

Department for the Economy (DfE)

**Review of the Non Domestic Renewable Heating Initiative (RHI) Scheme
Financial Model**

September 2016

Background

Internal Audit Service (IAS) completed a review of the System of Control over the Non-Domestic Renewable Heat Incentive (RHI) scheme within the Department for the Environment (DfE), (formerly Department for Enterprise, Trade and Investment (DETI)), in accordance with the agreed terms of reference. The audit fieldwork was undertaken during the period December 2015 to April 2016 with the Final Report being issued on 4 August 2016.

The number of findings and recommendations (by risk priority) is summarised as follows:

Priority 1	Priority 2	Priority 3
7	1	-

Internal Audit considered that the system of risk management, control and governance established by management over the Non Domestic Renewable Heat Incentive Scheme was Unacceptable. In forming this opinion Internal Audit recognised that the Scheme has been successful to the extent that the Programme for Government target to achieve 4% of heat generated from renewable sources by 2015 had been met. However, the scheme lacked by design an effective response to the spike in applications in late 2015/2016. The scheme was formally closed to new applications from 29 February 2016, at which point a total of 2,128 applications had been received over the life of the scheme. All applications received before the scheme closed are required to be considered by the Office of Gas and Electricity Markets (Ofgem) and if valid, approved and funded. The potential annual liability for

2016/2017 if all applications are successful is estimated as £50m. The funding available from HM Treasury, based on 3% of DECCs projected budget (£640m) is estimated as £18.3m. The consequence of the shortfall between the Scheme's commitments and the available funding means there is a potential shortfall of £140m in the period 2016/2017- 2020/2021 and this could rise to approximately £400m- £450m over the life of the Scheme.

Purpose and Scope

Following on from the Internal Audit Services Report a Business Case was approved for a temporary DP Accountant to provide the Energy Renewable Division with financial expertise for business critical activities in 2016-17.

The scope of the work included:

1. To give assurance that an adequate and effective budgetary control system had been established to enable complete, accurate and reliable financial management information to be extracted for monitoring and reporting purposes;
2. To ensure that the long term budgetary commitments for the scheme are monitored and that formal budgetary cover for the life of the scheme is in place to make sure that all commitments can be met.

Specifically this involved:

1. Verification of the input data to the Non Domestic RHI Scheme payment model;
2. Reviewing the method of forecasting for the current financial year and future years commitments to provide assurance about robustness of forecast;
3. Giving assurance on the impact on the financial analysis on cost controls;
4. Reviewing the effectiveness of existing internal controls.

Findings

A detailed review of the current Non Domestic RHI Scheme Payment model was undertaken in September 2016.

The findings were as follows:

Data Verification

Management in Energy Division receive weekly information from Ofgem on awards made, pending or rejected and supporting information necessary for making monthly payments. Ofgem also provide a monthly payment summary and back up bank statements to confirm the payments made to each applicant in the period. This report also supports the payments which Energy Division make to Ofgem to reimburse them for the applicants payments and their administration fee.

Energy Division update the payment model manually with both the standing data and the payment data received from Ofgem. As part of this review a sample of the data received in the month of June 2016 was verified to the payment model and it was found that the data was being transferred accurately. However, applicants' status' had not always been updated to agree to the Ofgem report making it difficult to read and understand the data contained in the model. In addition, there was no evidence that Ofgem ever provided any paperwork to the Energy Division to support the accuracy of the standing data or of the calculation of the payments made to applicants. However, given that Ofgem is a non departmental public body, reasonable assurances can be gained on the risk management, control and governance processes operated by them.

Action

Quarterly spot checks to be carried out by Energy Division on the supporting paperwork relating to Applicant claims paid by Ofgem in the previous period. This should include site visits to verify the EHO readings being submitted to Ofgem.

Comment [DC1]: Can this be checked?
What data is missing exactly?

