

**To:** Teri Clifton[teri.clifton@ofgem.gov.uk]; Jane Pierce[Jane.Pierce@ofgem.gov.uk]; Gareth John[Gareth.John@ofgem.gov.uk]  
**From:** Edmund Ward  
**Sent:** 2016-09-14T12:17:01Z  
**Importance:** Normal  
**Subject:** FW: PwC report: Draft process and controls section [OFFICIAL Internal Only]  
**Received:** 2016-09-14T12:17:03Z

Response to Colette – notes so far

- Thanks, there's a lot to digest

Severity/priority rating

- You mentioned this has not been conducted to any standards, please can you confirm the appropriate standard and how this has been determined
- Please provide any evidence (eg about dodgy schematics)
- We need more time to review
- We've identified areas where we need supporting evidence / supporting accuracy / proportionality / evidence base to support scale of opinion
- We're in Belfast tomorrow
- We'll send stuff through as we get it (e.g Lewis' email now)
- We can then aim to follow up on all points by end of week

Initial view/response is as below:

Recommendation 1:

- a) We often do review photos installations prior to being satisfied. This is not reflected. On that basis, how do you justify Priority 1 rating
  - b) Please give us all of the evidence where, in your view, information received was of poor quality [without that we can't comment on factual accuracy]
  - c) DfE is not only responsible for regulations, but also for Guidance which sets out our operational approach. If this is a concern on individual cases, then this finding should be grouped
  - d) We have made evidence based decisions on the value of pre-accreditation audits in the past. We continue to review in light of evidence, and as a best practice consideration happy to consider
  - e) There are a range of risks/benefits to the recommended approach, this might be something to consider but is not a P1/P2/P3 and would argue whether that is best practice (e.g. collusion)
- 3.8]

As part of our site inspections, we identified several instances where the schematics which had been submitted to Ofgem did not correspond with the actual installation

Recommendation 2:

OK  
 3:  
 We do require photographs where appropriate and based on risk factors/triggers/exceptions  
 On what basis is this assertion made – for example we have concerns  
 We've considered the approach and it's not clear whether  
 We don't see this as a P1 given the other controls in place, e.g. exceptions/controls regime

4:

- a) We're taking steps to address
- b) To note that the 'robust challenge' terminology is not helpful in the context of situations where this is a policy/design issue rather than one of administration/controls in practice

5:

- a) The P2 rating seems high to us based on (a) the controls around estimated data and the evidence we need before agreeing an estimate, (b) the low volume of such cases [Lewis give us the number], and (c) the opportunity to resolve any potential issues at a later stage as required – we have 20
- b) Ok

We conduct a robust assessment on a case by case basis – there's no concept of seasonality in the regs

6:

- a) Admin arrangements have been in place since the scheme was first implemented, we agree this would be a sensible point to review in light of experience, have been and continue to be happy to engage dialogue etc
- b) We have been and continue to be happy to support monitoring and to share the extensive reporting that we already use

7:

- a) We have identified fraud risks as part of our risk register, but we are happy to update our UK-wide fraud to be NI-specific in light of experience and relevant factors
- b)

We have been and continue to be happy to support monitoring and to share the extensive reporting that we already use

We see this as a subset of Finding 6, rather than a separate finding

9:

We will act on the specific findings identified, as part of our ongoing review of SOPs

10:

a) This was based on independent advice, but we'll agree approach going forward and have already discussed approach for 16/17 in some detail

11:

a) We administer the scheme in line with the regs, and audit reports are targeted to provide evidence of non-compliance with those regulations

As our sampling approach grows, we are happy to engage with DfE on areas that could support evidence-based policy making for the scheme

b) OK

12:

a) The site register is one of a number of checks and balances that we have to address concerns about non-compliance/fraud. We accept that there are some weaknesses in our documentation and recording in relation to the site selection log, we will address this by developing a raising concerns SOP that clearly sets out a process that all staff must adopt when raising concerns about an installation.

On this basis, we would regard this as needing 'prompt attention' but we do not see this being a category 1 issue

13:

We agree with the points made here (detailed comments below) but for clarity and coherence we believe these points would better fit with other findings

a) Based on volumes for 2016/17 programme and beyond, we agree → 12

b) Agree we will look at this but this is part of audit strategy finding → 10

c) → 11

d) SOP -→

14:

We currently consider appropriate timescales for participants to respond in line with the details of the request, on a case by case basis  
In line with our review, we

15:

We accept that this is something that we would tackle. For clarity and coherence we would expect this to be part of Finding 10 on the audit strategy

16:

Our response to this is aligned with the points made; we would regard this recommendation as forming part of

17:

[Michael's feedback]

We're not clear on what the PwC opinion is on this.

