

Young, Philip

From: DoF AFMD Returns
Sent: 10 October 2016 10:17
To: Caldwell, Alison; Armstrong, Anne; Brimstone, Stephen; McNabb, Chris; O'Hagan, Dara; Sterling, David; Weir, Philip, TEO SpAd; Morelli, Emer; Craig, Erin; Elliott, Fiona; Braniff, Joan; Sewell, Julie; Kerr, Sean; Loughran, John; DoF Private Office; Mullan, Mark; Brennan, Mike; Jackson, Neill (TEO); Bannon, Pamela; Pauley, Christine; TEO PS Ministers; Bullick, Richard; McKibbin, Malcolm; Hill, Stephen (TEO); Johnston, Timothy; McCormick, Andrew (DFE); Muldoon, Claire; DfE Private Office; DfE SpAd; Gaughran, Aine; McEvoy, Colette; McMurray, Stephen; Coyne, Terence; McFarlane, Iain; Cousins, Heather; Stewart, Chris (DFE)
Subject: PAAB: Alert Notice for 2nd PAC Hearing - Non-Domestic Renewable Heat Incentive Scheme (DfE)
Attachments: PAAB Alert Notice for 2nd PAC Hearing - Non-Domestic Renewable Heat Incentive Scheme (DfE).tr5; NIAO Media Release - RHI.PDF; PAAB Alert Notice for 2nd PAC Hearing - Non-Domestic Renewable Heat In....docx

Please see attached Alert Notice for 2nd PAC Hearing on "Non-Domestic Renewable Heat Incentive Scheme (DfE) from Julie Sewell.

Any queries should be addressed to Julie.Sewell@finance-ni.gov.uk (Tele: 028 91858276 (x68276)) or Fiona.Elliott@finance-ni.gov.uk (Tele: 028 91858209 (x68209))

Many thanks

Accountability and Financial Management Division (AFMD) Returns

Room S21

Department of Finance

Rathgael House

Balloo Road

BANGOR

BT19 7NA

**Accountability and Financial Management
Division
Julie Sewell**



Department of
Finance
An Roinn
Airgeadais
www.finance-ni.gov.uk

Public Spending Directorate
Rathgael House
Balloo Road
BANGOR BT19 7NA
Tel No: 028 91858276 (X68276)
email: julie.sewell@finance-ni.gov.uk

FROM: JULIE SEWELL

DATE: 10 OCTOBER 2016

**TO: CHRIS MCNABB
ANNE ARMSTRONG
AINE GAUGHRAN**

Copy distribution below:

ALERT NOTICE: SECOND PUBLIC ACCOUNTS COMMITTEE HEARING “NON-DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME”

Issue: Second Public Accounts Committee (PAC) hearing to consider the C&AG’s Report on “Non-Domestic Renewable Heat Incentive Scheme” within DETI’s Resource Accounts for 2015-16.

Timing: 2pm, Wednesday, 12 October 2016.

Venue: Senate Chamber, Parliament Buildings.

Subject Department: Department for the Economy (DfE).

FOI Implications: This minute can be disclosed.

Media Handling: DfE Press Office to lead on this.

Presentational Issues: There is a very strong possibility of media interest.

Recommendation: A general line to take on the public audit process is provided at Annex A. The

DfE Minister should be provided with briefing on issues affecting his area of responsibility as appropriate.

Background

1. The Public Audit Business process relating to this issue is set out below:
 - (i) The C&AG's Report on "Non-Domestic Renewable Heat Incentive Scheme" within DETI's Annual Report and Accounts for 2015-16 published on 5 July 2016.
 - (ii) First PAC hearing held on 28 September 2016.
 - (iii) Second PAC hearing to be held on 12 October 2016.**
 - (iv) Publication of a PAC report.
 - (v) Publication of a Department of Finance (DoF) Memorandum of Reply to the PAC report.

Publicity

2. Whilst a PAC hearing does not normally generate as much publicity as the publication of a report, it is possible that in addition to the press, local TV correspondents may take an interest in this hearing.
3. A general line to take on the public audit process is provided at Annex A. A copy of the NIAO Media Release is also attached as a separate document.