Comment [LC2]: Supporting paperwork to verify the EHO Readings given by the applicants. I evidenced occasions where two subsequent periods had the exact same EHO and others where the reading looked like estimates (rounded figures and very similar each qtr)

Forecasting Model

The current forecasting model was designed when the scheme was introduced in November 2012 when the uptake in demand was slow with only 9 applications registered at the end of 2012/13 and increasing to 127 registered in 2013/14. From the second half of 2014 the demand for the scheme started to increase and at the end of 2014/15 a total of 697 applications were either accredited or pending accreditation. A large spike in applications occurred during October and November 2015 and by ~~the end of 18th~~ November 2015 the total number of applications registered for the Non Domestic RHI scheme was approximately ~~1980~~ 1802. This was largely due to the introduction of a new tiered /capped payment system from November 2015. When the scheme closed at the end of February 2016 a total of 2,128 applications had been received over the life of the scheme. Due to this increase in applications a number of changes were required to be incorporated into the forecasting model to accommodate changes in tariffs, ~~the introduction of a new tiered/cap payment system from November 2015~~ and more accurate methods of calculating future payments based on either applicants payment history or on the average running hours by installation band. In addition the need for a seasonal adjustment in the forecasting calculation has d been identified.

However, on review the forecasting model was found to be accurate in respect of the methodology and formulae it contained and at present is providing reasonable assurance on the current financial year and future years' budget commitments to finance division.

Action

A new Financial Database management tool should be designed and implemented to replace the current Forecasting Model. This new Database should capture all of the data received from Ofgem electronically and should have the capacity to produce timely and detailed reports to assist in future decision making surrounding the scheme.

~~The following risks and weaknesses have been identified:~~

Seasonality

Presently there is no seasonality calculation included in the monthly budgeted accrual and profiling figure in respect of the Non Domestic RHI Scheme which is being onwardly reported to DfE Finance Division. Due to the design of the current suite of spreadsheets it is impossible to develop a formula to include seasonality in the forecasting as the historical payments to applicants have been input to the Payment Model in the month that Ofgem have reported payments being made but do not take into account the period to which the payments relate. Therefore whilst the accrual calculation takes into account the amount payable to each applicant to date (based on either the average of their payments to date or, where there have been no payments made, on the estimated monthly amount calculated based on average running hours by bandwidth and tariff), less what the actual payments to date have been, the specific 'periods' ie seasons/months remaining outstanding at any point in time have not been identified in the formulae and thus the appropriate seasonality increase/decrease not made.

An exercise to calculate an accrual for seasonality is currently undertaken by the Energy Markets Co-ordination Branch in March each year and manually added to the forecast at this point.

Action

A new Financial Database management tool should be designed and implemented to replace the current Forecasting Model. This new Database should have the capability to incorporate seasonality into the forecasts.

Internal Controls

There ~~appears to be~~ are currently no restrictions within the Energy Markets Co-ordination Branch regarding access to the Non Domestic RHI Scheme Payment model. In addition, cells in the model are not password protected and therefore open to errors, inconsistencies and manipulation. Formulae and data can easily be overwritten leading to inaccurate reporting.

Action

Password protection and user restrictions should be built in to different functions within the Financial Database model. Access on Trim should be restricted to the relevant branch.

Lack of Relevant Data

Running hours are currently estimated as the average hours calculated by installation type and size. This is then multiplied by the particular bandwidth tariff for the relevant year to extrapolate the estimated payment claim yet to be submitted by each applicant. If more data was captured in the payment model eg; applicants industry, region etc this would give a more accurate basis for estimates used in the forecasting calculation (eg. Poultry industry running hours are typically 24/7 whereas other applicants in different industrial sectors using the same installation type and size may have much lower running hours.)

Action

More detailed data should be captured in the Financial Database to assist with the requirement for more functional and meaningful reporting.

Business Contingency Issues

The Energy Markets Co-ordination Branch is presently reliant on one member of staff to manage and co-ordinate the Non Domestic RHI Scheme Payment model. In their her absence, particularly with the complexity of the model and the manual level of input required, there is a risk that there will be delays in processing of information and that budget calculations will not be accurate nor and presented on a timely basis.

