

**To:** Edmund Ward[Edmund.Ward@ofgem.gov.uk]  
**Cc:** Marten, Lucy[Lucy.Marten@economy-ni.gov.uk]; Willis, Adele[Adele.Willis@economy-ni.gov.uk]; Hughes, Seamus[Seamus.Hughes@economy-ni.gov.uk]; Gareth John[Gareth.John@ofgem.gov.uk]; Jane Pierce[Jane.Pierce@ofgem.gov.uk]; Teri Clifton[teri.clifton@ofgem.gov.uk]  
**From:** Wightman, Stuart  
**Sent:** 2016-11-24T17:10:01Z  
**Importance:** Normal  
**Subject:** RE: NIRHI - Audit approach - current risk and suggested immediate actions [OFFICIAL ]  
**Received:** 2016-11-24T17:10:05Z

Edmund  
Thank you for your email below.  
In response to your first two points, I can confirm that since Ofgem/Ricardo have already contacted RHI recipients regarding the 6 urgent audits, we are content for these to proceed.  
Ofgem/Ricardo should not however, proceed with any further announced site audits until we have agreed an approach on unannounced audits. As we discussed yesterday, many of the PWC findings on possible gaming/abuse were down to their inspections being unannounced. The PAC has received the PWC Report which clearly references the need for unannounced visits (Recommendation 13).  
We do however agree with the need to progress this as a matter of urgency and will therefore endeavour to respond to any Ofgem/Ricardo proposals as quickly as possible. In the longer term from 2017/18 onwards, as we've previously discussed, DfE are planning to procure a much larger programme of inspections. We will discuss this in the coming weeks as part of our response to PWC Recommendation 10 (Audit Strategy).

Happy to discuss.

Thanks, Stuart

**Stuart Wightman**

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## NI Year of Food & Drink 2016

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

**From:** Edmund Ward [mailto:Edmund.Ward@ofgem.gov.uk]  
**Sent:** 24 November 2016 12:16  
**To:** Wightman, Stuart  
**Cc:** Marten, Lucy; Hughes, Seamus; Willis, Adele; Jane Pierce; Teri Clifton; Gareth John  
**Subject:** NIRHI - Audit approach - current risk and suggested immediate actions [OFFICIAL ]

Hi Stuart

Further to our conversation yesterday, I have one immediate follow-up relating to the approach BAU audits.

I stated that to date, we have been proceeding with audits in line with our existing processes. You mentioned that based on recent internal discussions at DfE, you were not comfortable to agree on behalf of the Department, that Ofgem should instruct any further audits unless we can confirm that these would be unannounced.

I should first flag that I am concerned that if we do not resolve this promptly, we could be left in a position where we are unable to properly deliver our conferred functions as set out in the Arrangements. This presents a risk if we are not able to take appropriate action, for example as a result of referrals, which may require an audit.

I therefore propose we proceed as follows:

1. Based on processes already in train, I can confirm that based on our preparations for audits to be conducted w/c 28th

Received from Ofgem on 16/11/16  
Annotated by RHI Inquiry

November, Ricardo have already notified participants relating to 6 installations, in line with the existing process, the basis for those is as per the table below. Given that these are already announced, I propose that we proceed with those audits to the current timetable, as delaying or deferring these audits would only increase the amount of time between notification and delivery.

2. For clarity, please could you confirm your position in writing. In the meantime, and acting on the basis of your comments yesterday, we won't instruct any further audits until we have agreed a further approach on announced/unannounced audits. However, it is important that we progress this as a matter of urgency to avoid the risk of potentially delaying taking action as a result of referrals or outcomes from the recent PwC review.

3. I have already asked Ricardo to consider options and impacts for conducting unannounced visits in future, and we will be discussing with them today.

4. We will update the Department w/c 28 November on any possibility for short-term changes to the audit process, pending a wider review following the outcomes of the PwC findings and recommendations. I note that any approach to move to unannounced audits may offer some benefits and opportunities but it will be important to also consider risks. In addition to risks relating to delivering audit outcomes, there may also be financial impacts, for example if moving to unannounced audits means the need to have more than one auditor attending each visit.

5. I propose that, to avoid potential impacts on our ability to properly act in respect of possible referrals, we review progress on this matter by 2<sup>nd</sup> December 2016.

Please could you confirm agreement with this approach?

Kind regards

Edmund

**Table:** Proposed Ofgem (Ricardo) audits to be conducted as announced visits (under the terms of our existing arrangement with Ricardo pending further discussion) during w/c 28 November 2016:

RHI reference	Audit type	Complexity	Reason for selection	Detailed reason
	Standard	Simple	Suggested by Ops	Counter Fraud received a notification from a third party alleging that the scheme participant had not been servicing the installations in line with the manufacturer's recommendations. They also alleged that one of the two installations at the site may not have been functioning since 10 August 2016. Counter Fraud did not receive sufficient evidence to conclude any fraudulent activity but has suggested the site be audited to verify the installations are compliant.
	Standard	Simple	Suggested by Ops	Counter Fraud received a notification from a third party alleging that the scheme participant had not been servicing the installations in line with the manufacturer's recommendations. They also alleged that one of the two installations at the site may not have been functioning since 10 August 2016. Counter Fraud did not receive sufficient evidence to conclude any fraudulent activity but has suggested the site be audited to verify the installations are compliant.
	Standard	Simple	Counter Fraud referral	We have reason to believe that the installation in question may be being used solely for the purpose of heating an empty shed and receiving NDRHI payments. The participant's intention may be to transfer this boiler and two others which are registered on the scheme (NIRHI000xxxxx and NIRHI000xxxxx) to a new poultry shed which is not yet constructed. It is possible that the participant may have registered the boilers on the scheme already in order to secure a tariff and obtain payments before completion of the poultry shed.
	Standard	Simple	Counter Fraud referral	We have reason to believe that the installation in question may be being used solely for the purpose of heating an empty shed and receiving NDRHI payments. The participant's intention may be to transfer this boiler and two others which are registered on the scheme (NIRHI000xxxxx and NIRHI000xxxxx) to a new poultry shed which is not yet constructed. It is possible that the participant may have registered the boilers on the scheme already in order to secure a tariff and obtain payments before completion of the poultry shed.
	Standard	Simple	Counter Fraud referral	We have reason to believe that the installation in question may be being used solely for the purpose of heating an empty shed and receiving NDRHI payments. The participant's intention may be to transfer this boiler and two others which are registered on the scheme (NIRHI000xxxxx and NIRHI000xxxxx) to a new poultry shed which is not yet constructed. It is possible that the participant may have registered the boilers on the scheme already in order to secure a tariff and obtain payments before completion of the poultry shed.
	Pre-accreditation	Complexity	Counter Fraud referral	<b>This site has been audited by PWC</b> however we need further information. We have received external contact regarding potential gaming since the PWC audit and would like to investigate this further. It would be good to get as many photos as possible as we are lacking these from a previous visit.