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**From:** Chris Poulton

**Sent:** 14 September 2016 08:07

**To:** Edmund Ward

**Cc:** Gareth John; Teri Clifton; Jane Pierce; Mark George; Michael Knight

**Subject:** Re: PwC report: Draft process and controls section [OFFICIAL Internal Only]

Thanks edmund. I will try and have a look at the tone of the doc later, but in summary

1 the two recs in metering are open to question.

2 the documents and agreements one is interesting, and we need to make sure we are adhering to our account management structure and working closely

3 in audits, this is in line with funding and we are happy to do work when funding is forthcoming. It should be noted where we have asked for money before we have been told absolutely not!

So if the 3 groupings of findings that are p1, it's the second grouping which is of most concern and I hope we are focusing in this, reporting, info exchange etc

C

Managing Director

Ofgem E-Serve

On 14 Sep 2016, at 01:38, Edmund Ward <[Edmund.Ward@ofgem.gov.uk](mailto:Edmund.Ward@ofgem.gov.uk)> wrote:

Hi All

Draft PwC process and controls report attached (all 54 pages of it...!).

My initial summary:

- Overall, Exec Summary is **relatively balanced**, and does make it clear that: [1.9-1.10]
  - 'Designing and operating an effective control framework was always going to be a challenge given the **design differences and weaknesses in the Scheme...** The controls framework, in our opinion fell short of that required to manage the risk effectively
  - **'the responsibility for the process and controls was ultimately that of the Department and that this is something that could not be delegated'**
- There are **17 'findings'**, of which **8 are priority 1** ('urgent action'/'substantial risk'), 4 are priority 2 ('prompt attention'/'more serious risk'), and 5 are priority 3 ('improvements'/'best practice')
  - **Of the 8 Priority 1 findings:**
    - 2 recommend getting **further photo evidence** at application or quarterly meter reading stage
      - [which we've previously discounted as not being proportionate – but we can review again in dialogue with Department]
    - 3 relate to **increasing/revising documentation and agreements** between Department and Ofgem
      - [which we remain happy to do, with the Department's cooperation, and in line with Arrangements]
    - 3 relate to considering an **expanded scope of our site audit programme**, and increasing the approach, frequency of feedback and internal controls relating to our administration of that programme
      - [which we're happy to do with Department's cooperation, and much of which already formed part of our current BAU approach due to the increase in audit volumes from 2016/17]
  - All the findings are best summarised from page 46 in the context of the proposed recommendations
  - There are several findings where our view to date of what is proportionate has differed from that of what PwC is presenting now. We'll need to draft lines on all of these, and we'll also want to review our approach in the context of all the evidence coming from the PwC work and our Deloitte review
- There are a number of examples of where there is 'insufficient evidence to confirm that [all concerns have been addressed]', but there don't at first glance appear to be any examples of where there have actually been material failings in practice
  - – i.e. **on initial review there are not any 'smoking gun' examples of issues we have missed which have had a financial impact** [but we'll need to review with a fine tooth comb...]
- Some of the **biggest hostages to fortune/misrepresentation** based on initial review [so we'll need lines to take on these areas] are that:
  - **'earlier risk assessment [by Ofgem] ... would... have facilitated the identification of the need to revise the Scheme regulations at a much earlier juncture.'** [1.13]
  - **'the site inspection process does not appear to have captured items which, though not technically non-compliant within the NI Scheme rules, may be indicative of abuse of the NI scheme'** [1.15]
  - Some specific examples of delays in processing individual cases, although these are placed in the context of payments being on hold so are balanced in the full context of this report
  - 'concerns with regard to the challenge and scrutiny of applications'
  - 'significant issues in relation to onsite inspections'

Regards

Edmund

**From:** [colette.archer@uk.pwc.com](mailto:colette.archer@uk.pwc.com) [<mailto:colette.archer@uk.pwc.com>]

**Sent:** 13 September 2016 21:41

**To:** Edmund Ward; Teri Clifton; Jane Pierce

**Cc:** Gareth John; [natasha.fitzsimons@uk.pwc.com](mailto:natasha.fitzsimons@uk.pwc.com); [ian.mcconnell@uk.pwc.com](mailto:ian.mcconnell@uk.pwc.com); [clare.e.kennedy@uk.pwc.com](mailto:clare.e.kennedy@uk.pwc.com)

**Subject:** Draft process and controls section of our report

Hi all,

As promised, I now attach the draft "process and controls" section of our report.

Received from OFGEM on 07.06.2017

Annotated by RHI Inquiry

Could I please draw your attention to the following:

- this is still draft and therefore subject to some further change (albeit we would not expect any fundamental changes at this stage);
- as these sections are to be integrated within our full report, some additional detail will be added (as highlighted within the document).
- the referencing is highlighted for our ease given that section numbers and paragraph references will likely change when these sections are subsumed into the full report;
- 

As per my previous correspondence, I would invite any final comments that you would wish to make - particularly in respect of factual accuracy. To the extent that you consider that any factual inaccuracies exist, I would be most grateful if you could provide supporting evidence as appropriate.