Lack of resources

As mentioned above, due to the manual level of input required to the current Non Domestic RHI Scheme Payment model and the lack of detailed knowledge/training within the Branch in respect of same, there have been delays in the updating of the information within the system eg; formulae still include prior year heat tariffs and applicants' status' have not been updated to 'Live' making it difficult to read and understand the data contained in the model.

This ~~has lead~~leads to a lack of ~~assurance on the accuracy and meaningfulness of reliance on~~ the outputs being reported to DfE Finance Division.

Action

Revised procedures should be documented and approved by management going forwards.
Relevant staff should be identified to manage the Financial Database system and they should receive training before the system is implemented.

Dormant Applications and Accounts~~Communication with Ofgem~~

Ofgem are responsible for receiving claims from applicants who have installed relevant equipment using approved installers. Ofgem review the applications, approve them and then manage payments to the applicants based on the amount of heat they have generated and recorded on meters attached to their equipment. Ofgem also carry out physical inspections of the equipment installed to ensure it meets the scheme requirements.

Delays and lack of communication of changes in Application Status from Ofgem have resulted in the reporting of inaccurate budget accruals. See Appendix 1 & 2.

However, given that the scheme is now closed to new applicants, Energy Division should be better able to follow up outstanding applicants' details and queries with Ofgem on a more timely basis.

Recommendations

The current Non Domestic RHI Scheme Payment model used by the Energy Markets Co-ordination Branch was designed when the scheme was first introduced in November 2012. In the early years of the scheme's existence the model was capable of processing applicants data and forecasting the current financial year's and future years' budgetary commitments which provided assurance for management and reporting purposes.

However, the increase in the number of applicants for the Non-Domestic RHI Scheme in October/November 2015 and the introduction of a new tiered/cap payment system from November 2015 has highlighted the requirement for a more sophisticated and robust Database driven Management Tool to:

1. Capture and process applicants' standing data from the spreadsheets provided by Ofgem to the Energy Markets Co-ordination Branch;
2. Capture and record applicants quarterly usage submissions and relating payments from the monthly spreadsheets provided by Ofgem to the Energy Markets Co-ordination Branch;
3. Calculate an accurate ~~budgeted~~ accrual ~~foref~~ payments due but not yet paid to applicants by Ofgem based on the applicants individual accreditation date, the type and size of installation, the best estimate of running hours available, the date of the latest quarterly payment made and the 'seasons' of the quarters ~~outstanding~~.
4. Produce timely and accurate meaningful reports to Energy Division Management and to the DfE Finance Department as required to provide assurance that long term budgetary commitments for the scheme are monitored and that formal budgetary cover for the life of the scheme is in place to make sure that all commitments can be met.

Comment [LC3]: Calculation based on the same period in the previous year plus the RPI factor

Appendix

1. As at 7 August 2016, there were 394 applications which had not been accredited. These can be analysed as follows:

Application Status	Accreditation Status	Number of Applicants
Approved	Excluded	4
Approved	Withdrawn	2
Cancelled	Pending	9
In Review	Pending	230
Rejected	Terminated	3
With Applicant	Pending	146
Total		394

Comment [LC4]: Why are these applications cancelled but still have an accreditation status of pending? To check if these are being accrued for!

All applicants claims are being accrued for based on the estimate calculated as above apart from those which have an Accreditation Status of Excluded, Withdrawn or Terminated. As at August 2016 there are 2112 Application payments being accrued for on the Monthly Incurred Spend tab of the Master Spreadsheet. This includes the 154 applicants which applied prior to 29 February 2016 but have not yet been assessed by Ofgem. They are included with an Accreditation Status of 'Pending' as shown in the table above.

2. A further analysis of the applicants with an Accreditation Status of Excluded, Withdrawn or Terminated at August 2016 is below:

Application Status - Approved	Accreditation Status - Excluded	Number of Applicants - 4
----------------------------------	------------------------------------	-----------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£698.27	£1389.84	Formula overridden with negative accruals and smaller accruals
Personal information redacted by the RHI Inquiry			£3199.14	£7208.36	Accruals only calculated until Oct 2013
Personal information redacted by the RHI Inquiry			£3931.73	£5425.34	Accruals only calculated until Jan 2014
Personal information redacted by the RHI Inquiry			£3698.96	£5389.32	Accruals only calculated until Jan 2014

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

Application Status - Approved	Accreditation Status - Withdrawn	Number of Applicants - 2
-------------------------------	----------------------------------	--------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£5344.67	£1389.84	Formula overwritten for Accrual figures
			£993.91	NIL	
			£5399.18	£3416.75	Accruals calculated until Feb 16, last payment Oct 15

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

It also shows that there was a lack of communication from Ofgem as to the dates that application status' were being updated.

