensees to provide documents / data for Audit that are the current versions of documentation / data held on the date of the Audit Notice. Where possible, AHI requests that licensees submit documentation relevant to the scope of the Audit in an electronic format, using a secure file sharing system.

Where the Audit ToR includes a request for information which the Authority may reasonably require or that it may consider necessary to perform the Audit (or its wider statutory functions) the licensee must provide that information to the Authority within the timeframe and in the form provided for in the Terms of Reference.

3.3.2.2 Data protection

Ofgem and its Auditors will handle audit information securely and in accordance with applicable legal requirements, including restrictions on disclosure. Access will be controlled according to the information and the purpose for which it is required. Information may be used by relevant Ofgem teams for lawful regulatory purposes, including specialist advice and enforcement, subject to the above requirements.

Licensees should identify information they consider sensitive and explain the reasons, including any security-classification or transfer constraints. Ofgem will consider those representations and confirm suitable handling arrangements; a licensee's classification does not, by itself, determine the legal position on disclosure.

Disclosure and publication will be considered under applicable law, including Section 105 of the Utilities Act 2000 and relevant information-access legislation. Any applicable exemptions, restrictions and public interest tests will be considered.

3.3.2.3 Accessing licensee's sites

During an Audit, Auditors may access a licensee's sites for purposes including:

- inspecting the physical condition of Relevant Assets, plant or equipment within the scope of Audit
- verifying or comparing the physical condition of Relevant Assets against information, records or data provided or held by the licensee

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- assessing how the licensee's Asset Management System is applied in practice
- obtaining information from relevant personnel at site where the Authority considers that this is reasonably necessary, and
- otherwise obtaining or verifying evidence reasonably required for the purposes and within the scope of an Audit

Ofgem will provide licensees with advance notice before attending licensees' premises by issuing an Access Notice. Notification protocols for site access for Routine Audits are outlined in Section 3.1.2.1 and Non-Routine Audits in Section 3.1.2.2 above.

The sites to be accessed by Auditors will be recorded in the final Audit ToRs. The licensee shall provide information, in advance, regarding the site's relevant risks and access requirements. Auditors will assess risks associated with their attendance using this information and complete the site induction and any necessary training before entering relevant areas.

When accessing a site, Ofgem and its Auditors will be required to comply with the following requirements, provided they are reasonable in the circumstances:

- health and safety, security and environmental requirements, policies, and/or procedures applicable to the relevant premises or site;
- any requirements necessary to ensure the safe operation of the licensee's network, plant and equipment; and
- any other reasonable site-specific requirements, provided these do not prevent, materially restrict or unreasonably delay the audit.

The licensee shall provide Ofgem and its Auditors with copies of relevant requirements, procedures and policies, as soon as reasonably practicable, following the completion of planning meetings, so they can be appended to the Audit ToR.

Auditors will comply with site safety and security requirements and be supervised by a suitably authorised licensee representative. The Audit ToRs and/or associated access arrangements will identify required PPE and who will provide it, any specialist or site-specific equipment, and arrangements for Auditors. Auditors will not undertake any testing of equipment and will not operate any switches, indicators, or controls.

3.3.2.4 Obtaining information from licensees' staff

As part of the Audit process, Auditors will obtain contextual information from licensees' staff, relevant to the scope of the Audit. During planning meetings, the Auditors and the licensee will agree the proposed list of staff for Auditors to meet provide information in scope of the Audit, and meeting timings and locations (which may be virtual). Licensees are to make the relevant staff with specific knowledge and skillset(s) applicable to the Audit scope available to meet Auditors at specific times agreed with Auditors.

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3.3.3 Three pillar audit processes

This section outlines the specific Audit processes and activities associated with AHI's three Audit pillars to assure the effectiveness of licensees' asset management approaches in relation to specific asset(s) in scope of Audits.

Should Audit activities identify any major failures or safety risks, Ofgem would be obliged to investigate or refer the matters to agencies with relevant statutory responsibilities and, where appropriate, take enforcement action.

3.3.3.1 Pillar 1 Audit process

Activities

Activities in Pillar 1 include, but are not limited to:

- reviewing relevant licensee policies, standards, procedures and assessments, to assess relevant asset management activities by the specific asset type that is the subject of audit
- reviewing relevant maintenance, defects, monitoring, condition assessment, maintenance deferral and intervention policies and data from licensee systems for specific assets in scope of audit, and benchmarking against the licensee's own procedures and standards
- undertaking gap analyses to compare licensee's maintenance regime(s) against relevant industry and international standards to understand how licensee's policies, systems, and asset maintenance regimes are informed by relevant industry and international standards
- These activities will be carried out by Auditors using desk-based document reviews and as required, contextual information provided onsite by licensee's staff.

