



Policy/Guidance

NDRHI Fraud Prevention Strategy

This document outlines the measures in place to prevent fraud and manage suspected fraud on the GB and NI Non-Domestic Renewable Heat Incentive Scheme

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1. Version History

Ver	Date	Author	Comment
0.1	February 2011	Ade Obaye	First Draft
0.2	March 2011	Ade Obaye	Presented to RHI Implementation Board
0.3	31 October '11	Ade Obaye	Final update before scheme launch
0.4	20 August '12	Paul Heigl	Updated to include Northern Ireland RHI
0.5	4 December '13	Ade Obaye	Reviewed and updated to add further detail
0.6	21 January '15	Russell Ogilvie	Amended to reflect the 5 principles of tackling fraud approach
0.7	22 June 2015	Russell Ogilvie	Refreshed to reflect new activities and lessons learned from recent fraud cases

2. Introduction

- 2.1. The Non-Domestic Renewable Heat Incentive (NDRHI) is a scheme introduced by the Government which is designed to promote uptake of renewable heat generation technologies within the non-domestic sector. It was the first scheme of its kind worldwide, intended to encourage a radical change in the way we generate heat by bridging the gap between the cost of conventional and renewable heat systems. The scheme has a Great Britain (GB) arm and a Northern Ireland (NI) arm, both of which are considered in this strategy.
- 2.2. The NDRHI is administered by Ofgem E-Serve on behalf of the Gas and Electricity Markets Authority (GEMA). Our role as administrator of the scheme includes responsibility for:
 - Accrediting installations to the scheme which meet the eligibility criteria. This includes identity, bank and installation ownership verification;
 - Publishing guidance for scheme applicants and participants to understand how to apply and how to comply with on-going scheme obligations;
 - Making payments to participants for eligible heat produced;
 - Monitoring and enforcing compliance with both the eligibility and the on-going requirements of the scheme;
 - Undertaking inspections to ensure participants are compliant with on-going obligations.
- 2.3. A key aspect of the administration of NDRHI is a robust, effective and proportionate fraud prevention strategy. This document describes the key elements of the NDRHI fraud prevention strategy.

3. Scope and limitations of the NDRHI Fraud Prevention Strategy

- 3.1. This strategy is based on information which we are aware of at the time of drafting. It is an evolving document which will be refreshed periodically as the scheme develops, as the wider E-Serve fraud prevention strategy is aligned and as new risks emerge.
- 3.2. It is important that the risk management processes in place in Ofgem E-Serve capture fraud risks and allow us to monitor and mitigate them effectively.
- 3.3. We are aware that, as with many schemes, the design may allow opportunity for 'gaming' opportunities. It is important to note that such occurrences are not fraud as they are not in breach of the Regulations, however if we become aware of gaming activity we will report it to the NDRHI Development team so they can make DECC aware of areas where a legislation amendment might be considered.
- 3.4. Ofgem has no statutory power to investigate fraud. This means that our role is limited to fact finding and the gathering of information in relation to circumstances where fraud may be suspected. If evidence is found to substantiate a suspicion of fraud, the matter will be referred to the relevant authority, e.g. Action Fraud.

4. Definition of Fraud

4.1. For the purpose of this document, fraud is as defined in the Ofgem [Fraud Policy \(FRM04/2012\)](#)

"...activity aimed at securing a gain, causing a loss, or exposing somebody to the risk of loss, through false representation, failing to disclose information, or through abuse of position..."

- 4.2. Therefore, for a fraud to occur the person must have acted dishonestly **and** acted with the intent of making a gain for themselves or someone else, or inflicting a loss (or risk of loss) on another.
- 4.3. In the context of NDRHI, fraudulent activity is regarded as covering any dishonesty in relation to the NDRHI Regulations and/or Guidance that would have the effect of causing a loss (or risk of loss), or securing a gain for someone. It does not necessarily have to be a financial loss for Ofgem.

5. Fraud Threats

5.1. Below are the main sources of fraud threats, both internal and external, to the NDRHI scheme:

Internal Fraud Threats

5.2. Staff within Ofgem (including temporary and permanent staff, current and previous) could commit internal fraud by:

- Stealing, or using inappropriately, personal data held on scheme computer systems or held in hard copy form;
- Colluding with a scheme applicant to bypass controls or to manipulate data submissions;
- Abusing their knowledge and system access to set up fraudulent accounts to receive payments which they are not entitled to;
- Fraudulently changing participant details to increase payments or to divert payments to alternative bank accounts.

