

Minute of the meeting to discuss IAS Interim Issues and Findings Paper on RHI between IAS and Energy 08 April 2016

In attendance:

John Mills – Energy  
Stuart Wightman – Energy  
Seamus Hughes – Energy  
Michael Woods – IAS  
David Saunders – IAS  
Dovile Bagdonaite – IAS

- Michael Woods confirmed that the IAS report on Interim Issues is not a draft report of the findings of the RHI non domestic audit. This paper was drawn as audit's working paper and presented all findings of the review. The paper provides a lot of detail and not all issues are of the same importance. For the draft report the recommendations will amalgamate a few issues and will not be presented in the same detailed form as in the Interim Findings Paper. IAS considered this as an opportunity to discuss the interim findings with Energy and to get additional detail from Energy or have a facts corrected and new evidence presented where IAS has an incomplete picture.
- Michael Woods also confirmed that IAS was carrying out a systems audit of the RHI which aims to establish the systems and processes established in Energy to manage the RHI programme. IAS is not carrying out an investigation of the spike in applications and subsequent budgetary issues. The purpose of the audit is to identify lessons to be learned for the department along with any actions to be taken to improve the existing systems where relevant.
- John Mills agreed that he has no issues with the general points raised in the IAS interim issues paper however he has some disagreement with the detail.
- Point 1.1 – The general issue is accurate as Energy should have been monitoring the claims however there is some disagreement with the figures stated by IAS. IAS advised that the figures presented are simply arithmetical averages of the size of the claim for the year. Energy advised that are collating a report which will track the movement in claims of existing installations and will also provide average for new installation. Energy to share this report with IAS. **S W**
- Point 1.2 in the paper in relation to DAC. Agreed to have this removed off the paper. **M W**
- Point 1.3 – MW IAS needs to establish department's position on this. If senior management were aware of the NIRHI being tied to 3% of DECC RHI budget, why they did not act quicker and had the scheme stopped in May or June 15. JM – Energy stated that they were not aware of this and if they had known this at the time they would have recommended that the scheme is stopped. There was an understanding in the department and among senior

management that the scheme's budget was low risk as the scheme was being funded by Treasury from AME. The CSR report presented by Westminster in November 15 confirmed that NIRHI was AME. **SW to forward the report.**

MW – for the lessons learned, IAS considers that nature of the funding for a scheme / programme and the extent to which that funding has conditions, is a risk that needs to be considered in any new programmes. While at the outset, the risk may have been low there was still a need to understand and manage the risks.

- Points 1.4 – 1.6 issues of lesser significance and will not be reported as standalone recommendations.
- Points 1.7 – 1.9 Energy agreed that the NIRHI scheme should have been managed via programme management structures. However this has not been done due to shortage of resources and other priorities taking over.

A PPE will be carried out late this year. There is also a need for an evaluation of the scheme / VFM and energy to confirm if this will be undertaken as part of the PPE or as a further review. **SW to confirm.**

- Points 1.10 – 1.12 Energy agree in principle, however it should not be presented in the manner which would imply that Energy chose to do nothing. IAS asked that management confirm the explanation given at the meeting that they did not prioritise the introduction of tariff digression and tiering following the consultation as introduction of Domestic scheme and phase 2 of RHI was given priority and that the risk at the time was that there was low demand on the scheme and cost controls were not deemed to be a priority. **SW to Confirm.**
- Point 2.1 – will be included in recommendation re project management structure; points 1.7 – 1.9
- Point 2.2 – see point 1.3
- Point 2.3 – Energy to forward any communication/correspondence they have on this. **SW**
- IAS will include a recommendation in relation to reviewing the VFM/ State Aid of the scheme and will recommend that Energy carry out the review of its scheme and establish whether its' value for money and business case assumptions on costs etc are still accurate. MW
- Points 2.5 – 2.8 and Governance Arrangements with Ofgem. SW – relationship between Energy and Ofgem was not very good from the start however recently there has been some improvement. JM agreed that governance issues was a valid point for the IAS to raise in the draft report. SW - Energy had not been receiving much in relation to performance and assurance information from Ofgem. Relationship between DETI and Ofgem improved recently and there are now regular meetings in place, the exchange of information is mostly verbal.

- IAS hope to finish both reviews of RHI domestic and non domestic by the end of April. IAS is also considering whether to issue a single report over RHI to cover both strands of the scheme or to produce two reports. Energy would prefer 2 reports with a scope limitation for the domestic review to include scheme administration only.

Revision 1

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scheme's budget was low risk as the scheme was being funded by Treasury from AME. The CSR report presented by Westminster in November 15 confirmed that NIRHI was AME. **SW to forward the report.**

MW – for the lessons learned, IAS could present a recommendation that for any project or programme, the budgetary position has to be available at all times. The budgetary position will determine the controls suitable for the nature of the scheme (i.e. demand led, etc.)

- Points 1.4 – 1.6 issues of lesser significance and will not be reported as standalone recommendations.
- Points 1.7 – 1.9 Energy agreed that the NIRHI scheme should have been managed via programme/ project management structures. However this has not been done due to shortage of resources and other priorities taking over.

PPE will be carried out late this year.

- Points 1.10 – 1.12 Energy agree in principle, however it should not be presented in the manner which would imply that Energy chose to do nothing. IAS will accept explanation from Energy of why they were not prioritising on introduction of tariff depression and tiering sooner or right after the GB started doing this.
- Point 2.1 – will be included in recommendation re project management structure; points 1.7 – 1.9
- Point 2.2 – see point 1.3
- Point 2.3 – Energy to forward any communication/correspondence they have on this. **SW**
- IAS will include a recommendation in relation to State Aid and will recommend that Energy carry out the review of its position on State Aid and establish whether it's within the notification limits.
- Points 2.5 – 2.8 and Governance Arrangements with Ofgem. SW – relationship between Energy and Ofgem was not very good from the start however recently there has been some improvement. JM agreed that governance issues was a valid point for the IAS to raise in the draft report. SW - Energy had not been receiving much in relation to performance and assurance information from Ofgem. Relationship between DETI and Ofgem improved recently and there are now regular meetings in place, the exchange of information is mostly verbal.
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