During a policies and standards Audit, an Auditor will:

- **note** the licensee's asset management accreditation, the scope of their asset management system, and maturity self-assessment
- **review** the licensee's asset management policies and procedures in relation to specific asset(s) in scope of Audit
- **assess** policies and procedures relevant to the licensee's specific asset(s) in scope of Audit, to understand how they are developed and applied in practice (in the context of international guidelines and industry standards)
- **review** performance data in relation to specific asset(s) that are in scope of the Audit and assess compliance with the licensees' own asset management system.

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Information base

To undertake a policies and standards Audit for asset/s in scope of Audit, Auditors will consider the following information, including but not limited to:

- information supplied by the licensee as part of price control reporting processes, including information gathering plans, engineering justification papers, business plans, asset management and maintenance strategies, policies, procedures
- licensees' internal audit reports related to aspects of asset management, operation, and maintenance
- asset management policies, procedures and guidance for specific asset(s) in scope of the Audit
- asset maintenance guides, logs and records for specific asset(s) in scope of the Audit
- licensees' asset management accreditation and maturity assessment and documentation.

Considerations

Auditors will focus on the following areas during a policies and standards Audit. (Note, these areas of focus are provided as an indicative guide only and should not be considered exhaustive or complete).

To understand how the asset(s) in the scope of Audit are reflected in the licensees' asset management system's **purpose and context,** the Auditor will focus on whether:

- the asset(s) in scope of Audit are defined and evidenced in the boundaries of the licensee's asset management system, including whether the licensee has defined, evidenced and explained the reasoning for the boundaries of their asset management systems with clear documentation.

To understand how the licensee's asset management system considers **strategy and planning,** the Auditor will focus on whether:

- the licensee holds a current asset management certification aligned with an international or industry-recognised asset management standard
- the licensee has documented policies, strategies, processes for the operation, management, maintenance, replacement of the specific asset(s) in scope of Audit, (including, but not limited to: an asset management policy, an asset management strategy, or a strategic asset management plan, asset management objectives, and / or asset management plans), and is adhering to these documents for the specific asset(s) in scope of Audit, in practice

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- the content of the licensee's asset management artefacts for the asset(s) in scope of Audit is informed by industry-recognised standards
- the licensee has processes in place to review, update and improve asset management artefacts for the asset(s) in scope of Audit, that these processes are being followed and that these processes are informed by good industry practice
- licensees can demonstrate how the asset management policies, processes and procedures for asset(s) in scope of Audit are achieving asset health benefits.

To understand the licensee's **leadership and governance** of its asset management system, the Auditor will focus on whether, for the asset(s) in scope of Audit:

- the licensee documents and establishes roles and responsibilities for asset management and ensures there are clear and understood channels for communicating and escalating risks related to asset(s) in the scope of Audit
- the licensee implements processes to integrate and consider asset management artefacts into decision-making processes and that these processes are being followed in practice
- the licensee's governance forums and governance processes review and take decisions on asset management and incorporate senior-level accountability for asset management
- the licensees' Board is involved in setting the direction for the licensees' asset management system, policies and processes, for asset(s) in the scope of Audit.

To understand how the licensee's **organisation and people** support its asset management culture, the Auditor will focus on whether:

- the licensee has processes and policies in place to attract, retain and train staff with awareness, knowledge and skills to carry out their organisational roles in relation to asset(s) in scope of Audit
- licensees' staff at all levels are empowered to identify and escalate issues or concerns related to asset(s) in the scope of Audit
- the licensee's reporting channels are used by staff in practice to identify and report asset management issues related to asset(s) in the scope of Audit.

To understand how the licensees' **asset management decision-making** operates, the Auditor will focus on whether, for the asset(s) in scope of Audit:

- asset management decisions are documented and shared / escalated within the licensees' organisational structures

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- the licensees' asset management system aligns to investment priorities and risk mitigation strategies
- the licensees' asset management system informs and guides decision-making on cost and service trade-offs in practice
- the licensees' asset management system informs and influences long-term financial planning in practice
- insights from a licensees' asset management system influence decision-making in practice
- asset management is integrated and embedded into Executive and Board discussions and decisions, and is evidenced in practice.