External Fraud Threats

- Organised criminals could target the scheme by applying for accreditation of non-existent installations, resulting in NDRHI payments being made to those who are not entitled to them. This may include the use of fraudulent documentation or fraudulently obtained genuine documentation and could be for the purpose of money laundering;
- Participants provide false meter readings or periodic data in order to increase the level of NDRHI support payments they receive;
- Applicants could provide false information and/or supporting documentation in order to gain payments for an ineligible or non-existent installation.

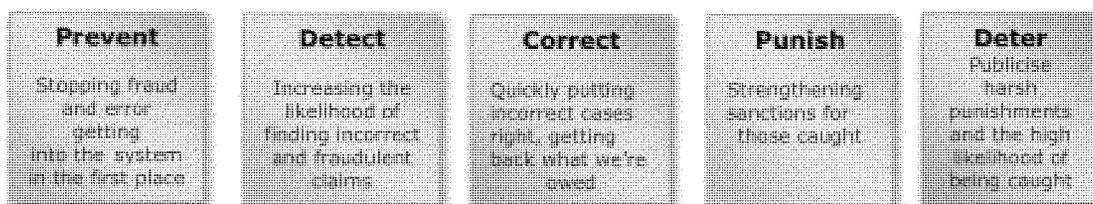
5.3. To effectively mitigate against these risks, the Counter Fraud team reviews the scheme fraud risks on a monthly cycle. The purpose of these reviews is to:

- Identify new and emerging fraud risks and add these to the NDRHI risk register with an appropriate risk owner;
- Ensure that all fraud risks have been assessed appropriately in relation to their anticipated likelihood and impact or, if the circumstances have changed since the risk was added/updated, amended as necessary;
- Capture all possible mitigating controls and actions and determine if these are proportionate to the risk;
- Ensure that all actions are being progressed by the appropriate action owner;
- Review the effectiveness of mitigating controls already in place;
- Identify any risks which have expired and should be closed off.

6. NDRHI Strategic Approach to Fraud Risk

6.1. The Fraud, Error and Debt team within the Cabinet Office promotes **5 principles** to tackling welfare fraud and error (illustrated below). We have adapted and aligned our strategy to these principles and set out below how we will practically attain each of these in the context of NDRHI.

5 Principles to tackling Fraud and Error



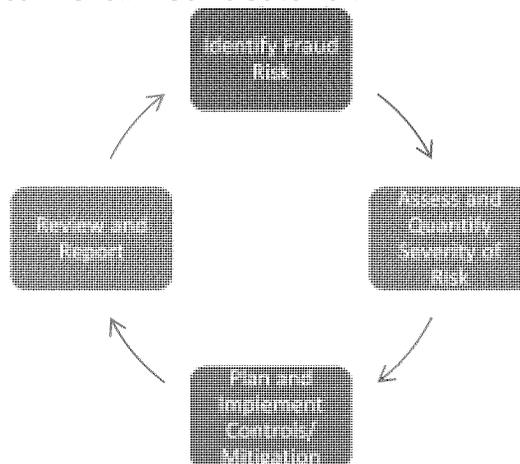
NDRHI Fraud Prevention Strategy

<p>Maintain a strong control environment through operational risk management practices.</p> <p>Regular review and refresh of key fraud risks.</p> <p>Staff training on fraud awareness and key fraud controls.</p> <p>Implementation of Ofgem's Fraud Policy.</p> <p>Intelligence sharing with DECC on cases of suspected fraud.</p> <p>Implementing lessons learned from suspect case investigation.</p> <p>Staff currently undergo checks through Disclosure Scotland and from April 2015 CIFAS checks have been introduced on both existing and new staff members.</p> <p>Sanction measures published in guidance documentation.</p> <p>Robust application review process.</p>	<p>Programme of site audits both pre and post accreditation, as set out in the revised NDRHI Audit Strategy, to ensure eligibility requirements and ongoing obligations are met.</p> <p>Robust IT monitoring systems are in place (e.g. to flag duplicate boilers, meters etc.)</p> <p>Rigorous application review process.</p> <p>Quality assurance checks of staff recommendations for accreditation.</p> <p>Implementation of Ofgem's internal/ external Whistleblowing Policies.</p> <p>Counter Fraud hotline launched May 2015 for members of the public to report suspected fraud matters directly to us.</p> <p>Launch of Counter Fraud Qlikview routines allowing NDRHI data set to be interrogated more effectively.</p>	<p>Clear ownership of suspected fraud investigations process.</p> <p>Process for referring cases to Compliance and Audit teams if suspected fraud not established but potential non-compliance is identified</p> <p>Clear reporting process for suspected fraud.</p> <p>Feedback mechanisms to rectify issues identified, particularly where they are systemic (e.g. feedback to DECC through Development Team).</p>	<p>Referral to law enforcement agencies (Action Fraud)</p> <p>In the case of suspected non-compliance, sanctions are available as outlined in the NDRHI legislation, for example:</p> <ul style="list-style-type: none"> -Suspend periodic support payments either temporarily or permanently; -Revoke accreditation or registration; -Recoup overpaid periodic support payments. 	<p>The NDRHI Guidance sets out a zero tolerance approach to fraud. It's also made clear that sanctions can be imposed.</p> <p>Publication on Ofgem website of anonymised cases which have resulted in sanctions being imposed.</p> <p>The threat of payments being suspended whilst an investigation is undertaken.</p> <p>Ofgem working group set up April 2015 to review RHI legislation to strengthen deterrents and make recommendations to DECC (July 15).</p> <p>New Counter Fraud webpage launched May 2015 which sets out our zero tolerance policy to fraud.</p>
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7. Prevention

