

From: [Clydesdale, Alison](#)
To: [Wightman, Stuart](#); [Marten, Lucy](#); [Adair, Joanne](#); [Hughes, Seamus](#); [McFarlane, Iain](#); [Coyne, Terence](#); [Close, Margaret](#); [McMurray, Stephen](#); [Conliffe, David](#); [Woods, Michael \(DfE\)](#)
Subject: Updated lines on irregular expenditure
Date: 18 September 2016 10:35:03
Attachments: [Revised Para 5 10 to 11 and 15 to 16 Irregular Expenditure 13 Sept 2016.tr5](#)
[Revised Para 5 10 to 11 and 15 to 16 Irregular Expenditure 13 Sept 2016.DOCX](#)

Folks

I have reviewed the irregular expenditure section and tracked in changes and comments to both the LTT and the questions. Highlighted sections are my main queries.

I have suggested a revised set of lines around wider financial controls – grateful if ACB/finance colleagues could run their eyes over these.

It would also be good to have a line on what is going on at present with DOF on regularising expenditure – I have mentioned that we continue to work with DOF – but might need something a bit stronger – e.g. it's a regular item on DOF/DfE finance updates ?. Grateful if finance branch can provide this.

Also need to be a bit stronger on the control mechanism in place at divisional level currently – what is it exactly and does it definitely sit within energy renewables ? The changes to the assurance statement are fine but think we need to demonstrate that there is something going on in addition within energy – grateful if Lucy/ Stuart can provide.

Many thanks

Alison

ISSUE: IRREGULAR EXPENDITURE**(Paragraphs 5, 10, 11, 15 and 16) – Qualification on grounds of irregularity – Expenditure of £11.9 million irregular in 2015-16****Main Points in NIAO Report**

- DoF approved the Non-Domestic RHI Scheme on 27 April 2012. DoF approval of the Non-Domestic RHI Scheme was time limited until 1 April 2015. The Department did not seek fresh DoF approval before 1 April 2015 (para 10).
- The Department told NIAO that the explanation for its failure to seek fresh DoF approval lies in a combination of staff changes and administrative oversight (para 11).
- In May 2015, the Department identified that DoF approval had expired. DoF did not give retrospective approval to expenditure on the Non-Domestic RHI Scheme which was incurred as a result of applications that had been completed during the period 1 April 2015 to 29 October 2015 (para 15).
- £11.9 million expenditure that arises from 788 applications completed during seven month period from 1 April 2015 to 29 October 2015 is irregular (para 15).
- It is likely that an estimated £19.4m of expenditure will continue to be incurred annually on the 788 applications for the next twenty years (para 16).

LINES TO TAKE: (Energy Division supported by Finance Division)**Scheme Approval**

- DoF approval (following required Ministerial approval) was obtained on 27 April 2012 for the period 1 July 2012 to 31 March 2015.
- Ministerial approval to operate an RHI scheme was sought on 16 March 12 (SUB 167/2012) and obtained on 13 April 2012.

• ? D/N – need a line on engagement with DFP before formal submission of business case – i.e. was there any

Failure to renew DFP approval Comply

• Lack of formal project management structure, staff changes and ineffective handover procedures led to the need for further DOF approval being missed.

• Had the commitment, required by casework/business case ?, to review the scheme in 2014 been carried out then it is unlikely that DFP approval would have lapsed.

• It was an omission in the handover procedure, at all levels, that resulted in the review trigger date being missed.

• DETI complied with all conditions in the DoF approval letter up to 31 March 2015. However, it did not carry out a PPE within the required timescales.

• Significant staff changes and the lack of an appropriate monitoring system meant that the Division failed to seek DoF approval to continue the Scheme beyond March 2015.

• The Minister was notified that the scheme had been operating without approval on 8th July 2015 and that parallel workstreams on legislative changes and preparation of a retrospective business case had been commenced.

• – Draft affirmative legislation was subsequently developed, and was brought to the Assembly as soon as possible in the Autumn session (October, ?). A business case addendum seeking approval to continue the scheme after 31 March 2015 was submitted to DFP in parallel on 27 October 2015. once the legislative provisions had been clarified and approved by the Minister.

