

To: Dolan, Elaine
Cc: Thompson, Sandra; Cardwell, Mark; McCutcheon, Joanne
Subject: RE: RHI - update

Elaine,

Please see attached response from Ofgem re questions raised by Joanne on current audit procedures.

Grateful if you would consider – if you have any further queries please let me know.

Thanks,

Peter

<< Message: FW: NIRHI: Audit >>

Peter Hutchinson

Renewable Heat
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Textphone: 028 9052 9304
Web: www.detini.gov.uk

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From: Dolan, Elaine
Sent: 03 December 2012 12:15
To: McCutcheon, Joanne
Cc: Hutchinson, Peter; Thompson, Sandra; Cardwell, Mark
Subject: RHI - update

Joanne

Trevor and I met this morning to discuss the RHI. Trevor wants to read through some of the original paperwork but it is likely that we will then have a number of queries for you in relation to the development and operating costs before we can progress any further.

Re audit access rights, I'm waiting on a call back from the NIAO to try to confirm their position re access requirements for an organisation audited by the NAO.

As you know, it is still my view that full audit access rights should be a requirement of the agreement. One of the reasons for this relates to my query as to what DETI would do if there was an allegation or if you had any concerns in relation to the integrity of the documentation being provided remotely. In order to minimise risk in this area, do you think it would be possible to build something into the agreement in relation to there being a requirement that Ofgem request their internal auditor, in the event of an allegation, to undertake the required investigation, that DETI could input into and agree the scope and that the report would be shared with DETI? Furthermore, to enhance assurance in relation to the documentation being provided remotely for desk vouching purposes, would it be possible for the Deloitte internal audit reports to include the necessary detail so that you could corroborate the evidence used as part of desk vouching to evidence viewed by Internal Audit?

I'll get back to you again once I hear from Trevor and the NIAO.

Kind regards
Elaine

Elaine Dolan

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From: [Dolan, Elaine](#)
To: [Hutchinson, Peter](#)
Cc: [Hepper, Fiona](#); [McCutcheon, Joanne](#); [Cardwell, Mark](#); [Thompson, Sandra](#); [Cooper, Trevor](#)
Subject: RE: RHI - update
Date: 11 December 2012 09:24:17

Peter

Thanks for this. Whilst the information below is not unhelpful, it doesn't fully address my specific queries. In order to progress, I've spoken to Trevor and he wants to meet with Fiona. We will also discuss the operating and development costs at that meeting. I've asked Rae to set something up.

Kind regards
Elaine

Elaine Dolan

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From: Hutchinson, Peter
Sent: 07 December 2012 09:42
To: Dolan, Elaine
Cc: Hepper, Fiona; McCutcheon, Joanne; Cardwell, Mark; Thompson, Sandra
Subject: RE: RHI - update

Elaine,

Ofgem have provided the following points of clarification regarding the scope and operation of their internal audit function, as provided by Deloitte;

- Ofgem's internal processes are designed to identify and address any instance of fraud. Ofgem have a fraud prevention strategy and the assurance reports undertaken by Deloitte ensure that we have adequately addressed fraud as part of our delivery mechanisms.
- Deloitte reports do provide assurance on the efficiency and robustness of

- Ofgem's own internal procedures and processes for individual schemes.
- The Terms of Reference of each report is agreed before work starts, and is targeted to ensure that Ofgem will be in the best position to operate and deliver against their objectives. In drafting the Terms of Reference, Ofgem will take account of all ongoing issues that are impacting on their operation of the scheme.
 - On the question of how often Deloitte would carry out such audits, Ofgem would anticipate that Deloitte would carry out audits once a year, with the potential for additional audits when new areas of work are added or any changes to the scheme are made. As this is a new process the timings may change slightly.
 - Ofgem anticipate that NI payments would be separated out in any RHI payment process report .
 - To be consistent with their current procedures Ofgem would be willing to share a summary of any report and any responses to them.

Grateful if you would consider these points as part of your ongoing considerations regarding the audit arrangements.

Thanks,

Peter

Peter Hutchinson

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From: Dolan, Elaine
Sent: 06 December 2012 07:52
To: Hutchinson, Peter
Cc: Thompson, Sandra; Cardwell, Mark; McCutcheon, Joanne
Subject: RE: RHI - update

Peter

These appear to be site inspections as opposed to verification whereby the audit trail is traced right through from the meter reading to payment. I would have thought that reliance could possibly be placed on the work of Ricardo-AEA in terms of the accuracy of meter readings but that the reviews necessary for our assurance purposes would be performed by Ofgem's internal auditors?

Happy to discuss.

Kind regards
Elaine

Elaine Dolan

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From: Hutchinson, Peter
Sent: 05 December 2012 11:07
To: Dolan, Elaine
Cc: Thompson, Sandra; Cardwell, Mark; McCutcheon, Joanne
Subject: RE: RHI - update

Elaine,

Please see attached response from Ofgem re questions raised by Joanne on current audit procedures.

Grateful if you would consider – if you have any further queries please let me know.

Thanks,

Peter

<< Message: FW: NIRHI: Audit >>

Peter Hutchinson

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From: Dolan, Elaine
Sent: 03 December 2012 12:15
To: McCutcheon, Joanne
Cc: Hutchinson, Peter; Thompson, Sandra; Cardwell, Mark
Subject: RHI - update

Joanne

Trevor and I met this morning to discuss the RHI. Trevor wants to read through some of the original paperwork but it is likely that we will then have a number of queries for you in relation to the development and operating costs before we can progress any further.

