

To: 'Hutchinson, Peter'[Peter.Hutchinson@detini.gov.uk]
Cc: McCutcheon, Joanne[Joanne.McCutcheon@detini.gov.uk]; Mary Smith[Mary.Smith@ofgem.gov.uk]; Matthew Harnack[Matthew.Harnack@ofgem.gov.uk]; Hepper, Fiona[Fiona.Hepper@detini.gov.uk]
From: Keith Avis
Sent: 2012-12-06T17:34:37Z
Importance: Normal
Subject: RE: NIRHI: Audit
Received: 2012-12-06T17:34:37Z

Peter cc: As above

Picking up on your emails of last night and this morning on audits, there are some points that we can make which will hopefully satisfy you Audit Committee. These are as follows:

Ofgem's internal processes are designed to identify and address any instance of fraud. We have a fraud prevention strategy and the assurance reports undertaken by Deloitte ensure that we have adequately addressed fraud as part of our delivery mechanisms.

Deloitte reports do provide assurance on the efficiency and robustness of our own internal procedures and processes for individual schemes.

The Terms of Reference of each report is agreed before work starts, and is targeted to ensure that we will be in the best position to operate and deliver against our objectives. In drafting the Terms of Reference, we will take account of all ongoing issues that are impacting on our operation of the scheme.

On the question of how often Deloitte would carry out such audits, we would anticipate that Deloitte would carry out audits once a year, with the potential for additional audits when new areas of work are added or any changes to the scheme are made.

As this is a new process the timings may change slightly.

We anticipate that NI payments would be separated out in any RHI payment process report.

To be consistent with our current procedures we would be willing to share a summary of any report and any responses to them.

I hope that this helps you move forward. There may be other points that need to be agreed between Matthew and Fiona tomorrow, but would be grateful if you could flag these to Mary and myself beforehand where you are able so that we can consider before the telephone call.

Regards

Keith

Keith Avis

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From: Hutchinson, Peter [mailto:Peter.Hutchinson@detini.gov.uk]

Sent: 06 December 2012 10:03

To: Keith Avis

Cc: McCutcheon, Joanne; Mary Smith

Subject: RE: NIRHI: Audit

Keith,

Our Head of Internal Audit has considered the responses you kindly provided. However, they would like further detail on your own internal audit processes (through Deloitte) that would carry out assurance checks on your processes and procedures for the administration of the RHI and checks on the payments being made.

For our own assurance purposes we would be requiring information on the Deloitte audits of your RHI team, the processes, the payments etc. In regards to those audits, would you be willing to share the scope of how Deloitte audit your internal processes re RHI? How often would Deloitte carry out such audits and what sort of information would be gathered and detailed in the report produced? Assuming Deloitte would be auditing your entire RHI team (both GB and NI) how would the NI payment processes be considered (a separate report or section in overall report?) and could this be shared with us for our own assurance purposes?

Grateful if you would consider the questions above and provide some information on the role of Deloitte and how their audit function might be able to provide the necessary assurances for our own audit team.

Note that Fiona is out of the office today but I spoke to her last evening regards being available for a conversation with Matthew tomorrow before he goes on leave so outstanding issues and be considered and next steps agreed re signing the agreement. The current issues surrounding audit are somewhat out of our hands but we are continuing to liaise with Audit/Finance staff to move this issue forward.

Received from OFGEM on 11.05.2017

Annotated by RHI Inquiry

Thanks in advance for your help.

Peter

Peter Hutchinson

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www.ni2012.com

From: Keith Avis [mailto:Keith.Avis@ofgem.gov.uk]

Sent: 03 December 2012 15:44

To: McCutcheon, Joanne

Cc: Hepper, Fiona; Matthew Harnack; Mary Smith

Subject: NIRHI: Audit

Joanne cc: As above

The answers to each of your questions are below. I should say that the number of audits carried out for NIRHI will be dictated by the percentage of scheme costs that DETI is paying, and hence by the value of tariff payments made in NI as a portion of total RHI payments. In other words, if DETI were paying for 3% of total scheme costs then that would mean that 3% of tariff payments were being made to NI installations, so for both of these reasons it would be appropriate to ensure that 3% of audits were conducted on NI based installations.