Application Status - Rejected	Accreditation Status - Terminated	Number of Applicants - 3
-------------------------------	-----------------------------------	--------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£4139.10	NIL	Accrual figure based on applicants running time estimated x 2 months
Personal information redacted by the RHI Inquiry			£5399.18	£3416.75	Accruals calculated until Feb 16, last payment Oct 15. No date of Termination shown
Personal information redacted by the RHI Inquiry			£8966.02	NIL	No date of Termination Shown

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

It also indicates that there was a lack of communication from Ofgem as to the dates that application status' were being updated.

Timeline

Action	Owner	Target Date
Quarterly Spot Checks on Payment Data	Energy Division	Commencing October 2016
Non Domestic RHI Financial Database to be designed and implemented	Energy Division/IT	January 2017
Implementation and Design stage to include a seasonality table	Energy Division/IT	September – December 2016
Implementation of security functions	Energy Division/IT	September – December 2016
Design and review of Reporting function	Energy Division/IT	September – December 2016
Documentation and implementation of procedures	Energy Division	December 2016
Identification and training of relevant staff	Energy Division	December 2016
Testing Stage in parallel with current Financial Model	Energy Division/IT	January – March 2017
Go Live	Energy Division/IT	1 st April 2017

Comment [LC5]: Who?

Comment [LC6]: Who?

Comment [LC7]: Who?

Department for the Economy (DfE)

**Review of the Non Domestic Renewable Heating Initiative (RHI) Scheme
Financial Model**

September 2016

Background

Internal Audit Service (IAS) completed a review of the System of Control over the Non-Domestic Renewable Heat Incentive (RHI) scheme within the Department for the Environment (DfE), (formerly Department for Enterprise, Trade and Investment (DETI)), in accordance with the agreed terms of reference. The audit fieldwork was undertaken during the period December 2015 to April 2016 with the Final Report being issued on 4 August 2016.

The number of findings and recommendations (by risk priority) is summarised as follows:

Priority 1	Priority 2	Priority 3
7	1	-

Internal Audit considered that the system of risk management, control and governance established by management over the Non Domestic Renewable Heat Incentive Scheme was Unacceptable. In forming this opinion Internal Audit recognised that the Scheme has been successful to the extent that the Programme for Government target to achieve 4% of heat generated from renewable sources by 2015 had been met. However, the scheme lacked by design an effective response to the spike in applications in late 2015/2016. The scheme was formally closed to new applications from 29 February 2016, at which point a total of 2,128 applications had been received over the life of the scheme. All applications received before the scheme closed are required to be considered by the Office of Gas and Electricity Markets (Ofgem) and if valid, approved and funded. The potential annual liability for

2016/2017 if all applications are successful is estimated as £50m. The funding available from HM Treasury, based on 3% of DECCs projected budget (£640m) is estimated as £18.3m. The consequence of the shortfall between the Scheme's commitments and the available funding means there is a potential shortfall of £140m in the period 2016/2017- 2020/2021 and this could rise to approximately £400m- £450m over the life of the Scheme.

Purpose and Scope

Following on from the Internal Audit Services Report a Business Case was approved for a temporary DP Accountant to provide the Energy Renewable Division with financial expertise for business critical activities in 2016-17.

The scope of the work included:

1. To give assurance that an adequate and effective budgetary control system had been established to enable complete, accurate and reliable financial management information to be extracted for monitoring and reporting purposes;
2. To ensure that the long term budgetary commitments for the scheme are monitored and that formal budgetary cover for the life of the scheme is in place to make sure that all commitments can be met.