To understand how the licensee's **review and continuous improvement process** works for the asset(s) in scope of Audit, the Auditor will focus on whether:

- the licensee measures the performance of asset(s) in scope of Audit
- the licensee has processes for continuous improvement of asset management objectives and asset management system components, and adheres to these processes in practice
- the licensee undertakes internal reviews or assurance of its asset management systems for the asset(s) in scope of Audit
- there is a feedback loop to integrate findings into existing policies, procedures and processes for asset(s) in scope of Audit
- the licensee carries out internal reviews of asset management plans, policies, and procedures in response to asset health incidents
- the licensee identifies and uses lessons to improve existing asset management systems, policies, procedures and processes.

Assessment

For asset(s) in the scope of audit, Auditors will provide their expert view on:

- whether licensees are following their stated policies and standards, in practice
- whether the licensee's asset management policies and procedures are informed by relevant standards and Good Industry Practice
- whether there are any gaps or inconsistencies and recommended areas of focus for improvement.

3.3.3.2 Pillar 2 audit process

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Activities

Activities in Pillar 2 may include, but not be limited to:

- tracing samples of work orders, inspections, maintenance activities, condition-monitoring results, faults and defects from initial identification through to recording, follow-up, completion, and closure
- assessing whether asset registers, condition information, and operational records are complete, accurate, current, consistent, and appropriately supported by evidence
- comparing information across systems, datasets, and records to identify omissions, duplication, inconsistencies, or conflicting asset information
- reviewing data governance and controls, including ownership, accountability, validation, approval, system transfers, audit trails, and the management of data-quality issues
- testing whether asset health, condition, and risk measures are calculated consistently using documented methodologies, traceable source data and appropriately treated assumptions, estimates, or missing information
- reconciling information reported to Ofgem (including through NARM, where applicable) with underlying asset records, operational evidence, and supporting calculations, for the purposes of AHI asset management assurance
- examining whether reports and management information accurately represent asset condition, risk and performance, and support appropriate inspection, maintenance, remediation, refurbishment, and replacement decisions
- comparing recorded and reported asset condition with supporting evidence and, where relevant, observations arising from onsite inspection.

These activities will be carried out by Auditors using desk-based document reviews and as required, meetings with staff and onsite physical site inspections.

Information base

Auditors will use the following information, including but not limited to:

- asset information and operational records, including asset registers, condition assessments, work orders, and inspection, maintenance, condition-monitoring, fault, defect, deferral, and remediation records

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- asset health calculations and supporting evidence, including source data, methodologies, assumptions and working papers used to derive asset health, condition or risk measures
- regulatory submissions and supporting information, including relevant data, calculations, reconciliations, and reporting records
- systems and management information, including system extracts, dashboards, reports, data dictionaries, interface documentation, audit trails, and records of changes to asset information
- data governance and assurance information, including relevant policies and procedures, data-quality reports, validation and exception results, corrective-action records, and internal audit or assurance reports
- governance and decision records demonstrating how asset health information has informed oversight and decision-making, and
- evidence from other AHI activity, including contextual information provided by licensee's staff, system demonstrations and onsite observations, where relevant.

Considerations

Auditors may consider the following focus areas relevant to Pillar 2. These areas are indicative and should not be considered exhaustive.

To understand the licensee asset management **information management system,** the Auditor will consider whether:

- asset information and records are accurate as required within the Asset Health Licence Condition by being complete, current, consistent, and traceable across relevant registers, systems, datasets, and regulatory submissions
- data governance and controls clearly define ownership and accountability, support appropriate access and oversight, and ensure that information is validated, approved, and controlled throughout its lifecycle
- data quality and methodologies are effectively managed, including the identification and resolution of data-quality issues and the appropriate treatment of assumptions, estimates, adjustments, and missing information
- operational activities and outcomes are recorded promptly and supported by evidence, with faults, defects and other findings linked to appropriate actions, accountable owners, and timescales

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- reporting and decision-making are supported by reliable information that accurately represents asset condition, risk and performance, identifies relevant limitations or uncertainties, and informs appropriate asset management interventions
- recorded and reported asset condition, where relevant, is consistent with supporting evidence and observations arising from onsite inspection.

Assessment

Auditors will provide their expert view on whether:

- asset information and operational records provide a complete, accurate, current and traceable representation of the assets, activities, findings and outcomes within the scope of the Audit
- data governance, systems, and controls appropriately protect the quality, integrity, consistency and traceability of asset health information
- asset health, condition, and risk measures are calculated accurately and consistently using documented methodologies, traceable source data, and appropriate assumptions, or adjustments
- information reported to Ofgem, including through NARM where applicable, is consistent with underlying systems and records, and has been produced in accordance with applicable methodologies, controls and reporting procedures
- asset health information supports appropriate and timely inspection, maintenance, remediation, refurbishment, replacement, and other asset management decisions, including follow-up where faults, defects, or other issues are identified
- recorded and reported asset condition is supported by available evidence and, where relevant, is consistent with observations arising from onsite inspection, and,
- there are any material gaps or inconsistencies in the licensee's asset information, supporting systems or associated controls, and any resulting areas for improvement.

