

**To:** Mary Smith[Mary.Smith@ofgem.gov.uk]  
**From:** Keith Avis  
**Sent:** 2012-11-30T13:42:24Z  
**Importance:** Normal  
**Subject:** RE: RHI - Vouching of Development Costs  
**Received:** 2012-11-30T13:42:25Z

Apologies. The wording is as follows:

1.1. The IT costs remain unchanged. There is a risk that the GB RHI release will not take place in January. If this were the case, it will be necessary to deliver the most cost effective solution for the ongoing administration of the scheme. Putting in place a standalone NIRHI IT solution will require your approval to use the additional 33% (£47,000) IT contingency. There is the option to extend the manual solution and add further manual processes to cover payments and the collection of periodic data. But we need an urgent decision on the most cost effective and appropriate way forward so that we have sufficient time to deliver the appropriate solution.

Keith

---

**From:** Mary Smith  
**Sent:** 30 November 2012 13:40  
**To:** Keith Avis  
**Subject:** RE: RHI - Vouching of Development Costs

Hi Keith – do you also have the revised wording for the baseline scope to hand?

Thanks

Mary

---

**From:** Keith Avis  
**Sent:** 30 November 2012 13:23  
**To:** Mary Smith  
**Subject:** FW: RHI - Vouching of Development Costs

Mary

OK we seem to have a way forward with legal. I have updated the AA to reflect their suggested change to para 6.4. They are happy with para 8.3. ON the Baseline scope I have reworked the relevant IT standalone para to read:

On termination of these arrangements, the Parties intend that (subject to applicable legal constraints, including any requirements to respect personal or commercial confidentiality) provide DETI with all information reasonably requested by DETI and held by GEMA on DETI's behalf at GEMA's premises in connection with the carrying out of the Conferred Functions and the Ancillary Activities, on condition that at least one week's notice is provided in advance to GEMA by DETI. The parties envisage that this would include all data that the applicant/participant had provided, such as application forms, meter readings and original drawings.

Once you are happy with this, these are ready to be sent over to DETI. I will keep the track changes in as they will want to see updates from the last versions that they had.

Rgds

Keith

---

**From:** Keith Avis  
**Sent:** 29 November 2012 13:47  
**To:** Matthew Harnack; Robert Hull; Mary Smith  
**Cc:** Peter Rice  
**Subject:** FW: RHI - Vouching of Development Costs

Matthew, Bob, Mary cc: Peter

By way of an update, prior to the meeting at 2:30 today, I talked through our views with Joanne McCutcheon at DETI this morning, reflecting the points made by Matthew (below). Joanne took these points to their Audit Committee meeting at lunchtime today. I get the feeling that both she and Fiona are sympathetic to our view and didn't necessarily feel that we were being unreasonable. However, Joanne said that they are duty bound to consider the direction given by their Audit Committee. Having just spoken to Joanne again, following the Audit Committee meeting, they apparently took on board our points and are going to seek advice from the Head of Audit (I did wonder why he wasn't at the meeting). It is clear that they are still hung up on the Ofgem/DETI relationship point. As such the Audit Committee consider us as being an "external delivery organisation", therefore justifying, in their eyes, the need for detailed auditing measures.

By way of background, if they are needed for the meeting, the latest versions of the administrative arrangements and supporting documentation can be accessed below:

**Admin Arrangements**

[http://sharepoint/Ops/Environ/New\\_Scheme\\_Development\\_Lib/New%20Projects/NIRHI/Development%20phase/NIRHI%20admin%20arrangements%2020Nov2012.docx](http://sharepoint/Ops/Environ/New_Scheme_Development_Lib/New%20Projects/NIRHI/Development%20phase/NIRHI%20admin%20arrangements%2020Nov2012.docx)

**Baseline Scope**

[http://sharepoint/Ops/Environ/New\\_Scheme\\_Development\\_Lib/New%20Projects/NIRHI/Development%20phase/NIRHI%20Baseline%20Scope%2020%20Nov.docx](http://sharepoint/Ops/Environ/New_Scheme_Development_Lib/New%20Projects/NIRHI/Development%20phase/NIRHI%20Baseline%20Scope%2020%20Nov.docx)