Specifically this involved:

1. Verification of the input data to the Non Domestic RHI Scheme payment model;
2. Reviewing the method of forecasting for the current financial year and future years commitments to provide assurance about robustness of forecast;
3. Giving assurance on the impact on the financial analysis on cost controls;
4. Reviewing the effectiveness of existing internal controls.

Findings

A detailed review of the current Non Domestic RHI Scheme Payment model was undertaken in September 2016.

The findings were as follows:

Data Verification

Management in Energy Division receive weekly information from Ofgem on awards made, pending or rejected and supporting information necessary for making monthly payments. Ofgem also provide a monthly payment summary and back up bank statements to confirm the payments made to each applicant in the period. This report also supports the payments which Energy Division make to Ofgem to reimburse them for the applicants payments and their administration fee.

Energy Division update the payment model manually with both the standing data and the payment data received from Ofgem. As part of this review a sample of the data received in the month of June 2016 was verified to the payment model and it was found that the data was being transferred accurately. However, applicants' status' had not always been updated to agree to the Ofgem report making it difficult to read and understand the data contained in the model. In addition, there was no evidence that Ofgem ever provided any paperwork to the Energy Division to support the accuracy of the standing data or of the calculation of the payments made to applicants. ~~However, given that Ofgem is a non departmental public body, reasonable assurances can be gained on the risk management, control and governance processes operated by them.~~

Action

Quarterly spot checks to be carried out by Energy Division on the supporting paperwork relating to Applicant claims paid by Ofgem in the previous period. This should include site visits to verify the EHO readings being submitted to Ofgem.

Comment [DC1]: Can this be checked? What data is missing exactly?

Comment [LC2]: Supporting paperwork to verify the EHO Readings given by the applicants. I evidenced occasions where two subsequent periods had the exact same EHO and others where the reading looked like estimates (rounded figures and very similar each qtr)

Forecasting Model

The current forecasting model was designed when the scheme was introduced in November 2012 when the uptake in demand was slow with only 9 applications registered at the end of 2012/13 and increasing to 127 registered in 2013/14. From the second half of 2014 the demand for the scheme started to increase and at the end of 2014/15 a total of 697 applications were either accredited or pending accreditation. A large spike in applications occurred during October and November 2015 and by ~~the end of 18th~~ November 2015 the total number of applications registered for the Non Domestic RHI scheme was approximately ~~1980~~ 1802. This was largely due to the introduction of a new tiered /capped payment system from November 2015. When the scheme closed at the end of February 2016 a total of 2,128 applications had been received over the life of the scheme. Due to this increase in applications a number of changes were required to be incorporated into the forecasting model to accommodate changes in tariffs, ~~the introduction of a new tiered/cap payment system from November 2015~~ and more accurate methods of calculating future payments based on either applicants payment history or on the average running hours by installation band. In addition the need for a seasonal adjustment in the forecasting calculation has ~~d~~ been identified.

However, on review the forecasting model was found to be accurate in respect of the methodology and formulae it contained and at present is providing reasonable assurance on the current financial year and future years' budget commitments to finance division.

Action

A new Financial Database management tool should be designed and implemented to replace the current Forecasting Model. This new Database should capture all of the data received from Ofgem electronically and should have the capacity to produce timely and detailed reports to assist in future decision making surrounding the scheme.

~~The following risks and weaknesses have been identified:~~

Seasonality

Presently there is no seasonality calculation included in the monthly budgeted accrual and profiling figure in respect of the Non Domestic RHI Scheme which is being onwardly reported to DfE Finance Division. Due to the design of the current suite of spreadsheets it is impossible to develop a formula to include seasonality in the forecasting as the historical payments to applicants have been input to the Payment Model in the month that Ofgem have reported payments being made but do not take into account the period to which the payments relate. Therefore whilst the accrual calculation takes into account the amount payable to each applicant to date (based on either the average of their payments to date or, where there have been no payments made, on the estimated monthly amount calculated based on average running hours by bandwidth and tariff), less what the actual payments to date have been, the specific 'periods' ie seasons/months remaining outstanding at any point in time have not been identified in the formulae and thus the appropriate seasonality increase/decrease not made.