Re audit access rights, I'm waiting on a call back from the NIAO to try to confirm their position re access requirements for an organisation audited by the NAO.

As you know, it is still my view that full audit access rights should be a requirement of the agreement. One of the reasons for this relates to my query as to what DETI would do if there was an allegation or if you had any concerns in relation to the integrity of the documentation being provided remotely. In order to minimise risk in this area, do you think it would be possible to build something into the agreement in relation to there being a requirement that Ofgem request their internal auditor, in the event of an allegation, to undertake the required investigation, that DETI could input into and agree the scope and that the report would be shared with DETI? Furthermore, to enhance assurance in relation to the documentation being provided remotely for desk vouching purposes, would it be possible for the Deloitte internal audit reports to include the necessary detail so that you could corroborate the evidence used as part of desk vouching to evidence viewed by Internal Audit?

I'll get back to you again once I hear from Trevor and the NIAO.

Kind regards
Elaine

Elaine Dolan
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From: [Dolan, Elaine](#)
To: [McCutcheon, Joanne](#)
Cc: [Hutchinson, Peter](#); [Cooper, Trevor](#)
Subject: RE: NIRHI Audit
Date: 18 December 2012 13:12:16
Attachments: [OTOP.png](#)
[RHI - update \(4.89 KB\).msg](#)
[RE RHI - update \(27.8 KB\).msg](#)

Joanne

Apologies for not replying sooner. The site inspections are not really the audits we're interested in, although I assume that Deloitte may rely on this work to confirm the accuracy of the meter readings. This is something that I would expect to see built into the Deloitte terms of reference for any relevant reviews they undertake. What we really need to know is whether Ofgem will share the scope of Deloitte reviews with DETI before Deloitte undertake their work and whether DETI will have an opportunity to input into and agree the scope? Furthermore, we need to be satisfied that the internal audit reports will be shared with DETI (where relevant) and that they will contain sufficient detail for you to cross reference information reviewed by Deloitte back to your own desk vouches. Peter's e-mail on 7th December perhaps addressed my latter questions but I'm not sure that my first question in relation to the scope has been addressed?

Furthermore, I raised some queries in relation to fraud in e-mail dated 3rd December. I'm not sure these have been addressed - eg. if there was an allegation, could DETI build in a requirement that Ofgem's internal auditor perform the investigation and that DETI could have input into the scope of the investigation and have sight of the report? Peter's e-mail on 7th December referred to fraud but it didn't address my specific queries.

For the meeting tomorrow, we had also requested more information on the costs. Specifically, I think we need a clear understanding of how the costs are calculated/made up on a line by line basis.

Hope this is helpful. Happy to discuss if you want to give me a call, if not I'll see you at the meeting.

Kind regards

Elaine

Elaine Dolan

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From: McCutcheon, Joanne
Sent: 18 December 2012 12:32
To: Dolan, Elaine
Cc: Hutchinson, Peter

Subject: FW: NIRHI Audit

Elaine

Think we are meeting again tomorrow – is there anything else you want me to check with Ofgem on this issue?

Thanks

Joanne

From: McCutcheon, Joanne

Sent: 17 December 2012 13:43

To: Dolan, Elaine

Cc: Hutchinson, Peter

Subject: FW: NIRHI Audit

Elaine

Please see below from Ofgem – anything else you require on this issue

Thanks

joanne

From: Keith Avis [mailto:Keith.Avis@ofgem.gov.uk]

Sent: 14 December 2012 11:09

To: Hutchinson, Peter

Cc: McCutcheon, Joanne; Mary Smith

Subject: NIRHI Audit

Peter cc: Joanne, Mary

As discussed yesterday, I confirm that we are not in a position to pass on the Terms of Reference that we use for the GB RHI audits undertaken by AEA and Deloitte. However, as promised in our telephone conversation this morning, I have attached the template that AEA use for their RHI audits. This should hopefully give your Head of Finance sufficient detail on the specifics of the audits.

There is no standard ToR for Deloitte audits as the specifics of audit coverage are discussed in detail and agreed with Deloitte before work on each audit starts. Of course, Deloitte are subsequently free to question our systems and processes and report independently with their findings. As I have mentioned previously, through our ongoing engagement with you, we will be aware of issues that you have which you consider are important to cover in any of these audits. I would be grateful if you could confirm that, along with previous information sent on audits, this is sufficient information for your Head of Finance. That being the case, the signing of the Arrangements will be pending the detail of the legislative provisions on audit and your subsequent view on their application.

I will be in the office until 1pm today if you wish to discuss any of this further.

Keith

Keith Avis

Senior Manager

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From: [Dolan, Elaine](#)
To: [McCutcheon, Joanne](#)
Cc: [Hutchinson, Peter](#); [Thompson, Sandra](#); [Cardwell, Mark](#)
Subject: RHI - update
Date: 03 December 2012 12:15:11

Joanne

Trevor and I met this morning to discuss the RHI. Trevor wants to read through some of the original paperwork but it is likely that we will then have a number of queries for you in relation to the development and operating costs before we can progress any further.

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