• An appropriate monitoring system, D/N WHAT IS IT ? is now in place. A business case addendum seeking approval to continue the scheme after 31 March 2015 was submitted on 27 October 2015.

• Current Approvals

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Comment [SW1]: What about tariff review that wasn't carried out?

Comment [SW2]: PPE not carried out as scheme continued beyond March 2015.

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- Following the business case addendum, DoF granted approval for new installations from 29 October 2015 to 31 March 2016. ~~There remains no DOF approval for the period 1 Apr 15 – 28 October 15.~~
- Ministerial approval for the Scheme granted on 11 ~~in~~ April 2012 did not lapse, as it was not time-bound.
- The Scheme was subsequently suspended on 29 February 2016 meaning no further approvals were required.
- The domestic RHI Scheme introduced in December 2014 received approval for the full 7 years of its lifetime.

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Future RHI Cost Control Measures

- The Department is ~~has~~ developing a range of ~~ed~~ cost control proposals aimed at bringing rates of return for RHI participants back within the range agreed in the state aid approval. The Department plans to consult, subject to the Minister's approval, as soon as possible. ~~over the coming weeks.~~
- DfE continues to work closely with DOF with a view to agreeing how best to regularise expenditure for the future years of the ~~scheme.~~
- When the consultation has been completed and after any cost control measures are implemented, DfE will then formally submit a case to DoF to regularise expenditure.

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Comment [AC3]: Finance to confirm they are content with this line.

Wider DfE Financial Controls

Lines to take

- Departmental assurance statements have already been amended to minimise the risk of such an omission happening again.
- Going forward it will be the responsibility of Directors to ensure adequate systems are in place to manage time bound conditions and to ensure that approvals are obtained prior to commitments being made.
- It will be made clear to Directors that completion of the assurance statement requires a positive act of due diligence before it is signed.
- This is essential so that all the necessary components of effective internal control are in place and are being operated effectively.

Comment [AC4]: Think this section needs to be shortened to about 4 or 5 key bullet points – I have had a go at summarising in the highlighted text - perhaps finance branch /ACB can advise on how the completion of assurance statements is going to be policed. .

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- To ensure future adherence to conditions attached to DoF approval of expenditure, the internal control checklist (six month assurance statement) has now been amended to include the following assurances:
 - Divisions, Units and Branches regularly review conditions attaching to current DFP approvals for expenditure to ensure that they are being met and have b/f systems to manage time-bound conditions.
 - Divisions, Units and Branches have confirmed that no expenditure approved by DFP on a time-bound basis has been incurred beyond the end of the period for which approval has been given.
 - If expenditure is to be incurred beyond the period for which DFP approval has been given, work is underway to ensure that appropriate approvals are obtained prior to commitments being made in relation to such expenditure.
- Divisions, Units and Branches have confirmed they are fully compliant with all conditions associated with DFP approval.
- In order to address any potential problems at an early stage, the final question on the checklist addresses “any other issues which point to significant internal control weaknesses, or other matters which should be highlighted”.
- A “Significant Internal Control Problem” is defined as
 - It seriously prejudiced or prevented achievement of a Programme for Government commitment or a Corporate Plan target;
 - It has resulted in a need to seek additional funding from DFP to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - The external auditor would regard it as having a material impact on the accounts;
 - The Audit Committee advises that it should be considered significant;

- The Head of Internal Audit reports on it as significant in their annual opinion on the whole of risk, control and governance.
- Completion of the statement is not a mechanical process and it requires a positive act of due diligence before it is signed. It is designed to provide assurance going forward that the necessary components of effective internal control are in place and are being operated effectively.

