

ANNEX B

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

From: John Mills

Date: 6 May 2016

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/Unit. 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/Unit 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

[Insert Details of Significant Internal Control Problems of which the signatory is aware and action taken in response.]

(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. Two staff were released under the VES scheme. This has meant that site checks/visits for assurance purposes have had to be reduced and processing of applications is taking longer. Minister has agreed for new applications to be queued. New RHI SO (Dec15) and AO (Jan16) now in place.

(2) Divisional Staff Resource Pressures

With absences due to Personal information redacted by the RHI Inquiry Leave and staff vacancies arising from VES, the Division has experienced staff pressures.

(3) Significant RHI Overspends from 2016/17 onwards

During 2015/16, an unprecedented increase in demand seen 1528 applications received for the non domestic scheme. Only 600 applications were received in previous 3½ years. RHI applications in 2015/16 were 49% of applications received by GB and 33% total scheme applications. This unprecedented increase in uptake over the last 12 months has impacted on our funding requirement with over £33m forecasted for 2015/16.

Legislation to introduce a tiered and capped tariff to reduce future costs was laid before the Assembly on 17 November 2015 coming into operation on 18 November 2015. However, due to a spike in applications prior to the November changes, a reduction in budget in the Chancellor's autumn statement, and confirmation from Treasury that future AME allocations are to be capped at 3% of DECC's budget means the RHI budget for new applications was exhausted and the Minister had to move to close the RHI to new applicants. Legislation to facilitate this was laid before the Assembly on 16 February 2016 and subsequently a notice was issued closing the RHI to new applications from midnight on 29 February 2016.

With many of the RHI applications for both schemes still to be processed it is difficult to accurately forecast future expenditure, however current estimates suggest that annual RHI expenditure is forecast to be over £50m from 2016/17

onwards. This would mean that £140m of additional funding will have to be found from within the NI Block during the next 5 years.

(4) Non-Domestic Renewable Heat Incentive

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. A Business Case Addendum to extend Non Domestic RHI Scheme approval submitted to DFP on 27/10/15. DFP approved expenditure from 29 October 2015 to 31 March 2016 on 29 October 2015, but declined retrospective approval for expenditure between 1 April 2015 and 28 October 2015 on 21 December 2015. NIAO Report on irregular spend will be completed to qualify Annual Accounts 2015/16.

(4) 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) completed on the proposed EnergyWise Scheme OBC and Procurement Strategy 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.

DETI Resourcing Group Approval has just been given to create and fill a new G7 and DP post for EnergyWise. Both posts to be filled during May 2016.



Head of Energy Division

Date: 6 May 2016