

Renewable Heat Incentive (RHI) Audit Volumes

This paper sets out a suggested Audit Strategy for the Renewable Heat Incentive Scheme.	Author	Jacqueline Balian
	Audience	DECC Project Board
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1. Executive Summary

- 1.1. During the development of the RHI administration systems, cost and resource allocations were made for the auditing functions of the RHI, to provide a system which is suitably robust against fraud or error by participants or administrators. Baseline audit volumes were originally set at 10% of large scale, 3% of medium scale and 3% of small scale installations in the first two years, then 5%, 2.5% and 2.5% respectively in following years. It was planned that some of these audits (80% of small scale and 40% of medium scale) would be carried out by Ofgem staff as desk audits. In July 2011, Deloitte carried out an assurance report on the systems and processes associated with the RHI and produced a report specifically covering RHI audit sampling methodology. This is attached as Appendix 1.
- 1.2. The Deloitte Report discussed three options for auditing levels, each requiring considerably higher volumes of auditing of large scale participants than had originally been proposed. It proposed one of the levels, described as the 86% confidence interval, as suitable for RHI purposes given the other checks being carried out. To achieve this confidence interval will require auditing a greater proportion of installations at the large scale than was originally proposed. Meeting this level of auditing will have significant financial impacts and this paper outlines these impacts, sets out what Ofgem thinks appropriate in terms of auditing and seeks input from DECC on its view as to a suitable audit regime.
- 1.3. The procurement exercise for a site audit service has just begun and therefore it is difficult to provide a fully accurate estimate of the likely costs. Similarly we cannot be certain of future application volumes. Therefore only indicative site audit costs are offered at this stage.

2. Background

- 2.1 Plants will be accredited for the RHI based on information and statements provided by their owners. RHI support payments will be made based on metered heat generation as reported by participants on a monthly basis.
- 2.2 The RHI audit strategy is intended to ensure that Ofgem has in place a robust and fit for purpose regime to detect fraud and non-compliance and act as a deterrent to those who might be tempted to break the rules of the scheme.

3. The Audit Approach

- 3.1 The Gas and Electricity Markets Authority or its agents may inspect an accredited RHI installation and its associated infrastructure.
- 3.2 The overall objective of the audit is to:
 - Check that participant information provided during accreditation is correct and that the installation is entitled to be accredited.
 - Confirm on-going compliance with eligibility criteria and obligations.