As previously discussed, we will not be under any obligation to amend our wording based on comments received (although as previously discussed, I would certainly want to ensure that there are no factual inaccuracies in the report).

I would be most grateful of a response at your earliest convenience.

Kind regards

**Colette Archer**

PwC | Senior Manager  
Office: +44 (0)28 9041 5554 | Mobile:  | Fax: +44 (0)28 9041 5953  
Email: [colette.archer@uk.pwc.com](mailto:colette.archer@uk.pwc.com)  
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[Internal Only]

<Project Heat - process and controls v.1.0.pdf>

[Internal Only]

**To:** Teri Clifton[teri.clifton@ofgem.gov.uk]  
**Cc:** Jane Pierce[Jane.Pierce@ofgem.gov.uk]; Edmund Ward[Edmund.Ward@ofgem.gov.uk]  
**From:** Gareth John  
**Sent:** 2016-09-14T13:04:50Z  
**Importance:** Normal  
**Subject:** Re: Back in the romp at 2? [OFFICIAL Internal Only]  
**Received:** 2016-09-14T13:04:51Z

Thanks if we in diff room can you grab my charger / laptop / bag

Sticking around in ARAC as Milton here so I want some fun

Should be there 2.30 to 3pm though

NIRHI went well

Gareth John  
[Gareth.John@ofgem.gov.uk](mailto:Gareth.John@ofgem.gov.uk)

On 14 Sep 2016, at 13:56, Teri Clifton <[teri.clifton@ofgem.gov.uk](mailto:teri.clifton@ofgem.gov.uk)> wrote:

Be there when g2m4 free

---

**From:** Jane Pierce  
**Sent:** 14 September 2016 13:56  
**To:** Teri Clifton; Gareth John; Edmund Ward  
**Subject:** RE: Back in the romp at 2? [OFFICIAL Internal Only]  
Am in 2c1 drafting away ☺

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**From:** Teri Clifton  
**Sent:** 14 September 2016 13:55  
**To:** Jane Pierce; Gareth John; Edmund Ward  
**Subject:** Back in the romp at 2? [OFFICIAL Internal Only]

Here's the red and yellow spreadsheet to review

**Teri Clifton**

Head of Operations  
Non-Domestic RHI  
Ofgem  
3rd Floor  
Cornerstone  
107 West Regent Street  
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G2 2BA  
Tel: 0141 341 3991  
[www.ofgem.gov.uk](http://www.ofgem.gov.uk)  
<image001.gif>

[Internal Only]

**To:** Edmund Ward[Edmund.Ward@ofgem.gov.uk]; Teri Clifton[teri.clifton@ofgem.gov.uk]; Jane Pierce[Jane.Pierce@ofgem.gov.uk]  
**From:** Tasfin Ahmed  
**Sent:** 2016-09-14T13:28:58Z  
**Importance:** Normal  
**Subject:** RE: PwC report: Draft process and controls section [OFFICIAL Internal Only]  
**Received:** 2016-09-14T13:28:59Z  
[PWC Audit Response.xlsx](#)

Please see attached table to capture the management responses and recommendations for each of the findings of the PwC audit.

Regards,  
Tasfin Ahmed

---

**From:** Edmund Ward  
**Sent:** 14 September 2016 02:55  
**To:** Tasfin Ahmed  
**Subject:** FW: PwC report: Draft process and controls section [OFFICIAL Internal Only]

Hi Tasfin

Draft PwC report.

Please can you set up and circulate to me/Teri/Jane a response table that we can use to capture (a) additional clarifications/points of fact/views on priority recommendations, and (b) draft management responses to each finding. This is a priority for Wednesday.

We can then discuss how to complete it!

Thanks  
Edmund

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**From:** Edmund Ward  
**Sent:** 14 September 2016 01:39  
**To:** Chris Poulton; Gareth John; Teri Clifton; Jane Pierce; Mark George; Michael Knight  
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Edmund

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**To:** Edmund Ward; Teri Clifton; Jane Pierce

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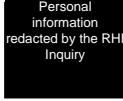
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I would be most grateful of a response at your earliest convenience.

Kind regards

**Colette Archer**

PwC | Senior Manager  
Office: +44 (0)28 9041 5554 | Mobile:  | Fax: +44 (0)28 9041 5953  
Email: [colette.archer@uk.pwc.com](mailto:colette.archer@uk.pwc.com)  
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Personal  
information  
redacted by the RHI  
Inquiry

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