BACKGROUND: (Energy Division supported by Finance Division)**Details of DoF approval for the Scheme including conditions**

- DoF approval obtained on 27 April 2012 for the RHI scheme for the period 1 July to 31 March 2015 in line with HMT secured funding. Conditions of approval:
 - The project is commenced within 24 months of the date of this letter;
 - That there are no substantial changes to the scope/scale of the project as described in the business case; and
 - That resource or capital costs or assumptions vary by no more than 10% of the value stated on the business case.
- In addition, a PPE was to be completed by 31 August 2015 (Approval letter from DFP, 27 April 2012)

Reasons for failure to comply with DoF conditions

- The DOF condition around resource /capital cost assumptions varying within a 10% ceiling was not complied with.
- The calculation of the original tariff was based on a 50kW boiler running for 17% of the annual hours – which had that materialised, would have given a 12% rate of return.
- The reality was that the average size of boiler being installed was 99kW and running times were much above the assumption of 17%, as the lack of a tiered tariff above the 17% threshold of running hours (15% in GB) meant that there was no reason for applicants to reduce usage after that 17% running hours had been reached.
- .This breached the original terms of the DFP approval as the variation was over 10% which had a review been carried out would have resulted in a revised business case having to be put to DFP.
- ~~DETI complied with all the conditions of the approval letter up to 31 March 2015 [DN: need to check the third condition from the business case and amend this answer as necessary].~~
- In addition a However, a PPE has not yet been carried out.
- A business case addendum, seeking approval for continuation of the scheme post 31 March 2015, was submitted on 27 October 2015. A PPE will be completed after any possible cost controls have been implemented - before 31 March 2018.

Who was responsible for ensuring compliance with the terms on which DoF had approved the Scheme?

- The onus of responsibility lay with Energy Division.
- There was a change at Director level in Energy Division in December 2013.
- Compliance with the DOF approval had two strands :

- o Establishing a control system to ensure that the approval was met [2012-14]
- o To secure approval for the next financial period [2014-2016]

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Provide details of Ministerial approval for the Scheme

- A submission seeking Ministerial approval to proceed with the scheme was submitted on ~~obtained in submission (SUB 167/2012) submitted on~~ 16 March 2012.
- The submission set out the tariff setting methodology, the tariffs proposed, the legislative provisions required and a proposal to appoint Ofgem as administrator under a Direct Award Contract.
- Ministerial approval was provided ~~and cleared~~ on 11~~3~~ April 2012.
- A separate submission from the accounting officer seeking formal approval to appoint Ofgem was submitted on xxxxxxxx and approved on xxxxx.
-

What is the detailed explanation for the requirement to obtain DoF approval for the continuation of the Scheme post 31 March 2015 being overlooked and who was responsible?

- There was collective responsibility for this being overlooked.
- The changes in the branch staff, insufficient handover opportunities and a failure to establish a project management structure which would have included implement a monitoring and control system ~~which~~ would have highlighted the need for re-approval all contributed to the administrative oversight.
- A RHI oversight group, chaired by a Grade 3 SRO, has now been established and it provides a formal review mechanism for the scheme going forward.
- In addition, Energy Division has now established a control mechanism to review on a quarterly basis to review the validity of existing approvals.
- A request for DoF approval for the continuation of the Scheme post 31 March 2015 was overlooked due to a combination of staff changes and an administrative oversight in Energy Division.
- The staff changes were significant; the Grade 7 and DP posts were vacant for approximately two months and as a result a handover was not carried out during which time information relating to seeking re-approval could have been passed on.

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Comment [AC5]: Is it energy or energy renewables -? And what is the mechanism?

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Comment [AC6]: Not sure this is correct there was a TP in place at least at 7 level I think.

- The changes were as follows:
 - Grade 5 changed in December 2013;
 - Grade 7 left in April/May 2014 and replaced end of June 2014;
 - DP left in April/May 2014 and replaced end of June 2014.
- In addition, the Permanent Secretary and the Grade 3 also changed in mid-2014 so there was no consistency of staff for approximately a six month period.

~~In addition, administrative arrangements that would have triggered the need to seek re-approval were not in place. This has now been rectified and regular monitoring exercises are carried out by Energy Division.~~

~~New staff had also just secured DfP approval to the Domestic Scheme until March 2020 (for 5.5 years), so there was no reason to suggest that approval for the non-domestic would have only been until March 2015 (for 2.75 years).~~

Was the Minister advised that the Scheme had been operating without DoF approval, and if so, when?