**Covering letter**

[http://sharepoint/Ops/Environ/New\\_Scheme\\_Development\\_Lib/New%20Projects/NIRHI/Development%20phase/NIRHIletter%2020%20Nov.docx](http://sharepoint/Ops/Environ/New_Scheme_Development_Lib/New%20Projects/NIRHI/Development%20phase/NIRHIletter%2020%20Nov.docx)

Any recent proposed changes to the text are highlighted. If you are agreeable these documents can be sent to Fiona prior to the Monday meeting, suffice to say how we deal with the majority of issues has been agreed via the email train with Joanne McCutcheon (copy attached above). Ofgem legal are going to come back to us today on the two points in the Admin Arrangements on how we deal with the issue of the data available to DETI on termination and supplying data to third parties. This was raised by DETI last week.

Regards  
Keith

---

**From:** Mary Smith

**Sent:** 29 November 2012 09:12

**To:** Keith Avis

**Subject:** FW: RHI - Vouching of Development Costs

Hi Keith – please see below.

Please could you start drafting a paper for MC.

Are you happy to try and get hold of Joanne before the discussion with Bob/ Matthew at 14.30?

Thanks

Mary

---

**From:** Robert Hull

**Sent:** 29 November 2012 08:53

**To:** Matthew Harnack

**Cc:** Louise Oxley; Jane Nyamador; Mary Smith

**Subject:** RE: RHI - Vouching of Development Costs

I will not be around on Friday. I suggest this has reached the stage where we need to put a paper to MC on these issues to alert/seek views on next steps.

Bob

---

**From:** Matthew Harnack

**Sent:** 28 November 2012 21:08

**To:** Robert Hull

**Cc:** Louise Oxley; Jane Nyamador; Mary Smith

**Subject:** FW: RHI - Vouching of Development Costs

Bob,

There seems to be another problem with NIRHI agreement now, this one on auditing (which I thought we had reached agreement on). DETI seem to be insisting on a lot more than they had previously led us to believe was needed. See details below.

I have suggested to Mary that she try another conversation with Joanne, but also that the two of us will need to have a conversation with Fiona on Friday (hopefully) because this has dragged on too long and the auditing requirements are too onerous. I have suggested a pre-meet tomorrow.

My suggested approach is to (1) make very clear we cannot and will not share salary details as this is personal information, and (2) ask DETI whether they may want to reconsider this level of auditing for the following reasons:

- It will create significant additional cost to us to carry this out and we will have to charge DETI an additional amount to cover this
- If costs for NIRHI have to be tracked separately to GBRHI this will firstly contradict the principles of the charging methodology we have agreed (meaning we will need to change this), and secondly it will mean that we will not be able to capitalise on the efficiencies of operating both schemes together, leading to significantly higher costs for them
- It will also significantly delay the signing of the admin arrangements, and we are not able to run the scheme until these are signed
- I am, however, happy to provide some evidence of expenditure, e.g. invoices for consultancy costs

Let's discuss tomorrow.

Matthew

---

**From:** Mary Smith

**Sent:** 27 November 2012 18:21

**To:** Matthew Harnack

Received from G-SEM on 11.05.2017

Annotated by RHI Inquiry

**Cc:** Keith Avis; Jacqueline Balian

**Subject:** FW: RHI - Vouching of Development Costs

Matthew,

DETI have provided a long list below of the information that their Audit team now requires to understand the costs incurred by us in running the scheme.

As you know, although we have said we're willing to provide as much information as we can, we have said so on the basis we can legally provide it and it's not going to have a financial impact due to resources needed to compile it. The information below seems both very detailed and would require some time to pull together; additionally I'm not sure how costs from this would compare with costs based on the formula provided/ our rough assumption of 3% of GB RHI costs.

Also re audits, we have made clear to Joanne that we would not be able to accommodate site visits by their auditors. She will however need to explain their auditor's position and our view to Fiona to get her opinion.

