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From: Edmund Ward
Sent: 2016-09-09T04:21:01Z
Importance: Normal
Subject: Further evidence - approach to targeted and statistical sampling in 2016/17 [OFFICIAL]
Received: 2016-09-09T04:21:02Z
RE: NDRHI - Northern Ireland Review/Audit Project - Meeting Notes (20/5/16) and Next Steps [OFFICIAL]
Chris Poulton to Andrew McCormick 2016.08.04.pdf

Hi Natasha

In line with Ofgem's responsibility to optimise risk mitigation within the NI RHI Scheme, as you are aware the 2016-17 audit strategy is to conduct a number of on-site audits representing at least 2.4% of the expected total accredited installation population over the year, covering both targeted and statistical audits. To date 26 site audits have been undertaken – I understand DfE has passed examples of finalised reports onto PwC so you should have examples of these. These sites have been identified via a 'targeted' approach which considers such factors as: installed capacity; specific cases raised by staff while processing applications or periodic data submissions and considered by a delegated authority (decision-maker) as warranting an audit; risk-based selection based on trends from audit findings and technology.

In order to ensure a proportionate approach is undertaken it is also intended that a number of installations will be identified via statistical selection. We anticipate a resulting sample of circa 30 installations being identified. The attached email provides evidence of our approach to conducting both targeted and statistical sampling – I have selected this email as it evidences approach but does not include the site-specific personal information or detailed referral grounds and can therefore be shared with you direct - but if you would like further granularity please advise and we can arrange to share some further details via DfE – or of course happy to arrange a further visit/meetings/access as required.

Note that the initial proposal, which was for c. 72 audits, was made in advance of the decision by DfE to proceed with a separate review. In light of that decision, which did cause a delay in us deploying our ongoing site audit strategy, we confirmed that we would continue with a business-as-usual approach focusing on targeted installations in the first quarter – see attached letter from Ofgem to DfE as a reference. Selection of further sites including a statistical element will occur in order to deploy during the second half of 2016-17, and will be based on a consideration of scheme growth, and monetary, materiality and confidence values. This will also enable us to take into account any initial findings from the ongoing PwC audit programme, and to avoid duplication of sites where that would not be appropriate (although we would not rule out the possibility of some repeat visits if appropriate).

There has also been correspondence between DfE and Ofgem (including via further letters and financial change control documentation) on our approach to BAU audits, confirming funding for 57 audits and that this will incorporate both statistical and targeted elements – my expectation is that you already have enough to be satisfied on that point but please advise if further evidence is required.

Kind regards

Edmund

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