

From: [Woods, Michael \(DETI\)](#)
To: [Wightman, Stuart](#)
Cc: [Mills, John \(DETI\)](#); [Hughes, Seamus](#); [Willis, Adele](#); [Stewart, Chris \(DETI\)](#); [Rooney, Eugene](#); [McCormick, Andrew \(DETI\)](#); [Anderson, Michelle](#); [Cardwell, Mark](#); [Bagdonaite, Dovile](#); [Cooper, Trevor](#)
Subject: RE: Non-Domestic NIRHI - Draft Scope
Date: 16 March 2016 08:46:07
Attachments: [FY16-10 - Non-Domestic NIRHI - Draft Scope - 14.03.2016.pdf](#)

Stuart

I have a number of concerns in relation to the attached proposal

- 1) The intent was for a jointly commissioned review, however the proposal only allows that a report is shared with DETI see the Section titled "deliverables" it also states that DETI cannot use or make a copy of the report available to anyone without the Ofgem auditors expressed permission. I had a similar issue in another department, NIAO and Assembly asked for a copy of a report and the company that undertook the work was reluctant to agree. This report needs to be seen as a joint report, DETI will need to be able to share. It is worth checking if this is a standard "copper plate" statement that their auditors use or if this means we need their approval to share the report;
- 2) Rather than starting with inspections and using these to inform the review of systems the proposal suggests the reverse, with the onsite inspections taking place depending on the results of the systems review. Given that we have allegations of abuse it is imperative that any review includes a sampling of actual installations, the allegations are that the scheme is both open to abuse and being abused, both need to be considered. I would suggest therefore that the reference to stage two taking place depending on the results of stage 1 is amended. I would be concerned that Deloitte will only be expressing an opinion on the systems and not also on the results of the onsite inspections. I thought the intent, we discussed with Ofgem was for one report that covered both questions.
- 3) The original commitment was to undertake 50 inspections by the end of March 2016, this is the only way i can see to address the issues of potential abuse. A time scale for the inspections would therefore be useful in the proposal as would clarity on whether Deloitte's role is to oversee the complete investigation or only to undertake the systems work. If the later then who will be providing the assurance on the results of site inspections?
- 4) It is important to keep in mind that there are allegations of abuse as well of there being weaknesses in the system of control.

Michael Woods

From: Wightman, Stuart
Sent: 15 March 2016 11:56
To: Woods, Michael (DETI)
Cc: Mills, John (DETI); Hughes, Seamus; Willis, Adele; Stewart, Chris (DETI)
Subject: FW: Non-Domestic NIRHI - Draft Scope

Michael

I attach a draft proposals from Deloitte. This is for Phase 1 of the Review which focuses on Ofgem's systems and processes. It says Phase 2 which includes site checks will be conditional on

the outcome of Phase 2. I've already told Ofgem that both Phase 1 and 2 must be completed. They accept that.

It is hoped that most of Phase 1 will be completed this month and that between £5 and £7k will be charged to 2015/16. Phase 2 (and the inspections) will not be completed until April.

Subject to your views / comments, I plan to respond to Ofgem requesting that:

- (1) Phase 2 should not be conditional on Phase 1 and must be completed to address the recent allegations
- (2) A proposal for Phase 2 is provided as soon as possible.

I welcome your comments.

stuart

From: Edmund Ward [<mailto:Edmund.Ward@ofgem.gov.uk>]
Sent: 15 March 2016 11:18
To: Wightman, Stuart; Hughes, Seamus; Willis, Adele
Cc: Teri Clifton; Jane Pierce; Mhairi McQuillan; Gareth John
Subject: FW: Non-Domestic NIRHI - Draft Scope

Stuart, Seamus, Adele

Thanks for your time this morning.

Please find attached, to inform discussions within DETI, the initial draft scope from Deloitte as discussed on our call this morning.