- Yes. The Minister was notified in a submission on 8 July 2015 that the Department had not sought re-approval and was urgently taking forward work to provide supplementary information to DFP in support of the original business case that will seek to regularise the position in relation to the scheme expenditure. Ref: [DT1/15/0115271] entitled Renewable Heat Incentive (RHI) introduction of cost control measures and ensuring effective administration. Ref: [DN: to be completed]

What approvals (DoF and Ministerial) are currently in place for the Scheme?

- Ministerial approval for the scheme was received on 11 April 2012 – this was not time bound and had no additional conditions attached to it.
- DoF approval dated 27 April 2012 was in place for the period 1 July 2012 – 31 March 2015.
- There is currently no DFP approval in place for the period 1 April 15 – 28 October 2015.
- DOF approval for the period 29 October 2015-31 March 2016 was received.
- The scheme closed on 29 February 2016.
- Original DOF approval stated, inter alia:
 - “Whilst the scheme is envisaged to be open to new installations until 2020, approval is given for the period 1 July 2012 to 31 March 2015, representing the period for which HMT funding has been secured. Any decision to continue the scheme beyond 2015 would require further/separate DFP approval”
- ~~No DfP approval is in place for expenditure related to 788 installations between 1/4/15 and 28 October 2015. Approval for new installations was received from DoF covering the period 29 October 2015 to 31 March 2016. The Scheme was suspended on 29 February 2016 meaning that no further approvals from DoF were necessary.~~

- ~~Ministerial approval did not lapse for the Scheme. Original approval was received via Sub 167/2012. Following advice from officials, the Minister agreed to suspend the Scheme, Sub 0065/2016 refers.~~

Comment [SH7]: This is the sub approving the laying of the regulations

Was Ministerial approval subject to any conditions?

- No. Once the DPF approvals were in place, the scheme was able to proceed.

What steps is the Department taking to regularise expenditure not currently covered by DoF approval?

- ~~Proposals on cost control measures, are currently being developed and subject to Ministerial approval, will then~~ which will go out to consultation ~~shortly as soon as possible.~~
- ~~These proposals~~, seeks to bring rates of return back within approved limits and this will help in moving towards regularising expenditure not currently covered by DoF approval.
- ~~DfE continues to work with DPF in relation to regularising unapproved expenditure that has arisen. A key component of securing regularisation of this expenditure will be demonstrating an effective system of~~ A case will be submitted to DoF that will seek to regularise expenditure going forward once anywhen possible cost control measures.
- ~~It must be stressed however that potential cost control measures are subject to further legal advice and ongoing consultation.~~ are in place and the consultation has completed.
- ~~The Department is currently developing a consultation document with potential cost control options going forward. This will regularise expenditure for the whole scheme, not just for the irregular expenditure, and will also bring rates of return back to within the range agreed in the state aid approval.~~

If retrospective DoF approval is not obtained, quantify the extent of future irregular expenditure.

- ~~Irregular expenditure for 788 installations during 2015/16 amounted to £11.9 m and for 2016/17 is estimated to be £19.4m.~~
- ~~This £19.4m will continue annually and –Over 20 years, this cwould be £427m (based on 1% inflationary rise) without any cost controls, if all installations continue to operate at existing levels.~~ [DN need to quantify this –Lorraine]

Were there any recent qualified opinions on DETI's accounts?

- No, DETI did not have any previously qualified accounts.

Are there any other instances where DoF has provided an approval with similar conditions?

- The domestic RHI which was introduced in December 2014 received DFP/DoF approval at the outset for the full ~~7-6~~ year term of the scheme.

What processes does the Department have in place to ensure that there is no reoccurrence?