Also, while our current view is that we need to take the final decision on which installations to audit, we would be happy to commission additional audits beyond those that we would normally do should your audit team need these, although this will incur additional cost as it will fall outside the scope of this work and also beyond the number budgeted for.

A response to each of your questions is as follows:

Would you be willing to share the terms of reference/scope of the audit exercise?

Yes we would be willing to share the scope of the audit exercise with you.

Who currently conducts the exercise – is it AEA and/or Deloitte?

Ricardo-AEA carry out site audits/inspections of RHIGB installations.

How often is the exercise carried out and when is it next due?

Audits are being carried out on an ongoing basis. We are currently trialling audit selection on a 6-monthly basis. Most recently, we selected installations in October, covering the period until the end of March. We agreed with Ricardo-AEA that this was the preferred approach as it mitigates the impact of peaks and troughs being experienced over quarterly cycles. It also allows flexibility to accommodate issues such as accessibility in rural locations during Winter and availability of auditor/applicant in Summer. We do have the option to select installations for ad-hoc audits should there be an urgent need to audit an installation.

What sort of details are included in the report produced?

For the GB scheme, an example of the details provided are:

Paper-Based Investigation

ALL TECHNOLOGY CHECKS

Plant Overview

Input Fuel

Metering Inspection

Maintenance and Calibration

TECHNOLOGY SPECIFIC CHECKS

Biogas

Biomass Fuel Input checks

Biomass within Municipal Solid Waste (MSW) Fuel Input Checks

Biomethane
 Combined Heat and Power
 District Heating
 Geothermal
 Heat Pumps
 Solar Thermal

Plant Walkdown

ALL TECHNOLOGY CHECKS

Generating Plant Inspection
 Plant Overview
 Metering Inspection

TECHNOLOGY SPECIFIC CHECKS

Biogas
 Biomass
 Biomass within Municipal Solid Waste
 Biomethane
 CHP
 Heat Pump
 Solar

If the contract was extended to include NI installations – would a separate report/section specific to NI be able to be produced? And would this be shared with us?

We are currently scoping the delivery of NIRHI audits. However, the expectation is that all existing checks would be carried out, taking into account any differences between the RHIGB and NIRHI Guidance/Regulations. As such, separate reports would be produced for NIRHI installations. We would be prepared to share our audit reports with you.

What sample size is used for the exercise?

We use a sample that is based on a monetary unit sampling approach. Our sample size for 2012-13 is as follows:

Installation Size	Audit Sample Size	Desktop Audits	Site Audits
Small (<=45kWth)	186	149	37
Medium (46kWth > 1MWth)	80	32	48
Large (1MWth>)	57	0	57

I hope that this is helpful to you and your Audit Committee. Of course, do give me a call if you wish to discuss any of this further.

Regards

Keith

Keith Avis

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

Sent: 29 November 2012 12:31

To: Keith Avis

Cc: Hutchinson, Peter; Mary Smith; Hepper, Fiona

Subject: Audit

Keith

Having spoken to Audit colleagues I wonder could you provide some further details:-

- Would you be willing to share the terms of reference/scope of the audit exercise?

- Who currently conducts the exercise – is it AEA and/or Deloitte?
- How often is the exercise carried out and when is it next due?
- What sort of details are included in the report produced?
- If the contract was extended to include NI installations – would a separate report/section specific to NI be able to be produced? And would this be shared with us?
- What sample size is used for the exercise?

If you can provide this information I think it might be very helpful.

As regards the vouching of the development costs, I discussed this with audit colleagues too and they are to come back to me asap. Will let you know as soon as I hear.

Regards

Joanne

Joanne McCutcheon

Renewable Heat

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