3.3.3.3 Pillar 3 audit process

Activities

Onsite condition inspections will include visual inspection of licensees' Relevant Assets based on accessible aspects of equipment (including monitoring device displays). All equipment will be inspected and viewed from ground level only. All equipment is assumed to be live and in operation at the time of the inspection.

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Activities comprising a Pillar 3 audit include, but are not limited to:

- conducting physical onsite inspections for asset(s) in scope of Audit
- examining corrosion, structural degradation, oil leaks, insulation condition, auxiliary-system integrity, and workmanship quality, as relevant to asset(s) in scope of Audit
- validating the accuracy of inspection results and maintenance logs onsite, comparing against findings from Pillar 2 (data and systems) Audits
- reviewing sampling diagnostic tests relevant to asset(s) in scope of Audit (for example, but not limited to: thermal imaging, dissolved gas analysis, oil and gas leakage, non-destructive testing, cathodic protection readings, thermography, functional checks)
- reviewing defect remediation onsite for timeliness, completeness, and quality, comparing against findings from Pillar 2 (data and systems Audits)
- checking that deferred work is credibly justified and risk-managed, comparing against findings from Pillar 2 (data and systems Audits).

These activities will be carried out using a combination of desk-based document reviews, contextual information provided by licensee's staff (either virtual or onsite), and physical site inspections.

Information base

Auditors will use the following information to undertake a Pillar 3 Audit:

- information supplied by the licensee through price-control reporting and, where applicable, NARM submissions, together with relevant supporting documentation, including information gathering plans, engineering justification papers, asset management strategies, policies and procedures
- licensees' internal audit reports related to aspects of asset management and maintenance
- information gathered via visual inspection
- industry-developed engineering good practice guides and engineering standards
- asset management policies, procedures and guidance
- asset maintenance logs and records
- relevant findings from Pillar 1 (policies and standards) and Pillar 2 (data and systems) Audits.

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Considerations

Auditors will consider the following focus areas relevant to onsite condition audits. These areas of focus are provided as an indicative guide only and should not be considered exhaustive or complete.

To understand the **asset condition** of asset(s) in scope of Audit operated by the licensee, Auditors will focus on whether:

- the asset condition based on onsite visual inspection matches the licensee's data and records (allowing for reasonable and expected deterioration / change since last inspection) when compared to the Engineering Good Practice Guide[7] / other relevant industry standard.

To understand a licensee's **maintenance processes and procedures**, Auditors will focus on whether:

- the asset(s) in scope of Audit has/have been maintained in line with the licensee's asset management / maintenance policy based on visual inspection
- the asset(s) in scope of Audit has/have been maintained in line with the licensee's asset management / maintenance policy based on data and records.

To understand the licensee's **staff training and awareness** of asset management policy, Auditors will focus on whether:

- relevant maintenance staff at all levels are able explain their understanding of the licensee's approach to asset management (relevant to their role) and explain how asset management works in practice
- policies are applied consistently across work teams responsible for different sites / assets that the licensee owns / operates
- Auditors will be looking for consistency of the message from licensee's asset management policies and the contextual information provided by staff in the scope of Audit, that the licensees' processes, procedures, and equipment allow staff to conduct maintenance in the appropriate manner, and that the asset management system (AMS) works in practice.[8]

Assessment

Auditors will provide their expert view on:

[7] Energy Networks Association, Good Practice Guide to DNO Common Network Asset Indices Methodology V2.1, Engineering Report 145, Issue 1, 2024.

[8] An AHI Audit examines how the licensee's Asset Management System operates in practice for the assets within the Audit's scope; it does not replace ISO 55001 certification.

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- the condition of asset(s) in scope of Audit inspected
- whether the actual condition of asset(s) in scope of Audit aligns with data reported to Ofgem, and the licensee's latest record of asset(s) in scope of Audit's condition
- whether the licensee has complied with maintenance policies and procedures for the asset(s) inspected in scope of Audit
- whether there are any gaps or inconsistencies and recommended areas of focus for improvement.

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4. Audit Process Conclusion

This section sets out the process following an Audit.