- Administrative arrangements are now in place to track projects and regular monitoring is undertaken by Energy Division.
- This includes at Departmental level new section(s) in the 6 Monthly Assurance Statements.
- At Divisional level this includes

Comment [AC8]: Is it energy division of energy renewables division? Will need a bit more detail on what is in place

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ISSUE: IRREGULAR EXPENDITURE**(Paragraphs 5, 10, 11, 15 and 16) – Qualification on grounds of irregularity – Expenditure of £11.9 million irregular in 2015-16****Main Points in NIAO Report**

- DoF approved the Non-Domestic RHI Scheme on 27 April 2012. DoF approval of the Non-Domestic RHI Scheme was time limited until 1 April 2015. The Department did not seek fresh DoF approval before 1 April 2015 (para 10).
- The Department told NIAO that the explanation for its failure to seek fresh DoF approval lies in a combination of staff changes and administrative oversight (para 11).
- In May 2015, the Department identified that DoF approval had expired. DoF did not give retrospective approval to expenditure on the Non-Domestic RHI Scheme which was incurred as a result of applications that had been completed during the period 1 April 2015 to 29 October 2015 (para 15).
- £11.9 million expenditure that arises from 788 applications completed during seven month period from 1 April 2015 to 29 October 2015 is irregular (para 15).
- It is likely that an estimated £19.4m of expenditure will continue to be incurred annually on the 788 applications for the next twenty years (para 16).

LINES TO TAKE: (Energy Division supported by Finance Division)**Scheme Approval**

- DFP approval (following required Ministerial approval) was obtained on 27 April 2012 for the period 1 July 2012 to 31 March 2015.
- Ministerial approval to operate an RHI scheme was sought on 16 March 12 and obtained on 13 April 2012
- DFP approval was secured to the Strategic Outline Case for the scheme on 3 January 2012.

Failure to renew DFP approval

- Lack of formal project management structure, staff changes and ineffective handover procedures led to the need for further DOF approval being missed.
- Had the commitment given in the business case to review the scheme in 2014 been carried out then it is unlikely that DFP approval would have lapsed.
- It was an omission in the handover procedure, at all levels, that resulted in the review trigger date being missed.
- The Minister was notified that the scheme had been operating without approval on 8th July 2015 and that parallel workstreams on legislative changes and preparation of a retrospective business case had been commenced.

- Draft affirmative legislation was subsequently developed, and was brought to the Assembly as soon as possible in the Autumn session (laid on 4 November 2015). A business case addendum seeking approval to continue the scheme after 31 March 2015 was submitted to DFP in parallel on 27 October 2015, once the legislative provisions had been clarified and approved by the Minister.
- An appropriate monitoring system is now in place at Divisional level where Grade 7 budget holders must confirm relevant internal and DoF/DFP approvals are in place for all current and planned expenditure .

Current Approvals

- Following the business case addendum, DoF granted approval for new installations from 29 October 2015 to 31 March 2016. There remains no DOF approval for the period 1 Apr 15 – 28 October 15.
- Ministerial approval for the Scheme granted on 11 April 2012 did not lapse, as it was not time-bound.
- The Scheme was subsequently suspended on 29 February 2016 meaning no further approvals were required.
- The domestic RHI Scheme introduced in December 2014 received approval for the full 7 years of its lifetime. It also closed in February 2016.
- The Spending Review and Autumn Statement 2015 letter from CST to Finance Minister advised the AME allocations for the period 2016 to 2020 and that any spending on RHI above those levels would need funded from the NIE's DEL budget. The AME allocations are based on a population proportionate share of the budget which has been set for the RHI in GB and, whilst unlikely, it is possible these allocations could change.

Future RHI Cost Control Measures

- The Department is developing a range of cost control proposals aimed at bringing rates of return for RHI participants back within reasonable levels in line with the state aid approval. The Department plans to consult, subject to the Minister's approval, as soon as possible.
- When the consultation has been completed and after any cost control measures are implemented, DfE will formally submit a case to DoF to consider regularising expenditure.

Wider DfE Financial Controls

- Departmental assurance statements have already been amended to minimise the risk of such an omission happening again. **(See below for actual amendments to the assurance process)**

- Going forward it will be the responsibility of Divisional Directors to ensure adequate systems are in place to manage time bound conditions and to ensure that approvals are obtained prior to commitments being made.
- It has been made clear to Directors that completion of the assurance statement requires a positive act of due diligence before it is signed.
- This is essential so that all the necessary components of effective internal control are in place and are being operated effectively.

