

**ANNEX B**

**SIX MONTHLY ASSURANCE STATEMENT FOR COMPLETION BY HEADS OF DIVISION/UNIT**

**From: John Mills**

**Date: 15 December 2015**

**To: Chris Stewart**

1. Internal Control covers the policies, processes, tasks, behaviours and other aspects of an organisation's activities with derive from management action (rather than being imposed externally) and which are designed to:
  - Facilitate the achievement of objectives;
  - Ensure effective and efficient operation;
  - Protect and safeguard public funds and assets; and
  - Ensure compliance with legislation and other regulations.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable (and not absolute) assurance regarding its effectiveness.
3. I acknowledge that I am personally responsible for developing and maintaining effective internal control within my Division. I am also responsible for reviewing the effectiveness of the system of internal control within the Division/Unit. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Division who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letters and other reports.
4. I confirm that:
  - I am aware of the requirements of internal control and the development of systems to manage and control risk;
  - Throughout the six month period, internal control has been adequate, except for the areas noted below; and

- I am not aware of any significant weaknesses in control or of any irregularities in accounting practice which need to be drawn to your attention, except as noted below.

### **Significant Internal Control Problems**

I appreciate that some these may represent risks more than control issues – perhaps, particularly the last two- nonetheless I include them as they can lead to control issues (such as not being able to carry out in year reviews in a timely manner, for example). However, happy to discuss and amend if necessary.

#### **(1) Staff Resource Pressures - RHI Administration**

The Domestic RHI Scheme was launched by the Minister on 9 December 2014. The Business Case for the scheme included an initial additional admin resource of 1 SO (year 1) and a further additional resource (1SO & 1AO) in years 2 and 3 as the number of RHI applications and payments build up. In the reporting period no additional outside staff resource was provided for administering the Domestic RHI Scheme. Although internal moves have kept the scheme running (at increased risk to the areas from which staff have been taken) this has meant that site checks/visits for assurance purposes have had to be reduced and processing of applications is taking longer. To mitigate this situation the Minister was advised and agreed for new applications to be queued. [Update: additional staffing has now been secured with the exception of a new AO.]

#### **(2) Non-Domestic Renewable Heat Incentive approvals**

DFP approval for the Non-Domestic Renewable Heat Incentive Scheme means that expenditure on new commitments entered into in 2015/16 and beyond requires separate approval. Energy officials are working with Finance and DFP to ensure that the appropriate approvals, and revised funding requirements to facilitate the future operation of the Scheme at an affordable level of demand, are in place as soon as possible. [Update: Business Case Addendum submitted to DFP on 27/10/15 and prospective (but not retrospective) approval obtained].

#### **(3) Need for Clarity around AME Budgets for RHI (2015/16 & beyond)**

During the first 18 months of the Non-domestic RHI scheme around 130 applications were processed. During 2014/15, a further 470 applications have been received and over 1280 applications have already been received in 2015/16. The NI scheme is currently outperforming the GB scheme with total accreditation numbers over the last few months running at over 6% of the GB total. This unprecedented increase in uptake over the last 12 months has impacted on our funding requirement with over £30m forecasted for 2015/16. [Update: Legislation to reduce tariffs for new applicants was approved by the Assembly on 18 November 2015. Clarity is needed around future RHI budgets (beyond 2015/16). Initial HMT proposals following the November 2015 CSR fall well short of the required funding. If funding is reduced, work will have to commence ASAP to close both schemes to new applicants from 1/4/16.]

#### **(4) Increases in non-domestic RHI applications**

Although partly falling outside the assurance period, the unprecedented increase in applications needs a more than routine response in terms of analysis and audit.

**(5) Need for Additional Staff Resources for proposed EnergyWise Scheme**

The Head of Energy Efficiency Branch is currently Project Manager for EnergyWise but is also responsible for renewable heat which is taking up much of his time. A Gateway Review (1/2) has just been completed on the proposed EnergyWise Scheme OBC and Procurement Strategy. The Review gave the Project an Amber/Red rating and recommended that a properly resourced DETI project team needs to be dedicated to the project if it is to succeed.

**(6) Resource Pressures**

With absences due to Personal information redacted by the RHI Inquiry Leave, internal moves and partial retirement the Division is now 3.4 Staff Officers short – as one area affected is that of Finance Officer, the potential for control issues to arise is heightened. In addition, new demands (Departmental reorganisation, for example) and increased pressure on areas like RHI and NIRO closure are stretching Divisional controls. [Update: replacement personnel to cover VES are partly in post, the impact of the Ministerial Group on Manufacturing and Energy on the Division has, so far, been mitigated and splitting of the Division under Departmental reorganisation has the potential to help resource wise.

**Head of Energy Division**