4.1 Draft auditor report

AHI will issue the draft auditor report, including draft Audit Findings, to the licensee's nominated email addresses. AHI will reasonably endeavour to provide the draft auditor report to the licensee within **30 Working Days** from the final date contained in the Audit timetable.

Licensees will have **10 Working Days** from receipt of the draft auditor report, or such other timeline as agreed with the Authority, to alert the Authority of any factual inaccuracies contained within. Licensees should notify the Authority of factual inaccuracies electronically, via email to AHI@ofgem.gov.uk.

The Authority will consider licensees' response; however, the Authority is not obliged to make licensees' requested amendments in the final auditor report. The decision on the content of the final auditor report and Audit Letter will rest with Ofgem.

The licensee must keep the draft auditor report confidential and must not disclose it or any of its contents outside the licensee without the Authority's prior written consent, except where required by law.

4.2 Final auditor report and Audit Letter

AHI will attach the final auditor report to the Audit Letter. The Audit Letter will be addressed to the licensee and include:

- high-level overview of the audit scope as defined in the AHI Audit ToR
- final Audit Findings
- a request for the licensee to provide an Action Plan in response.

An Audit Letter template is included at Appendix 3.

AHI will reasonably endeavour to issue the Audit Letter and final auditor report to the licensee within 20 Working Days of AHI's receipt of the licensees' response to the draft auditor report.

The licensee must keep the final Audit Report confidential and must not disclose it or any of its contents outside the licensee without the Authority's prior written consent, except where required by law.

4.3 Action Plan

Following receipt of the Audit Letter, licensees will be required to submit an Action Plan, using the template provided at Appendix 4. An Action Plan will include, at a minimum:

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- each Audit Finding listed in the final auditor report
- licensees' proposed actions to address each Audit Finding
- licensees' proposed timeframes to complete each action including:
    - relevant milestones;
    - residual risks and interim controls; and
    - evidence required to demonstrate completion

Licensees must submit their proposed Action Plan to AHI@ofgem.gov.uk **within 30 Working Days** of the date listed on the Audit Letter, or such other period as agreed with the Authority. The Action Plan must set out proposed actions and completion timeframes that the licensee considers sufficient to address the Audit Findings set out in the Audit Letter.

Upon receipt of the licensees' Action Plan, the Authority will review the proposed Action Plan. In considering its approval of an Action Plan, the Authority will consider whether the licensee's proposed actions are reasonably capable of satisfying the relevant closure tests (outlined in Section 5.2). The closure tests will subsequently be applied at close-out to determine whether there is sufficient evidence that the intended outcomes have been achieved.

Following its review, the Authority will issue a written response to the licensee's nominated email addresses to notify the licensee that either:

- the Authority agrees the Action Plan and provides its approval, or,
- the Authority requires the licensee to submit a revised Action Plan, as the Authority does not agree the that the proposed Action Plan addresses Audit Findings in a reasonable and / or effective manner.

Following the Authority's approval of an Action Plan, the licensee must adhere to the Action Plan by delivering the actions it specifies following the timeline it specifies.

Where the licensee is unable to deliver an action, it must notify the Authority as soon as it becomes aware of this. Within such notification, the licensee must also provide a detailed explanation of the reasons for non-delivery and propose a suitable alternative measure to achieve the intended outcome of that action. The Authority may approve the proposed alternative measure or require the licensee to submit a revised alternative measure.

4.4 Publication of Action Plan

Following the agreement of the Action Plan, Ofgem will publish the final Audit Letter and approved Action Plan, subject to applicable publication restrictions. The final auditor report will not be published.

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Audit Findings will be clearly distinguished from conclusions of regulatory non-compliances. In advance of publishing information under Section 48 of the Electricity Act 1989 or Section 35 of the Gas Act 1986, Ofgem will consult with licensees and in making a decision on what to publish will consider the interests of consumers, any risk of seriously and prejudicially affecting the interests of the licensee; and any applicable restrictions on disclosure under Section105 of the Utilities Act 2000.

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5. Action Plan Delivery Activities

5.1 Progress reporting

Licensees will report their progress against the approved Action Plan to AHI quarterly, unless otherwise agreed by the Authority.

As outlined in Section 4.3, the licensee must adhere to the Action Plan by delivering the actions it specifies in accordance with the timeline it specifies.

When all actions in a licensees' Action Plan have been completed, licensees will notify AHI via email to: AHI@ofgem.gov.uk

The licensee must comply with any reasonable requirements specified by the Authority to verify compliance with the Action Plan, including additional self-reporting requirements and facilitating follow-up Audits. Any follow-up Audit will be conducted in accordance with this Methodology.