Assurance Statement Amendments

- To ensure future adherence to conditions attached to DoF approval of expenditure, the internal control checklist (six month assurance statement) has now been amended to include the following assurances:
 - Divisions, Units and Branches regularly review conditions attaching to current DFP approvals for expenditure to ensure that they are being met and have b/f systems to manage time-bound conditions.
 - Divisions, Units and Branches have confirmed that no expenditure approved by DFP on a time-bound basis has been incurred beyond the end of the period for which approval has been given.
 - If expenditure is to be incurred beyond the period for which DFP approval has been given, work is underway to ensure that appropriate approvals are obtained prior to commitments being made in relation to such expenditure.

An exercise has been undertaken in October 2016 whereby all Divisions, Units and Branches were asked to confirm if they are fully compliant with all conditions associated with DFP / DoF approval.

- 1 Branch (Employer Skills) has confirmed that they are currently engaging with DoF to gain retrospective approval for the payment of a training allowance to participants of the Assured Skills academies.
 - The Branch were not aware that approval was required so are seeking retrospective approval back to the beginning of the programme (2010-11).
 - To date the following expenditure has been incurred £1,021,238. Payments continue to be made, DoF are aware of the current situation.
- In order to address any potential problems at an early stage, the final question on the checklist addresses “any other issues which point to significant internal control weaknesses, or other matters which should be highlighted”.
- A “Significant Internal Control Problem” is defined as
 - It seriously prejudiced or prevented achievement of a Programme for Government commitment or a Corporate Plan target;
 - It has resulted in a need to seek additional funding from DFP to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;

- The external auditor would regard it as having a material impact on the accounts;
 - The Audit Committee advises that it should be considered significant;
 - The Head of Internal Audit reports on it as significant in their annual opinion on the whole of risk, control and governance.
- Completion of the statement is not a mechanical process and it requires a positive act of due diligence before it is signed. It is designed to provide assurance going forward that the necessary components of effective internal control are in place and are being operated effectively.

BACKGROUND: (Energy Division supported by Finance Division)

Details of DoF approval for the Scheme including conditions

- DoF approval obtained on 27 April 2012 for the RHI scheme for the period 1 July to 31 March 2015 in line with HMT secured funding. Conditions of approval:
 - The project is commenced within 24 months of the date of this letter;
 - That there are no substantial changes to the scope/scale of the project as described in the business case; and
 - That resource or capital costs or assumptions vary by no more than 10% of the value stated on the business case.
- In addition, a PPE was to be completed by 31 August 2015 (Approval letter from DFP, 27 April 2012).

Reasons for failure to comply with DoF conditions

- The DOF condition around resource /capital cost assumptions varying within a 10% ceiling was not complied with.
- The calculation of the original tariff was based on a 50kW boiler running for 17% of the annual hours – which had that materialised, would have given a 12% rate of return.
- The reality was that the average size of boiler being installed was 99kW and running times were much above the assumption of 17%, as the lack of a tiered tariff above the 17% threshold of running hours (15% in GB) meant that there was no reason for applicants to reduce usage after that 17% running hours had been reached.
- This breached the original terms of the DOF approval as the variation was over 10% which had a review been carried out would have resulted in a revised business case having to be put to DOF.
- In addition a PPE has not yet been carried out. However, a business case addendum, seeking approval for continuation of the scheme post 31 March 2015, was submitted on 27 October 2015. A PPE will be completed after any possible cost controls have been implemented - before 31 March 2018.

Who was responsible for ensuring compliance with the terms on which DoF had approved the Scheme?

- The onus of responsibility lay with Energy Division.
- There was a change at Director level in Energy Division in December 2013.
- Compliance with the DoF approval had two purposes:
 - Establishing a control system to ensure that the approval was met [2012-14]
 - To secure approval for the next financial period [2014-2016]

Provide details of Ministerial approval for the Scheme

- A submission seeking Ministerial approval to proceed with the scheme was submitted on 16 March 2012.
- The submission set out the tariff setting methodology, the tariffs proposed, the legislative provisions required and a proposal to appoint Ofgem as administrator under a Direct Award Contract.
- Ministerial approval was provided on 11 April 2012.
- A separate submission from the accounting officer seeking formal approval to appoint Ofgem was submitted on 18 April 2012 and approved on 24 April 2014.