Relevant Information

4. At the hearing, the witnesses for the Department for the Economy are:
 - Dr Andrew McCormick, Accounting Officer, DfE
 - Heather Cousins, Deputy Secretary, Higher Education and Investment, DfE
 - Chris Stewart, Deputy Secretary, Head of Policy Group, DfE

5. PAC will publish a report on this hearing in due course. It is the convention that PAC reports are considered by the relevant department and a DoF Memorandum of Reply will be laid before the Assembly, normally within two months following publication of the PAC report.

Enquiries

6. Any queries on the public audit process should be addressed to me on ext 68276. Any queries on the detail of the issues covered by the NIAO report should be addressed to Terry Coyne ext 29406 or Iain McFarlane ext 29227 in DfE.

Julie Sewell

JULIE SEWELL

Copy distribution list

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F11/16/451714

SECOND PAC HEARING “NON-DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME”**Public Audit Business – General Lines to Take**

- All NIAO reports are laid before the Assembly and may be subject to review by the Public Accounts Committee (PAC).
- If a NIAO report is considered at a PAC hearing, a PAC report is published which is then considered fully by the subject department and DoF.
- It is the duty of departments to consider the PAC reports which relate to them and to provide answers to any issues raised. This is done in the form of a DoF Memorandum of Reply, which is laid by the Minister of Finance before the Northern Ireland Assembly, normally within two months of the issue of the PAC report. Officials ensure that all issues raised in the Committee’s reports are addressed by the relevant department(s) in the Memorandum.
- DoF is determined to see proper procedures applied to the management of public expenditure and it will be working closely with the relevant departments to ensure any issues raised by the report are addressed appropriately.

PAC Hearing – Lines to Take

- We welcome this NIAO report and the opportunity to discuss it with the Public Accounts Committee.
- We look forward to seeing the Committee’s views when they publish their report in due course.
- The general guiding principle is that it is inappropriate to comment in detail in advance of the DoF Minister’s response.
- However, in certain circumstances Ministers may wish to comment publicly. Any comments made should be in line with the protocols set out in DAO (DFP) 10/15.



Northern Ireland Audit Office

MEDIA RELEASE

Mr Kieran Donnelly, Comptroller and Auditor General (C&AG), today issued a report on the results of his audit of the 2015-16 accounts of the Department of Enterprise, Trade and Investment (the Department).

Background

The Department introduced the non-domestic Renewable Heat Incentive scheme (the scheme) in late 2012 following the introduction of a parallel scheme in Great Britain. The scheme was designed to increase the uptake of renewable heat technologies in pursuit of the Executive's target of increasing heat consumption from renewable sources. During 2015-16 the Department incurred expenditure of £30.5 million in relation to the scheme.

The C&AG qualified his audit opinion on the 2015-16 financial accounts in respect of the scheme because a substantial part of this expenditure (£11.9 million) was not approved by the Department of Finance and Personnel and because he was not satisfied that the systems operated by the Department were adequate to prevent or detect abuse of the scheme were adequate.

Key issues

Key issues in the C&AG's report include:

- Commitments under the scheme have exceeded the maximum amount that HM Treasury were prepared to fund. The excess funding will now have to be met from the Northern Ireland block grant. Over the next five years, this additional cost to the NI block is estimated to be £140 million and significant costs will continue to be incurred until 2036.
- The Department failed to obtain required approvals from the Department of Finance and Personnel for £11.9 million of expenditure during a seven month period during 2015-16.
- The design of the scheme crucially did not introduce 'tiering' of payments as operated in Great Britain where a reduced rate was applied after the equipment had been operated for 15 per cent of hours in a year. This tiering would have helped prevent potential abuse of the scheme by operating the equipment simply to increase the grant received.
- The scheme in Great Britain also used 'degression' which allowed the amount of subsidy paid to change quarterly in response to changes in demand. From 2012 to 2016 the rates paid in Great Britain fell by 50% while the rates in Northern Ireland increased.
- Returns available to claimants under the scheme in Northern Ireland appear to be excessive and are committed to for the next twenty years.

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. This report will be available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 on Tuesday 5th July.
3. Background briefing can be obtained from the Audit Office by contacting Tomas Wilkinson (028 9025 1073) or Brian O'Neill (028 9025 4323).