5.2 Closure test

AHI will take a proportionate approach to determine whether all actions detailed in an Action Plan have been adequately addressed by considering evidence provided through progress reporting (as outlined in Section 5.1). For the avoidance of doubt, this assessment may be undertaken, where appropriate, prior to the completion of all actions within an Action Plan.

Ofgem will apply the following outcomes-based closure tests:

1. Has the immediate Audit Finding been addressed?

Ofgem may consider evidence including, but not limited to whether:

- revised procedures have been implemented
- asset records have been corrected / updated, and
- the relevant assets have been subject to the required intervention.

2. Has the associated risk been controlled?

Ofgem may consider evidence including, but not limited to whether:

- revised controls are demonstrated to be effective
- a credible route to permanent resolution has been proposed with agreed reporting requirements in place, and

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- remaining risk has been identified, assessed and controlled in line with the asset management framework.

3. Has the underling deficiency been addressed?

Ofgem may consider evidence including, but not limited to whether:

- the root cause has been identified along with a route to resolution
- consideration has been given to determine if the same deficiency exists elsewhere and measures have been taken to address that risk, and
- improvements to controls have been identified to prevent recurrence.

The level of evidence required to satisfy these closure tests will be proportionate to the materiality of the risk. For lower-risk findings, such as procedural deficiencies or gaps in evidence, Ofgem would typically expect a relatively light evidential burden focused on clarification and confirmation that corrective actions have been completed. For higher-risk or systemic issues, Ofgem would generally expect more extensive evidence, including evidence of actions taken, controls implemented, their effectiveness in practice, and the resulting reduction in risk.

5.3 Action Plan Close-out Letter

Where Ofgem is satisfied, on the basis of the evidence provided, that the outcomes-based closure tests set out above have been met, Ofgem will notify the licensee in writing, that the Action Plan has been closed out by issuing an Action Plan Close-out Letter. Ofgem will publish the Action Plan Close-out Letters, subject to applicable publication restrictions.

A template Action Plan Close-out Letter is included at Appendix 5.

The issuing of the Action Plan Close-out letter indicates that Ofgem considers the proposed actions represent an appropriate response to the relevant Audit Findings. For the avoidance of doubt, responsibility for the condition, management, operation and maintenance of assets and for the design and implementation of the licensee's asset management system remains with the licensee at all times. No action or decision by Ofgem in connection with AHI, including conducting an Audit, making Audit Findings or recommendations, approving an Action Plan, monitoring its implementation or confirming close out of the Action Plan amounts to a determination, assurance or agreement by Ofgem that the licensee is, or will be, compliant with its duties under Section 9 of the Electricity Act 1989 and the Gas Act 1986, or any other relevant statutory requirements or obligations under its Licence. Responsibility for ensuring compliance with its Licence, and all relevant statutory requirements remains with the licensee.

6. Annual Report

To provide transparency of the outputs of its Audit programme to the market and consumers, Ofgem will publish a retrospective, annual report which provides a high-level summary of AHI activities during that year. Published annual reports will include at a minimum:

- the number of Audits undertaken.
- names of licensees Audited.
- comparison of Audit activity undertaken against the published annual Audit programme.
- the scope of each Audit undertaken.
- high-level summary of Audit Findings and recommendations for each Audit undertaken.
- thematic findings from the annual Audit programme.

Audit Findings will be clearly distinguished from conclusions of regulatory non-compliances. In advance of publishing information under Section 48 of the Electricity Act 1989 or Section 35 Gas Act 1986, Ofgem will consult with licensees and in making a decision on what to publish will consider the interests of consumers, any risk of seriously and prejudicially affecting the interests of the licensee; and any applicable restrictions on disclosure under Section 105 Utilities Act 2000.

AHI has a role in driving continuous improvement and sharing information on lessons-learned, emerging themes and licensees' practices in asset management among network companies. To achieve this, AHI's published annual report will identify common themes, licensee practice, common weaknesses, and lessons learned across the sector. The annual report will be shared with the sector and consumers to promote transparency and ongoing learning.