Grateful for views on any desired changes, if at all, from a DETI perspective, before we might move to agreement to proceed?

Kind regards
Edmund

This message may be confidential, privileged or otherwise protected from disclosure. It does not represent the views or opinions of Ofgem unless expressly stated otherwise.

If you have received this message by mistake, please contact the sender and immediately delete the message from your system; you should not copy the message or disclose its contents to any other person or organisation.

Independent Assurance	Project Specification
Project Name	FY16-10 Non-Domestic Northern Ireland Renewable Heat Incentive
Project Outline	Independent Assurance work over the Non-Domestic Northern Ireland Renewable Heat Incentive Scheme
Project Sponsor	Gareth John, Associate Director, Non-Domestic Renewable Heat Incentive
Key Ofgem Contact(s)	Edmund Ward, Head of Technical & Compliance, Non-Domestic Renewable Heat Incentive
Deloitte Contact(s)	Walter Carlton, Head of Internal Audit 0131 535 7244/ Personal information redacted by the RHI Tahlee Fong, Internal Audit Manager 0207 007 7724/ Personal information redacted by the RHI
Background	<p>Background</p> <p>This review was requested by the Head of Technical & Compliance from the Non-Domestic Renewable Heat Incentive Team.</p> <p>The Northern Ireland Renewable Heat Incentive ('NIRHI') is a government environmental programme that provides financial incentives to increase the uptake of renewable heat and reduce the UK's carbon emissions. It provides subsidies to eligible non-domestic renewable heat generators and producers of biomethane based in Northern Ireland, payable in quarterly instalments for 20 years. The NIRHI policy, tariff rates and legislative framework are set by the Department of Enterprise, Trade and Investment ('DETI'). The scheme is administered by Ofgem in accordance with the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 and the Non-Domestic Heat Incentive (Amendment) Regulations (Northern Ireland) 2015 (hereinafter referred to as the 'Regulations').</p> <p>The overall process for an NIRHI participant is as follows:</p> <pre> graph LR A[Owner decides to apply for accreditation to the Renewable Heat Incentive] --> B[Submits an application to Ofgem using their online account] B --> C[Ofgem considers the application and accredits the installation (providing all eligibility criteria are met, the identity of the applicant has been verified, and the prospective participant's bank details have been validated)] C --> D[Participant submits meter readings and other periodic data on an ongoing basis] D --> E[Participant receives quarterly RHI payments] E --> F[Support ends after 20 years] </pre> <p>DETI has received recent allegations that the scheme is being abused or is vulnerable to abuse. There has also been a significant increase in the volume of NIRHI applications in advance of the 2015 regulation changes, and in response to the scheme suspension announcement (effective 29 February 2016) due to insufficient funding.</p>

<p>Audit Objective & Scope</p>	<p>Audit Objective</p> <p>The objective of this review is to assess whether the operation of the NIRHI is in compliance with the Scheme Rules and if there is any evidence of the NIRHI having been abused, fraud having occurred or if eligible scheme participants have failed to operate within the scheme guidelines, potentially conducted in a two-part process:</p> <ol style="list-style-type: none"> 1. Phase 1 – an assessment of Ofgem’s processes and controls to administer the NIRHI in accordance with the Regulations, to assess whether the scheme is operating in compliance with the legislation and highlight any areas of concern warranting further investigation; 2. Phase 2 - site inspections of a sample of (a) current applicants awaiting award; (b) scheme participants with multiple installations; and (c) scheme participants with single installations. <p>This scope document outlines the scope and approach for phase 1 only. The commissioning of phase 2 work would depend on the results and findings from phase 1.</p> <p>Audit Scope</p> <p>The review will address the following areas:</p> <ul style="list-style-type: none"> • Eligibility: The process for accrediting installations and registering biomethane producers who meet the eligibility criteria, including verifying applicant identity, bank details and ownership of the installation; • Ongoing compliance: Monitoring and enforcing compliance with the initial eligibility criteria and ongoing requirements of the NIRHI. This includes the process for undertaking inspections to verify participants’ ongoing obligations under the NIRHI are being complied with and that information provided in the application remains true and accurate; • Payments: Assessment of the payments process to confirm that payments are only made on the receipt of valid, relevant and accurate information supplied by participants; • Governance: Consideration of any Ofgem NIRHI policies and procedures for administering the scheme; • Site inspections: Appropriateness of the scope and approach undertaken by Ricardo Energy and Environment in carrying out site inspections of scheme participants on Ofgem’s behalf.
<p>Scope Limitations</p>	<p>This internal audit will not review the adequacy and appropriateness of the NIRHI Regulations or policy framework (including eligibility criteria and scheme rules), for which DETI is responsible. Phase 1 will not extend to site visits or physical inspection of renewable heat generation equipment, meters or pipework.</p>
<p>Approach</p>	<p>We will apply the following approach:</p> <ul style="list-style-type: none"> • Make contact prior to audit commencement to identify key staff, arrange initial meetings and obtain documentation to which we will require access; • Conduct process discussions with key staff to understand the processes and controls in place for each of the above scope areas;