An exercise to calculate an accrual for seasonality is currently undertaken by the Energy Markets Co-ordination Branch in March each year and manually added to the forecast at this point.

Action

A new Financial Database management tool should be designed and implemented to replace the current Forecasting Model. This new Database should have the capability to incorporate seasonality into the forecasts.

Internal Controls

There ~~appears to be~~ are currently no restrictions within the Energy Markets Co-ordination Branch regarding access to the Non Domestic RHI Scheme Payment model. In addition, cells in the model are not password protected and therefore open to errors, inconsistencies and manipulation. Formulae and data can easily be overwritten leading to inaccurate reporting.

Action

Password protection and user restrictions should be built in to different functions within the Financial Database model. Access on Trim should be restricted to the relevant branch.

Lack of Relevant Data

Running hours are currently estimated as the average hours calculated by installation type and size. This is then multiplied by the particular bandwidth tariff for the relevant year to extrapolate the estimated payment claim yet to be submitted by each applicant. If more data was captured in the payment model eg; applicants industry, region etc this would give a more accurate basis for estimates used in the forecasting calculation (eg. Poultry industry running hours are typically 24/7 whereas other applicants in different industrial sectors using the same installation type and size may have much lower running hours.)

Action

More detailed data should be captured in the Financial Database to assist with the requirement for more functional and meaningful reporting.

Business Contingency Issues

The Energy Markets Co-ordination Branch is presently reliant on one member of staff to manage and co-ordinate the Non Domestic RHI Scheme Payment model. In their ~~her~~ absence, particularly with the complexity of the model and the manual level of input required, there is a risk that there will be delays in processing of information and that budget calculations will not be accurate ~~nor~~ presented on a timely basis.

Lack of resources

As mentioned above, due to the manual level of input required to the current Non Domestic RHI Scheme Payment model and the lack of detailed knowledge/~~training~~ within the Branch in respect of same, there have been delays in the updating of the information within the system eg; formulae still include prior year heat tariffs and applicants' status' have not been updated to 'Live' making it difficult to read and understand the data contained in the model.

This ~~has lead~~leads to a lack of ~~assurance on the accuracy and meaningfulness of reliance on~~ the outputs being reported to DfE Finance Division.

Action

Revised procedures should be documented and approved by management going forwards.
Relevant staff should be identified to manage the Financial Database system and they should receive training before the system is implemented.

Dormant Applications and Accounts~~Communication with Ofgem~~

Ofgem are responsible for receiving claims from applicants who have installed relevant equipment using approved installers. Ofgem review the applications, approve them and then manage payments to the applicants based on the amount of heat they have generated and recorded on meters attached to their equipment. Ofgem also carry out physical inspections of the equipment installed to ensure it meets the scheme requirements.

Delays and lack of communication of changes in Application Status from Ofgem have resulted in the reporting of inaccurate budget accruals. See Appendix 1 & 2.

However, given that the scheme is now closed to new applicants, Energy Division should be better able to follow up outstanding applicants' details and queries with Ofgem on a more timely basis.

Recommendations

The current Non Domestic RHI Scheme Payment model used by the Energy Markets Co-ordination Branch was designed when the scheme was first introduced in November 2012. In the early years of the scheme's existence the model was capable of processing applicants data and forecasting the current financial year's and future years' budgetary commitments which provided assurance for management and reporting purposes.

However, the increase in the number of applicants for the Non-Domestic RHI Scheme in October/November 2015 and the introduction of a new tiered/cap payment system from November 2015 has highlighted the requirement for a more sophisticated and robust Database driven Management Tool to:

1. Capture and process applicants' standing data from the spreadsheets provided by Ofgem to the Energy Markets Co-ordination Branch;
2. Capture and record applicants quarterly usage submissions and relating payments from the monthly spreadsheets provided by Ofgem to the Energy Markets Co-ordination Branch;
3. Calculate an accurate ~~budgeted~~ accrual ~~foref~~ payments due but not yet paid to applicants by Ofgem based on the applicants individual accreditation date, the type and size of installation, the best estimate of running hours available, the date of the latest quarterly payment made and the 'seasons' of the quarters ~~outstanding~~.
4. Produce timely and accurate meaningful reports to Energy Division Management and to the DfE Finance Department as required to provide assurance that long term budgetary commitments for the scheme are monitored and that formal budgetary cover for the life of the scheme is in place to make sure that all commitments can be met.