Robust Risk Management Framework

- 7.1. The NDRHI scheme will seek to gain assurance on fraud risks through the application of a range of tools to monitor the risk and controls environment. This is achieved through implementation of robust risk management process as part of the day-to-day operation of the NDRHI scheme. The diagram below sets out the basic risk management process for all E-Serve Schemes.



It is the responsibility of the NDRHI managers to ensure risk management procedures are embedded across the scheme. Counter Fraud staff are actively engaged in this process and recommend the inclusion of emerging fraud risks and/or changes to identified fraud risks within the scheme risk register.

Internal Controls

- 7.2. Ofgem has a zero tolerance approach to internal fraud. Protections against internal fraud include an organisation-wide fraud policy, internal and external whistleblowing policies and an employee Code of Conduct. Disclosure Scotland and CIFAS checks are also carried out on all staff when they are appointed.
- 7.3. All operational members of the NDRHI team complete mandatory e-learning training on fraud prevention and whistleblowing. This increases staff awareness and knowledge of fraud prevention and detection and encourages staff to pro-actively identify fraud risks.

Sharing Best Practice

- 7.4. Counter Fraud staff with responsibility for NDRHI work with Counter Fraud colleagues on other schemes to share best practice, utilising the knowledge and expertise of other teams to identify potential fraud controls, mitigation and process improvements.

Robust Application Review Process

7.5. All applications to the NDRHI are thoroughly reviewed to ensure installations meet the eligibility requirements for the scheme. If a reviewer notices something in the application which they suspect may be fraudulent, the matter is referred to the Counter Fraud team for investigation. The Counter Fraud team explores each concern and engages the NDRHI Operational team where necessary. The aim of this step is to stop potentially fraudulent applications being accredited to the scheme.

8. Detection

- Despite the mitigating actions put in place, there may be instances when fraud occurs on the NDRHI scheme and as such, we have a number of mechanisms in place to identify and act against fraud including a programme of on-site audits of accredited and pre-accredited installations. Site audits take place on a rolling basis throughout the year and consist of a mix of targeted and randomly selected installations. Suggestions for site audits can be made by the Counter Fraud team.
- Robust IT monitoring systems are in place as part of the NDRHI IT systems, such as:
 - Tolerance level checks (to help identify cases where there may be anomalies in data submitted), for example to ensure that reported heat generation is feasible in relation to system capacity;
 - Suspicious item matching (e.g. matching postcodes, serial numbers etc);
 - Functionality to identify cases for targeted audits (e.g. where declared heat output is just within tariff thresholds, multiple installations on one site etc).
- Ofgem whistleblowing processes for staff/public to report concerns to us;
- Ofgem fraud policy that sets out staff responsibilities with regard to fraud prevention and includes the procedure for staff to report any fraud or suspicions of fraud;
- Sharing and exchanging information with DECC in accordance with the agreed information sharing process. This is subject to any legal requirements and Ofgem's own policies/procedures regarding the exchange of information. Ofgem will only exchange personal data in accordance with the requirements of the Data Protection Act 1988¹.
- Members of staff are able to report suspected fraud either by emailing the Counter Fraud inbox (counterfraud@ofgem.gov.uk) or by speaking to a member of the Counter Fraud team directly, either face to face or by telephone. Information is set out in the Counter Fraud Referral Guidance².
- A Counter Fraud telephone hotline is available for members of the public to report suspected fraud matters directly to us.
- Counter Fraud Qlikview routines allow NDRHI data to be interrogated more effectively.