	<ul style="list-style-type: none"> • Obtain NIRHI system data and conduct basic analytics to identify any trends and anomalies; • Assess the design appropriateness of key controls; • Conduct sample testing to assess the operating effectiveness of key controls; • Meet with responsible management to discuss any findings and our proposed recommendations; and • Produce and issue a draft report, prior to the issue of the final report. 																				
<p>Deliverables</p>	<p>The deliverable will be an Independent Assurance Report for Ofgem.</p> <p>Our Report will be prepared for the exclusive use of Ofgem in accordance with the agreed scope. Our work will be undertaken solely for the purpose of assessing whether the operation of the NIRHI is in compliance with the Scheme Rules. Our work will not be planned or conducted with any other objective in mind and so cannot be relied upon for any other purposes. Save that a copy of our report may be provided for information only to the Department of Enterprise, Trade and Investment, our Report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ofgem for this report or for the conclusions we have formed.</p>																				
<p>Timetable</p>	<table border="1"> <thead> <tr> <th data-bbox="453 904 948 954">Key stages</th> <th data-bbox="948 904 1452 954">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 954 948 994">Planning meeting</td> <td data-bbox="948 954 1452 994">3 March 2016</td> </tr> <tr> <td data-bbox="453 994 948 1034">Fieldwork start</td> <td data-bbox="948 994 1452 1034">22 March 2016</td> </tr> <tr> <td data-bbox="453 1034 948 1075">Fieldwork end</td> <td data-bbox="948 1034 1452 1075">1 April 2016</td> </tr> <tr> <td data-bbox="453 1075 948 1115">Closing meeting</td> <td data-bbox="948 1075 1452 1115">8 April 2016</td> </tr> <tr> <td data-bbox="453 1115 948 1155">Draft report</td> <td data-bbox="948 1115 1452 1155">15 April 2016</td> </tr> <tr> <td data-bbox="453 1155 948 1196">Management response</td> <td data-bbox="948 1155 1452 1196">22 April 2016</td> </tr> <tr> <td data-bbox="453 1196 948 1236">Final report</td> <td data-bbox="948 1196 1452 1236">29 April 2016</td> </tr> </tbody> </table> <p>Meeting the above dates is dependent on our access to Ofgem personnel, provision of documentation, explanations and information necessary for completing our procedures and timely review and approvals by Ofgem.</p>	Key stages	Date	Planning meeting	3 March 2016	Fieldwork start	22 March 2016	Fieldwork end	1 April 2016	Closing meeting	8 April 2016	Draft report	15 April 2016	Management response	22 April 2016	Final report	29 April 2016				
Key stages	Date																				
Planning meeting	3 March 2016																				
Fieldwork start	22 March 2016																				
Fieldwork end	1 April 2016																				