Comment [LC3]: Calculation based on the same period in the previous year plus the RPI factor

Appendix

1. As at 7 August 2016, there were 394 applications which had not been accredited. These can be analysed as follows:

Application Status	Accreditation Status	Number of Applicants
Approved	Excluded	4
Approved	Withdrawn	2
Cancelled	Pending	9
In Review	Pending	230
Rejected	Terminated	3
With Applicant	Pending	146
Total		394

Comment [LC4]: Why are these applications cancelled but still have an accreditation status of pending? To check if these are being accrued for!

All applicants claims are being accrued for based on the estimate calculated as above apart from those which have an Accreditation Status of Excluded, Withdrawn or Terminated. As at August 2016 there are 2112 Application payments being accrued for on the Monthly Incurred Spend tab of the Master Spreadsheet. This includes the 154 applicants which applied prior to 29 February 2016 but have not yet been assessed by Ofgem. They are included with an Accreditation Status of 'Pending' as shown in the table above.

2. A further analysis of the applicants with an Accreditation Status of Excluded, Withdrawn or Terminated at August 2016 is below:

Application Status - Approved	Accreditation Status - Excluded	Number of Applicants - 4
----------------------------------	------------------------------------	-----------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£698.27	£1389.84	Formula overridden with negative accruals and smaller accruals
Personal information redacted by the RHI Inquiry			£3199.14	£7208.36	Accruals only calculated until Oct 2013
Personal information redacted by the RHI Inquiry			£3931.73	£5425.34	Accruals only calculated until Jan 2014
Personal information redacted by the RHI Inquiry			£3698.96	£5389.32	Accruals only calculated until Jan 2014

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

Application Status - Approved	Accreditation Status - Withdrawn	Number of Applicants - 2
-------------------------------	----------------------------------	--------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£5344.67	£1389.84	Formula overwritten for Accrual figures
			£993.91	NIL	
			£5399.18	£3416.75	Accruals calculated until Feb 16, last payment Oct 15

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

It also shows that there was a lack of communication from Ofgem as to the dates that application status' were being updated.

Application Status - Rejected	Accreditation Status - Terminated	Number of Applicants - 3
-------------------------------	-----------------------------------	--------------------------

Application Reference	Date of Accreditation to Date of Exclusion	Dates Accrued	Total Accrued	Total Claimed/Paid	Issues
Personal information redacted by the RHI Inquiry			£4139.10	NIL	Accrual figure based on applicants running time estimated x 2 months
Personal information redacted by the RHI Inquiry			£5399.18	£3416.75	Accruals calculated until Feb 16, last payment Oct 15. No date of Termination shown
Personal information redacted by the RHI Inquiry			£8966.02	NIL	No date of Termination Shown

The above table shows that there were inconsistencies in the calculation of accrued payments and that the applicants' estimates of running times for the installations were not accurate.

It also indicates that there was a lack of communication from Ofgem as to the dates that application status' were being updated.

Timeline

Action	Owner	Target Date
Quarterly Spot Checks on Payment Data	Energy Division	Commencing October 2016
Non Domestic RHI Financial Database to be designed and implemented	Energy Division/IT	January 2017
Implementation and Design stage to include a seasonality table	Energy Division/IT	September – December 2016
Implementation of security functions	Energy Division/IT	September – December 2016
Design and review of Reporting function	Energy Division/IT	September – December 2016
Documentation and implementation of procedures	Energy Division	December 2016
Identification and training of relevant staff	Energy Division	December 2016
Testing Stage in parallel with current Financial Model	Energy Division/IT	January – March 2017
Go Live	Energy Division/IT	1 st April 2017

Comment [LC5]: Who?

Comment [LC6]: Who?

Comment [LC7]: Who?