What is the detailed explanation for the requirement to obtain DoF approval for the continuation of the Scheme post 31 March 2015 being overlooked and who was responsible?

- There was collective responsibility for this being overlooked.
- The changes in the branch staff, insufficient handover opportunities and a failure to establish a project management structure which would have included a monitoring and control system would have highlighted the need for re-approval all contributed to the administrative oversight.
- A RHI oversight group, chaired by a Grade 3 SRO, has now been established and it provides a formal review mechanism for the scheme going forward.
- An appropriate monitoring system is now in place at Divisional level where Grade 7 budget holders must confirm relevant internal and DoF/DFP approvals are in place for all current and planned expenditure .
- The staff changes were significant; at RHI Branch level, both the Grade 7 and DP left on transfer in Spring 2015 and as a result a formal handover was not carried out during which time information relating to seeking re-approval could have been passed on.
- The changes were as follows:
 - Grade 5 changed in December 2013;
 - Grade 7 left in April/May 2014 and substantially replaced end of June 2014;
 - DP left in April/May 2014 and replaced end of June 2014.

- In addition, the Permanent Secretary and the Grade 3 also changed in mid-2014 so there was no consistency of staff for approximately a six month period.

Was the Minister advised that the Scheme had been operating without DoF approval, and if so, when?

- Yes. The Minister was notified in a submission on 8 July 2015 that the Department had not sought re-approval from DFP and was urgently taking forward work to provide DFP with a Business Case Addendum to seeking to regularise the position in relation to the scheme expenditure. Ref: [DT1/15/0115271]

What approvals (DoF and Ministerial) are currently in place for the Scheme?

- Ministerial approval for the scheme was received on 11 April 2012 – this was not time bound and had no additional conditions attached to it.
- DoF approval dated 27 April 2012 was in place for the period 1 July 2012 – 31 March 2015.
- There is currently no DFP approval in place for the period 1 April 15 – 28 October 2015.
- DOF approval for the period 29 October 2015-31 March 2016 was received on 29 October 2015.
- The scheme closed on 29 February 2016.
- Original DOF approval stated, inter alia:
 - “Whilst the scheme is envisaged to be open to new installations until 2020, approval is given for the period 1 July 2012 to 31 March 2015, representing the period for which HMT funding has been secured. Any decision to continue the scheme beyond 2015 would require further/separate DFP approval”

Was Ministerial approval subject to any conditions?

- No. Once the DPF approvals were in place, the scheme was able to proceed.

What steps is the Department taking to regularise expenditure not currently covered by DoF approval?

- Proposals on cost control measures are currently being developed and subject to Ministerial approval, will then go out to consultation as soon as possible.
- These proposals, seek to bring rates of return back within approved limits and this will help in moving towards regularising expenditure not currently covered by DoF approval.
- Following implementation of these proposals, DfE will submit a revised case to DoF seeking to regularise the unapproved expenditure going forward. A key component of securing regularisation of this expenditure will be demonstrating an effective system of cost control measures.
- It must be stressed however that potential cost control measures are subject to further legal advice and ongoing consultation.

If retrospective DoF approval is not obtained, quantify the extent of future irregular expenditure.

- Irregular expenditure for 788 installations during 2015/16 amounted to £11.9 m and for 2016/17 is estimated to be £19.4m.
- This £19.4m will continue annually and over 20 years, this could be £427m (based on 1% inflationary rise) without any cost controls, if all installations continue to operate at existing levels.

Were there any previous qualified opinions on DETI's accounts?

- No, DETI did not have any previously qualified accounts.

Are there any other instances where DoF has provided an approval with similar conditions?

- No. The similar domestic RHI which was introduced in December 2014 received DFP/DoF approval at the outset for the full 6 year term of the scheme and was not tied to the budget settlement.

What processes does the Department have in place to ensure that there is no reoccurrence?

- Administrative arrangements are now in place to track and monitor project approvals at Divisional level
- At Departmental level new section(s) have been included in the 6 Monthly Assurance Statements requiring G7 and above to ensure the conditions of all current approvals are / will be satisfied.