Closing meeting	8 April 2016																				
Draft report	15 April 2016																				
Management response	22 April 2016																				
Final report	29 April 2016																				
<p>Fieldstaff</p>	<p>Lin Li, Senior Consultant</p>																				
<p>Estimated Input</p>	<p>The following table outlines our estimated input:</p> <table border="1"> <thead> <tr> <th data-bbox="453 1532 715 1608">Grade</th> <th data-bbox="715 1532 960 1608">Day Rate (£)</th> <th data-bbox="960 1532 1206 1608">Estimated Input (Days)</th> <th data-bbox="1206 1532 1452 1608">Cost (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 1608 715 1648">Partner</td> <td data-bbox="715 1608 960 1648">Personal information redacted by the RHI Inquiry</td> <td data-bbox="960 1608 1206 1648">1</td> <td data-bbox="1206 1608 1452 1648">Personal information redacted by the RHI Inquiry</td> </tr> <tr> <td data-bbox="453 1648 715 1688">Manager</td> <td data-bbox="715 1648 960 1688">Personal information redacted by the RHI Inquiry</td> <td data-bbox="960 1648 1206 1688">3</td> <td data-bbox="1206 1648 1452 1688">Personal information redacted by the RHI Inquiry</td> </tr> <tr> <td data-bbox="453 1688 715 1729">Senior Consultant</td> <td data-bbox="715 1688 960 1729">Personal information redacted by the RHI Inquiry</td> <td data-bbox="960 1688 1206 1729">8</td> <td data-bbox="1206 1688 1452 1729">Personal information redacted by the RHI Inquiry</td> </tr> <tr> <td data-bbox="453 1729 715 1769">Total</td> <td data-bbox="715 1729 960 1769">Personal information redacted by the RHI Inquiry</td> <td data-bbox="960 1729 1206 1769">12</td> <td data-bbox="1206 1729 1452 1769">Personal information redacted by the RHI Inquiry</td> </tr> </tbody> </table>	Grade	Day Rate (£)	Estimated Input (Days)	Cost (£)	Partner	Personal information redacted by the RHI Inquiry	1	Personal information redacted by the RHI Inquiry	Manager	Personal information redacted by the RHI Inquiry	3	Personal information redacted by the RHI Inquiry	Senior Consultant	Personal information redacted by the RHI Inquiry	8	Personal information redacted by the RHI Inquiry	Total	Personal information redacted by the RHI Inquiry	12	Personal information redacted by the RHI Inquiry
Grade	Day Rate (£)	Estimated Input (Days)	Cost (£)																		
Partner	Personal information redacted by the RHI Inquiry	1	Personal information redacted by the RHI Inquiry																		
Manager	Personal information redacted by the RHI Inquiry	3	Personal information redacted by the RHI Inquiry																		
Senior Consultant	Personal information redacted by the RHI Inquiry	8	Personal information redacted by the RHI Inquiry																		
Total	Personal information redacted by the RHI Inquiry	12	Personal information redacted by the RHI Inquiry																		

