

**From:** [Rooney, Eugene](#)  
**To:** [McCormick, Andrew \(DETI\)](#)  
**Cc:** [Stewart, Chris \(DETI\)](#); [Cooper, Trevor](#); [Mills, John \(DETI\)](#); [Woods, Michael \(DETI\)](#); [Hill, Janice](#); [Cardwell, Mark](#)  
**Subject:** RE: HP TRIM DFP Document : DF1/15/948906 : Supply - DETI - RHI retrospective  
**Date:** 22 December 2015 08:27:19  
**Attachments:** [Draft TOR.DOCX](#)

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Andrew

Suggested amendments to the draft Terms of Reference.

-----Original Message-----

From: McCormick, Andrew (DETI)  
Sent: 21 December 2015 14:20  
To: Rooney, Eugene  
Cc: Stewart, Chris (DETI); Cooper, Trevor; Mills, John (DETI); Woods, Michael (DETI); Hill, Janice  
Subject: FW: HP TRIM DFP Document : DF1/15/948906 : Supply - DETI - RHI retrospective

We discussed the TOR for Internal Audit - this letter reinforces my reasons for needing a direct approach to establishing how this went so badly wrong, and what lessons we need to learn in relation to internal governance.

We will need to discuss further with Finance and Energy colleagues.

Many thanks.

-----Original Message-----

From: Stewart, Chris (DETI)  
Sent: 21 December 2015 14:02  
To: Mills, John (DETI)  
Cc: McCormick, Andrew (DETI); McIlwrath, Linda  
Subject: FW: HP TRIM DFP Document : DF1/15/948906 : Supply - DETI - RHI retrospective

John

For advice please.

C

-----Original Message-----

From: Rooney, Eugene  
Sent: 21 December 2015 13:56  
To: McCormick, Andrew (DETI); Stewart, Chris (DETI)  
Cc: Hill, Janice  
Subject: FW: HP TRIM DFP Document : DF1/15/948906 : Supply - DETI - RHI retrospective

-----Original Message-----

From: Morelli, Emer  
Sent: 21 December 2015 13:43  
To: Cooper, Trevor  
Cc: Brennan, Mike; Scott, Michelle; Rooney, Eugene; McNally, Noel  
Subject: HP TRIM DFP Document : DF1/15/948906 : Supply - DETI - RHI retrospective

Trevor

Please see attached correspondence.

Many thanks

Emer

Emer Morelli

Supply

DFP

Tel: 02891858128 (Ext:68128)

From: Mr. Michael Woods  
Head of Internal Audit

Date: 14th December 2015

To: Mr. Stuart Wightman  
Head of Energy Efficiency Branch

Mr John Mills  
Direct of Energy Division

### Internal Audit Review of: Non Domestic RHI Scheme within Energy Division

Please find attached a **draft** Terms of Reference which sets out the proposed scope and objectives of the review.

On the basis of our current audit schedule we plan to commence the review during week commencing 14 December 2015.

I would be grateful if you confirm that you are content with the Terms of Reference. Please do not hesitate to contact me should you wish to discuss the proposed review.

**DRAFT TERMS OF REFERENCE****1. Introduction**

- 1.1 In accordance with the established Internal Audit strategy and 2015/16 Internal Audit plan agreed by the DETI Accounting Officer and the Departmental Audit Committee, Internal Audit will carry out a review of the non-Domestic Renewable Heat Incentive scheme administered by Energy Division.

**2. Purpose and Scope**

- 2.1 The purpose of the review will be to provide an independent professional opinion on the adequacy and effectiveness of risk management, control and governance.

- 2.2 The scope of the audit will include control, governance and risk management arrangements associated with the following areas:

- Scheme Design
- Application, Assessment and Approvals
- Financial Management – Payments and Budgetary Control
- Governance and Oversight Arrangements

2.3 The review will focus particularly on the effectiveness of internal controls exercised from the initiation of the scheme and the action taken to address concerns which arose over regularity, affordability and value for money with the scheme. The review will also assess the potential for fraudulent activity in regard to applications to the scheme.

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**3. Objectives**

- 3.1 The following objectives will be used as a basis for our evaluations and opinion about the adequacy and effectiveness of risk management, control and governance— To ensure that:-

- The non-domestic RHI scheme has been designed so that awards are only made for valid applications that demonstrate they have met all of the scheme criteria, including that the purpose is for a valid business activity. In addition that the proposed heat output of the application is only at a level that is necessary for the proposed business described, and by design the scheme incentive is not such that the award generates payments that would exceed the costs of the heat being generated. Finally, that there is a valid legally binding agreement between DETI and the applicant.
- Payments made by OFGEM are only made to applicants who provide the required quarterly information (meter readings) demonstrating that they are meeting the conditions of the scheme. In addition, to ensure that a valid inspection programme is undertaken by OFGEM on behalf of Northern Ireland, that the inspection programme includes a valid sampling methodology and that the results of the inspections are communicated to Energy Division.
- An adequate and effective budgetary control system has been established to enable complete, accurate and reliable financial management information to be extracted for monitoring and reporting purposes. In addition, to ensure that the long term budgetary commitments for the scheme are monitored and that formal budgetary cover for the life of the scheme is in place to make sure that all commitments can be met.
- Adequate and effective governance and oversight arrangements have been established over the relationship between DETI and OFGEM and robust assurances are provided over budgetary transfer payments made to OFGEM and the administration of Departmental funds, including the award and payment processes.

In light of the experience with the operation of the scheme a key objective is to provide a full assessment of the factors which

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contributed to weaknesses in internal control; of the management of the risks once they materialised, and on the lessons to be learnt.

#### **4. Conduct of Audit**

- 4.1 The audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the professional standards and guidelines of the Chartered Institute of Internal Auditors.
- 4.2 Members of Internal Audit staff, in accordance with the Internal Audit Charter, have access to all records, assets, personnel, premises and such information and explanations as considered necessary to fulfil audit responsibilities.

#### **5. Audit Resources**

- 5.1 The audit will be performed by members of the internal audit team Dovile Bagdonaite and Mark Cardwell (Audit Manager). The audit is scheduled to start on week commencing 14<sup>th</sup> December 2015.

#### **6. Reporting**

- 6.1 The audit team will provide management with regular informal updates as the audit progresses or as requested. Upon completion of the audit the overall findings will be discussed at a post audit meeting with Mr. Stuart Wightman (Head of Energy Efficiency Branch).
- 6.2 Upon completion of the audit a draft report will be issued to Mr. Wightman, Mr. John Mills (Director of Energy Division). Upon receipt of management's formal response to the draft report, a final report (incorporating the management response) will then be issued to Mr. Wightman, Mr. Mills, Mr Andrew McCormick (Accounting Officer) Mr. Chris Stewart (Deputy Secretary), and the NIAO in accordance with established arrangements.
- 6.3 In accordance with Internal Audit Key Performance Indicators, a draft report will be issued within 15 days of completion of fieldwork. The

final report will issue within 10 days of receipt of management responses. Management is requested to submit management responses within 15 working days of receiving the draft report.