¹ www.legislation.gov.uk/ukpga/1998/29/contents

² http://sharepoint2010/es/cft/Counter_Fraud_Team_Lib/01_Restructure/Case%20Referral%20Quick%20Guide%20FINAL.pdf

9. Correct

- 9.1. Any suspected fraudulent activity in relation to the scheme should be reported to the Counter Fraud team.
- 9.2. The nominated Counter Fraud Manager or Assistant Manager will objectively assess the information received to determine whether the issue is a matter of suspected fraud. This will be based on experience and knowledge of the scheme.
- 9.3. At times, we may require further information in order to make our assessment. In these instances we may request information from the original referral source, scheme applicant/participant or via site audit, where appropriate. Guidance may also be sought from the Head of Counter Fraud, Associate Director for Non-Domestic RHI and/or Ofgem Legal staff in reaching this decision. Further information may also be sought from the NDRHI Operational or Technical teams.
- 9.4. Where instances of suspected fraud are identified, these will be registered by the Counter Fraud team and recorded in the suspected fraud database. A report detailing all new cases of suspected fraud on the scheme is prepared periodically and shared with key internal stakeholders (including scheme Associate Director and scheme Heads) as well as key DECC colleagues. This process is in line with the Standard Operating Procedure SOP for the Notification and Reporting of Suspected Fraud Cases.
- 9.5. Notification of suspected fraudulent activity may come from many different sources both internal and external. This may include whistleblowers who contact Ofgem directly with concerns about elements of the NDRHI scheme.
- 9.6. Ofgem's Fraud Policy should be followed when securing evidence in an investigation.

Fraud Risk Reporting

- 9.7. Fraud risks are identified and captured within the scheme level risk register and categorised as fraud risks. As and when appropriate, high risks are escalated to E-Serve's Top Risks register and scheme level fraud risks are shared with DECC.

10. Punish

- 10.1. Ofgem has a range of sanctions available that can be enforced, including temporary suspension of payments under the scheme, reducing or withholding payments and exclusion from the scheme. Any sanction applied will be in accordance with the NDRHI Regulations.
- 10.2. Following investigation, if we determine that there is enough evidence to substantiate our suspicions of fraud we will refer the matter to Action Fraud, owing to the fact that Ofgem is a non-prosecutory authority. We will seek feedback from Action Fraud on whether the matter has been taken up by an authority such as the police and will cooperate in any investigations.

11. Deter

- 11.1. One of the main deterrents against external fraud threats involves highlighting the consequences of fraud within key information and guidance available to applicants and scheme participants.
- 11.2. We have implemented more prominent communication on the application pages of our website with regard to the thorough checking of applications which are submitted at peak periods (e.g. near to a degression deadline).
- 11.3. Anonymised details of circumstances in which participants are sanctioned following fraudulent activities may be publicised.
- 11.4. We have launched an external Counter Fraud webpage which makes clear that Ofgem operates a zero tolerance approach to fraud and that we will take action against it where necessary. The webpage sets out at a high level what we do to prevent fraud and how instances of suspected fraud can be reported to us.

12. Stakeholders/ agencies

The main stakeholders/agencies currently associated with NDRHI fraud prevention are:

- **NDRHI Team**
Has responsibility for the day-to-day running of the scheme and acts as the first line of defence.
- **NDRHI Scheme Board**
Receives monthly updates on scheme activity, including high level summary of suspected fraud cases, sums at risk, protected sums and trends.
- **E-Serve Risk and Fraud Management Group (RFMG)**
Has the authority to scrutinise and challenge the activities undertaken by E-Serve to minimise the risk of fraud in connection with E-Serve schemes. RFMG also has oversight of risk management activities in E-Serve.
- **E-Serve Counter Fraud Team**
Shares best practice for the prevention, identification and escalation of fraud within Ofgem E-Serve schemes. The team also carries out peer review and challenge of scheme fraud risk registers and fraud prevention strategies and investigates allegations of suspected fraud.
- **Department of Energy and Climate Change (DECC):**
Sets Ofgem legislative powers for investigation and imposition of sanctions; DECC/Ofgem intelligence sharing process has been set up to enable the effective exchange of information on suspected fraud on the NDRHI scheme.
- **Action Fraud and Police Scotland**
Provide a function for Ofgem to report suspected fraud.

13. Conclusion

- 13.1. Ofgem remains committed to addressing the fraud risks within the NDRHI scheme. The processes identified above are regularly reviewed to ensure the fraud prevention strategy remains fit for purpose and effective in achieving its aims.

14. References/ Additional Information

- 14.1. Ofgem [Fraud Policy \(FRM04/2012\)](#)
- 14.2. Ofgem [Whistleblowing microsite](#)
- 14.3. Ofgem [website](#) for most up to date guidance and Regulation documents
- 14.4. [NDRHI Risk Register](#)