From: McCormick, Andrew (DETI)
To: [Wightman, Stuart](#)
Cc: [Mills, John \(DETI\)](#); [Hughes, Seamus](#); [Willis, Adele](#); [Stewart, Chris \(DETI\)](#); [Rooney, Eugene](#); [Anderson, Michelle](#); [Cardwell, Mark](#); [Bagdonaite, Dovile](#); [Cooper, Trevor](#); [Woods, Michael \(DETI\)](#)
Subject: RE: Non-Domestic NIRHI - Draft Scope
Date: 16 March 2016 10:48:00

I would share Michael's concerns and if need be would talk or write at senior level to OFGEM or even DECC. I am the AO for the money so I need no let or hindrance on what I commission by way of audit action.

Many thanks.

From: Woods, Michael (DETI)
Sent: 16 March 2016 08:46
To: Wightman, Stuart
Cc: Mills, John (DETI); Hughes, Seamus; Willis, Adele; Stewart, Chris (DETI); Rooney, Eugene; McCormick, Andrew (DETI); Anderson, Michelle; Cardwell, Mark; Bagdonaite, Dovile; Cooper, Trevor
Subject: RE: Non-Domestic NIRHI - Draft Scope

Stuart

I have a number of concerns in relation to the attached proposal

- 1) The intent was for a jointly commissioned review, however the proposal only allows that a report is shared with DETI see the Section titled "deliverables" it also states that DETI cannot use or make a copy of the report available to anyone without the Ofgem auditors expressed permission. I had a similar issue in another department, NIAO and Assembly asked for a copy of a report and the company that undertook the work was reluctant to agree. This report needs to be seen as a joint report, DETI will need to be able to share. It is worth checking if this is a standard "copper plate" statement that their auditors use or if this means we need their approval to share the report;
- 2) Rather than starting with inspections and using these to inform the review of systems the proposal suggests the reverse, with the onsite inspections taking place depending on the results of the systems review. Given that we have allegations of abuse it is imperative that any review includes a sampling of actual installations, the allegations are that the scheme is both open to abuse and being abused, both need to be considered. I would suggest therefore that the reference to stage two taking place depending on the results of stage 1 is amended. I would be concerned that Deloitte will only be expressing an opinion on the systems and not also on the results of the onsite inspections. I thought the intent, we discussed with Ofgem was for one report that covered both questions.
- 3) The original commitment was to undertake 50 inspections by the end of March 2016, this is the only way i can see to address the issues of potential abuse. A time scale for the inspections would therefore be useful in the proposal as would clarity on whether Deloitte's role is to oversee the complete investigation or only to undertake the systems work. If the later then who will be providing the assurance on the results of site inspections?
- 4) It is important to keep in mind that there are allegations of abuse as well of there being weaknesses in the system of control.

Michael Woods

From: Wightman, Stuart
Sent: 15 March 2016 11:56
To: Woods, Michael (DETI)
Cc: Mills, John (DETI); Hughes, Seamus; Willis, Adele; Stewart, Chris (DETI)
Subject: FW: Non-Domestic NIRHI - Draft Scope

Michael

I attach a draft proposals from Deloitte. This is for Phase 1 of the Review which focuses on Ofgem's systems and processes. It says Phase 2 which includes site checks will be conditional on the outcome of Phase 2. I've already told Ofgem that both Phase 1 and 2 must be completed. They accept that.

It is hoped that most of Phase 1 will be completed this month and that between £5 and £7k will be charged to 2015/16. Phase 2 (and the inspections) will not be completed until April.

Subject to your views / comments, I plan to respond to Ofgem requesting that:

- (1) Phase 2 should not be conditional on Phase 1 and must be completed to address the recent allegations
- (2) A proposal for Phase 2 is provided as soon as possible.

I welcome your comments.

stuart

From: Edmund Ward [<mailto:Edmund.Ward@ofgem.gov.uk>]
Sent: 15 March 2016 11:18
To: Wightman, Stuart; Hughes, Seamus; Willis, Adele
Cc: Teri Clifton; Jane Pierce; Mhairi McQuillan; Gareth John
Subject: FW: Non-Domestic NIRHI - Draft Scope

Stuart, Seamus, Adele

Thanks for your time this morning.

Please find attached, to inform discussions within DETI, the initial draft scope from Deloitte as discussed on our call this morning.

Grateful for views on any desired changes, if at all, from a DETI perspective, before we might move to agreement to proceed?

Kind regards
Edmund

This message may be confidential, privileged or otherwise protected from disclosure. It does not represent the views or opinions of Ofgem unless expressly stated otherwise.

If you have received this message by mistake, please contact the sender and immediately

delete the message from your system; you should not copy the message or disclose its contents to any other person or organisation.