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Appendix 1. Definitions

Term	Proposed definition
Access Notice	means the communication from the Authority to the licensee to notify of the intent to access licensee sites to which the licensee must then provide access.
Action Plan	means the Licensee's plan to credibly address Audit Findings following an Audit, setting out any actions proposed, reasons for taking no immediate action where applicable, and the proposed timetable.
Action Plan Close-out Letter	means the formal written communication by which the Authority records its conclusion on the Licensee's completion of the actions contained in an Action Plan, including whether any further reporting or follow-up activity is required.
Asset Health	means the assessed ability of an asset, at a specified date, to perform its required function, having regard to its condition, degradation, performance, probability of failure, expected remaining life and relevant uncertainty.
Asset Information	means records and data relating to Relevant Assets and their management, including identity, location, type, age, specification, condition, health, criticality, risk, performance, inspection, maintenance, defects, failures, interventions, availability and supporting metadata.
Asset Management	means the coordinated activities of the Licensee through which it directs and controls its assets, and the associated risks, costs and performance, in order to realise value and deliver the requirements of its licence and applicable law over the assets' life cycles.

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Guidance Asset Health Inspectorate Audit Methodology

Term	Proposed definition
Asset Management System	means the set of interrelated or interacting policies, objectives, governance arrangements, processes, information, resources and controls established by the Licensee to direct, coordinate and continually improve its Asset Management activities.
Audit	means an audit undertaken by or on behalf of the Authority of the Licensee's Asset Management System, Asset Information, Asset Management activities or Relevant Assets, including, where relevant, inspection of assets or sites as part of that audit.
Audit Finding	means a documented conclusion arising from an Audit; it does not of itself determine licence non-compliance, which is addressed under the applicable regulatory process.
Audit Letter	means the formal written communication issued by the Authority following an Audit, setting out the final Audit Findings and, where applicable, requiring the Licensee to provide an Action Plan in response.
Audit Methodology	means the public document designated by the Authority as the Audit Methodology document, setting out the high-level outcomes and processes for selecting, planning, conducting, reporting on and closing Audits.
Audit Notice	means the communication from the Authority to the licensee to notify of the intent to conduct an Audit, and to which the licensee must respond.
Audit Terms of Reference	means the document for a particular Audit setting out its purpose, scope, boundaries and principal arrangements, prepared by reference to the indicative

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Term	Proposed definition
	template appended to the Audit Methodology document.
Auditor	means a person authorised by the Authority to undertake all or part of an Audit, acting within the scope of that authorisation.
Good Industry Practice	means the exercise of practices, methods and procedures that would reasonably and ordinarily be expected from a skilled and experienced network licensee engaged in the same type of undertaking under the same or similar circumstances, taking into account recognised standards, relevant industry guidance and knowledge, and the risks associated with the operation and failure of those assets.
Non-Routine Audit	means an Audit undertaken outside the annual programme of planned audit activity.
Relevant Asset	means any asset used or held for use by the Licensee in carrying on the Licensed Activity, including plant and equipment and associated civil works and structures.
Routine Audit	means an Audit included in the annual programme of planned audit activity.
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday, or a day that is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

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Appendix 2. Audit Terms of Reference template (example)

[Audit title]

A2.1 Audit details

Field	**Audit-specific detail**
Audit reference	[Insert]
Licensee and legal entity	[Insert]
Licensed activity	[Insert]
Audit programme status	[Routine AHI Audit / Non-routine AHI Audit]
Methodology	AHI Audit Methodology document [version and date]
Audit Terms of Reference version, date and status	[Insert; draft / confirmed]

A2.2 Purpose and objectives

This Audit will examine the Licensee's Asset Management of the Relevant Assets identified below. (see defined terms set out in the AHI Audit Methodology/Appendix 1)

A2.3 Scope and boundaries

Scope field	**Audit-specific detail**
Business areas and functions	[Insert]
Relevant Assets and asset categories	[Insert]
Processes, systems and datasets	[Insert]
Geographical or operational boundary	[Insert]
Sites proposed or confirmed for inspection	[Insert]
Evidence period and historical coverage	[Insert]
Document/data version date	[Insert]
Express exclusions and known limitations	[Insert]
Particular areas of focus, if applicable	[Insert]
Other	[Insert]

A2.4 Practical arrangements

Audit-specific arrangements: [Record or reference the daily schedule, arrangements for meeting staff, site access, safety briefing, PPE, information transfer and security arrangements.]

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A2.5 Documents and data to be submitted

Please provide the documents and data listed below by the specified dates. Documentation to be submitted must be the versions published at the date of Audit Notice being received.