The DETI audit function are still viewing our agreement as being like a standard supplier contract arrangement and although we have discussed with Joanne how this differs and been very clear on the detail we are willing to provide, she is passing their requirements direct to us, we're pushing back and then she will take this to Fiona for a decision.

Given both of these issues, I feel the fastest way to try and agree a way forward would be discuss with Fiona and understand direct from her how much information DETI can live with/ what she is prepared to accept bearing in mind what we're willing to provide and what her audit function are requiring. Please could you let me know your thoughts and whether you would like me to set up a call?

Thanks

Mary

---

**From:** McCutcheon, Joanne [<mailto:Joanne.McCutcheon@detini.gov.uk>]

**Sent:** 27 November 2012 11:38

**To:** Keith Avis

**Cc:** Mary Smith; Hutchinson, Peter; Thompson, Sandra

**Subject:** RHI - Vouching of Development Costs

Keith

I have now heard back from Audit colleagues. We have been advised that we need to be satisfied that the expenditure claimed is eligible and directly attributable to the NIRHI. We need you to provide a clear audit trail of all scheme transactions as a means of assuring that funding has not been claimed against another scheme / similar operation.

**Specific advice is that:**

Staff Costs

Staff will either be directed 100% towards the delivery of NIRHI or multi tasked. We need all staff salary related costs to be fully supported by contracts of employment , payroll records, authorised timesheets etc, accurately calculated (including hourly rates) and (where applicable) apportioned accordingly. Salary costs claimed should be traced through to a supporting payroll report / BACs report (or equivalent) and confirmed as leaving the Ofgem bank account i.e. paid.

Recruitment Costs

Supporting documentation should also be available to vouch the recruitment costs of staff. For example, costs incurred in advertising, staff timesheets etc for those staff involved in the recruitment process should be requested and used to support the calculation of any recruitment costs claimed.

Training Costs

Supporting documentary evidence should also be provided to vouch any training costs incurred through to payment. Invoices from training suppliers should be provided (if externally brought in). Some form of documentary evidence also needs to exist to demonstrate that the training has actually taken place, irrelevant of whether it has been delivered by an external supplier or in-house, and that it is directly relevant to staff working on the NIRHI. For example, training invoices, staff attendance sheets, course materials etc would all help to provide assurance in this area and confirm that any costs included on Ofgem invoices are reasonable.

Consultancy

We require documentation to support the basis of any consultancy expenditure e.g. project initiation document, economic appraisal etc as well as any document which supports the appointment of consultants e.g. tender submissions, awarded contracts etc. Timesheets, agreed hourly rates fully supported by contracts of appointment, should also be provided to confirm costs incurred in this area. Evidence of costs through to payment should be provided. Again, if relevant, the principles of proportionality should be applied however, this may be unlikely if directly related to the development and rollout of the NIRHI.

IT

If any IT costs are for IT software, upgrades etc, we need supporting documentation e.g. contractual agreements, invoices from IT suppliers to confirm that the costs have been incurred and can be directly linked to the NIRHI incentive.

Overheads

The overheads claimed appear to be flat rates. We require documentation to support the calculation of the % overheads payment.

Auditors are suggesting that most of this can be done through desk vouching but that we should also visit you from time to time.

**As the current invoice relates to employment, recruitment, and IT costs – are you able to provide the information outlined above in relation to these costs? and also iro overheads – can you provide the explanation supporting the calculation? In addition, grateful if you could clarify what is included in ‘other’.**

Happy to discuss.

Joanne

**Joanne McCutcheon**

Renewable Heat

Department of Enterprise, Trade & Investment

Netherleigh

Massey Avenue

Belfast, BT4 2JP

Tel: 028 9052 9425 (ext: 29425)

Textphone: 028 9052 9304

Web: [www.detini.gov.uk](http://www.detini.gov.uk)

*The new website for the European Sustainable Competitiveness Programme for NI is now available - visit [www.eucompni.gov.uk](http://www.eucompni.gov.uk)*



[www.ni2012.com](http://www.ni2012.com)

**Please consider the environment - do you really need to print this e-mail?**