

From: [Wightman, Stuart](#)
To: [Edmund Ward](#)
Cc: [Teri Clifton](#); [Jane Pierce](#); [Clydesdale, Alison](#); [Willis, Adele](#); [Marten, Lucy](#)
Subject: Independent Investigation - NI Non Domestic RHI
Date: 13 June 2016 16:10:39
Attachments: [Key issues for OFGEM review 13.6.16 MW.DOCX](#)

Edmund

Please find attached questions raised by our Internal Audit as discussed.

Thanks

Stuart

Key issues for confirmation with Ofgem

1. Will the site visits by Ricardo be announced or unannounced?
2. Will Ricardo as part of their site visits take consideration of the allegations of abuse that have been received and will they express a formal opinion on each site visited, its compliance with scheme guidelines, whether or not there is evidence of fraud or abuse as per the allegations.
3. Will Ricardo consider an express an opinion for each site visited, on whether or not the amount of heat being generated is necessary or efficient for the business being operated? Can Ricardo define how they will determine if heat is necessary or efficient?
4. Were Ricardo involved in the provision of advice on the establishment of the scheme and in particular the research provided by CEPA in 2012?
5. What other work will Deloitte undertake as part of phase 2 over and above the work planned by Ricardo?
6. Will Deloitte be providing an overall opinion in their report at the end of phase 2?
7. Will Deloitte conclude as per the original terms of reference on whether or not?

“the operation of the NIRHI scheme is in compliance with Scheme Regulations and if there is any evidence of the NIRHI having been abused, fraud having occurred or if the eligible scheme participants have failed to operate with the Scheme Regulations”

In doing so will they consider the specific allegations and whether they were found to be true and if there are weaknesses in the scheme that could allow the behaviours referred to in the allegations.

8. Will the working papers of both Deloitte and Ricardo be available to the Department for the Economy if they should so need them in the future?

9. Will Deloitte consider if participants could be adhering to the letter of the scheme guidelines while still generating unnecessary or inefficient heat. This is particularly important given the differences between the NI and GB schemes and absence of tariffs as a disincentive to over produce heat. We need to clearly understand in the period where there was only a single rate per KWH up until November 2015 whether the controls in the scheme were adequate to mitigate the risk in the NI scheme of gaming or inefficient heat production.

10. The Addendum to the Ofgem feasibility study (21 December 2012) stated that the independent fraud risk assessment for the NI scheme was deferred. We were advised during our recent audit that this would be addressed through the joint piece of work commission from Deloitte. Will Deloitte as part of this review be completing a fraud risk assessment of the NI scheme if not who will be providing this.

Sampling approach minutes of meeting 20.5.16

1) What is the confidence level that this sample size will provide? Have our statisticians reviewed the proposed sampling approach?

2) Why are technologies other than biomass included when Biomass makes up 99% of all installations and the allegations are specific to Biomass. Also is it only the tariff for Biomass that we think is over generous. Should the sample not focus on biomass?

3) There is a number of large capacity biomass selected. Are these relevant, have any been approved or are in operation? I thought that only installations of 99 kwh have the necessary risk factors, i.e. high tariff.

4.) It is unclear from this how the allegations have informed the selection and audit approach, reference is made at 4.1 that no additional checks are warranted. It is also

unclear whether or not Deloitte who are expected to express an opinion on the allegations received, have picked the sample and have input into the approach. Is Deloitte content that they will be able to express an opinion based on the work to be carried out? The whole point of this review was for Deloitte to provide an independent view on whether or not the allegations were true and fair.

5) It would be useful to know why the targeted installations have been chosen and how the factors involved relate to the allegations.

6) We have yet to have sight of any proposal for further work by Deloitte and it is implied that Deloitte will simply amalgamate their existing report with the results of site visits.

Revised methodology by Ricardo

1) Reference to approach being the normal site inspection approach. No reference to any changes or enhancements to reflect the allegations.

2) Reporting – no reference to expressing an opinion on allegations, all references are to standard methodology, lessons learned etc.