Submission method / location: [Insert secure transfer details]
Submission contact: [Insert name and email]

Ref.	Document / data required	Period / version	Format	Due date
1	[Specify document or dataset and coverage]	[Insert]	[Insert]	[Insert]
2	[Specify document or dataset and coverage]	[Insert]	[Insert]	[Insert]
3	[Specify document or dataset and coverage]	[Insert]	[Insert]	[Insert]
4	[Specify document or dataset and coverage]	[Insert]	[Insert]	[Insert]

A2.6 Contacts

Contact	Name and email
Ofgem AHI Audit lead	[Insert]
Licensee audit coordinator	[Insert]
Nominated recipient(s) for audit reports	[Insert]
Site access / safety contact(s)	[Insert]
Escalation contact	[Insert]

A2.7 Principal dates

Milestone	Date / reference
Initial evidence submission	[Insert]
Planning meetings	[Insert dates]
Final Audit Terms of Reference confirmed in writing	[Insert date / reference]

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Milestone	**Date / reference**
Audit / site activity	[Insert]

A2.8 Written confirmation

AHI confirmation: [Name, role, date and written confirmation reference]

Licensee confirmation: [Name, role, date and written confirmation reference]

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Appendix 3. Audit Letter template (example)

[Recipient name]
[Job title]
[Licensee]
[Address line 1]
[Address line 2]
[Postcode]

Your Ref: [if applicable]
Our Ref: [reference]
Email: AHI@ofgem.gov.uk
Date: [dd month yyyy]

Dear [name],

Asset Health Inspectorate audit outcome: [audit title / reference]

We have completed the Asset Health Inspectorate (AHI) audit of [licensee], undertaken in accordance with the final Audit Terms of Reference dated [date].

Audit scope

[Concise description of the audit scope, including the AHI pillar(s), asset category, systems/processes and sites in scope.]

Final AHI Audit Findings

Having considered your response to the draft findings dated [date], our final findings are set out below.

Ref.	Final finding
[F1]	[Finding]

Action Plan

Please submit an Action Plan to AHI@ofgem.gov.uk by [date], using the prescribed template. It should set out the actions and timescales proposed to address each final finding.

We will respond in writing and confirm the progress-reporting arrangements and milestones that will apply.

Yours sincerely,

[Name]

[Job title]
Asset Health Inspectorate
Ofgem

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Appendix 4. Action Plan template (example)

A4.1 Plan details

Field	Details
Licensee	
Audit reference	
Audit Letter date	
Action Plan reference and version	
Submission date	
Licensee lead contact	
Contact email	

A4.2 Response to Audit Findings

Complete one block for each Audit Finding requiring a response. Repeat as necessary.

Field	Licensee response
Audit Finding reference	
Audit Finding	
Proposed response and intended outcome	
Rationale for the proposed response, including where no immediate action is proposed	
Associated risks and proposed interim controls	
Consideration of whether the issue affects other assets, sites or arrangements	

A.2.1 Delivery actions

Use one row per action.

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Action reference	Proposed action	Responsible owner	Target completion date

A.2.2 Milestones and evidence

Action reference	Key milestones and dates	Dependencies or delivery constraints	Evidence proposed to demonstrate completion and effectiveness

A.2.3 Progress updates

Complete when providing updates on implementation.

Action reference	Update date	Progress and evidence reference	Remaining risks and interim controls	Proposed changes to dates or actions, with reasons

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Appendix 5. Action Plan Close-out Letter template (example)

[Recipient name]
[Job title]
[Licensee]
[Address line 1]
[Address line 2]
[Postcode]

Your Ref: [if applicable]
Our Ref: [reference]
Email: AHI@ofgem.gov.uk
Date: [dd month yyyy]

Dear [name],

Asset Health Inspectorate Action Plan close-out: [audit title / reference]

We refer to your approved Action Plan [reference and version] following the Asset Health Inspectorate (AHI) Audit of [licensee].

Having reviewed the evidence provided, Ofgem is satisfied that the relevant closure tests have been met. We confirm that the Action Plan is closed out from the date of this letter. The table below records the basis for that decision and identifies any actions that remain outstanding.

Ref.	Action	Close-out basis
[A1]	[Completed action]	[Evidence reviewed / follow-up undertaken]

You are no longer required to provide routine Action Plan progress updates from the date of this letter. You remain responsible for completing any outstanding actions within the specified timescales. If you become aware that you cannot deliver an action, you must notify the Authority in writing as soon as you become aware of this, explain the reasons in detail and propose a suitable alternative measure to achieve the intended outcome.

Close-out does not constitute a determination of compliance or alter your continuing obligations as a licensee. It does not prevent Ofgem from considering the same or related matters through future AHI or other regulatory activity.

Yours sincerely,

[Name]

[Job title]
Asset Health Inspectorate
Ofgem

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