



DRAFT Non- Domestic Renewable Heat Incentive Audit Strategy

This paper sets out the means by which Ofgem will fulfil its responsibilities to audit GB NDRHI installations to verify compliance with the scheme requirements

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1. Version History

Version	Date	Author	Comments
1	1 September 2011	Ade Obaye	
2	16 January 2014	Rob Reid	
3	28 January 2014	Rob Reid	Incorporates Ade Obaye comments
4	20 February 2014	Rob Reid	Incorporates Jacqueline Balian comments
5	4 March 2015	Amy Powell-Tuck	Annual review which also incorporates Grant Thornton recommendations

2. Introduction

2.1. The Renewable Heat Incentive (RHI) is a Government environmental programme that provides financial incentives to increase the uptake of renewable heat. For the non-domestic sector it provides a subsidy, payable for twenty years to eligible, non-domestic renewable heat generators and producers of biomethane for injection.

2.2. Ofgem are responsible for implementing and administering the scheme. Our duties and functions lie primarily in the administrative and compliance elements of the scheme. These include:

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- Receiving and assessing applications for accreditation
 - Receiving and reviewing periodic generation data for accredited non-domestic installations
 - Receiving and assessing proposed fuel measurement and sampling procedures for biomass fuels
 - Receiving and assessing fuel measurement and sampling data for biomass generators
 - Calculating periodic support payments to accredited installations and making payments
 - Undertaking enforcement action such as withholding payments, reducing payments or revoking accreditation
 - Undertaking fraud prevention and detection activities including site and desk audits, ID verification checks and reviews of information provided
- 2.3. With a scheme of this size, it is important that measures are put in place to protect the available funds from fraud and ensure that payments are only made to those that are entitled. An on-going cycle of RHI installation audits is a key tool in ensuring this.
- 2.4. Inspections of NDRHI installations are permissible under the [RHI Regulations 2011 \(as amended\)](#) and the [RHI Regulations \(Northern Ireland\) 2012 \(as amended\)](#).
- 2.5. Regulation 50 states that:
- “The Authority or its authorised agents may request entry at any reasonable hour to inspect an accredited RHI installation and its associated infrastructure to undertake any one or more of the following:*
- a) Verify that the participant is complying with all applicable on-going obligations*
 - b) Verify meter readings*
 - c) Take samples and remove them from the premises for analysis*
 - d) Take photographs, measurements, video or audio recordings*
 - e) Ensure that there is no other contravention of these Regulations”*
- 2.6. We have interpreted “reasonable hour” to mean that site inspections will generally be conducted between 9am – 5pm, Monday to Friday. In order to simplify access and ensure availability of key personnel, data and documentation, we will normally give prior notice of inspections (10 working days for post-accreditation audits, 5 working days for pre-accreditation audits). However, there may be occasions where we believe it is appropriate to conduct unannounced site inspections and we reserve the right to do so.
- 2.7. This paper outlines the Audit Strategy for 2015/16 and incorporates recommendations from an external review conducted by Grant Thornton in 2014/15.
- 2.8. Part of the external review conducted by Grant Thornton involved benchmarking the audit approaches of other E-Serve schemes (e.g. DRHI, RO, FITs). We will continue to share approaches across schemes and use this process to inform and shape our strategy.

3. Audit Objectives

3.1. The objectives for the NDRHI Audit Programme are:

- Monitor participant compliance against RHI eligibility criteria and obligations
- Detect instances of suspected abuse, misuse, fraud or non-compliance
- Act as a deterrent to those that may be tempted to break the rules of the scheme

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- Use information gained (e.g. quality of system design) to act on and improve scheme understanding and capture lessons learnt
- 3.2. In order to satisfy these objectives, audits will be completed on a sample of targeted and randomly selected installations to ascertain whether:
- Information provided during accreditation or registration is correct
 - An installation has been installed as declared on the application form and schematic
 - An installation exists / is eligible to be accredited or registered
 - Eligible heat generation claims are plausible given the capacity of an installation and the amount of fuel being used
 - Accurate and reliable fuel measurement data is being submitted to Ofgem
 - Meter readings/output volumes notified to Ofgem are appropriate and are such that correct support payments are being made quarterly
 - Meter numbers, positions, installation date, calibration date are correct
 - Temperature sensors are appropriately placed and have not been tampered with
 - The installation does not have a heat rejection facility, or if it does, that it is appropriately metered (to detect where a participant may be purposefully wasting heat)
 - Any calculations of ineligible heat are plausible and failure to install meters is reasonable
 - Heat losses are being measured appropriately
 - Systems have been suitably installed, commissioned and maintained
 - On-going obligations are being followed
- 3.3. All installations are subject to the potential for inspection during accreditation, registration and throughout the duration of eligibility for NDRHI payments.

4. Audit Types

- 4.1. There are two types of audits carried out, site audits and desktop audits.
- 4.2. The main emphasis of the audit programme is around site audits. This is because most non-compliance can only be detected during a site visit.

Post-accreditation site audits:

- 4.3. Post-accreditation audits are carried out (by an external contractor) on installations that have already been accredited on to the scheme.

Pre-accreditation site audits:

- 4.4. Pre-accreditation audits are carried out (by an external contractor) on installations that have not yet been accredited on to the scheme. These may be recommended, for example, on the basis of size or complexity of an installation or as a result of concerns raised by accreditation reviewers who require assurance that an installation is eligible for the RHI. They are carried out on an ad-hoc basis, with all recommendations carefully considered by the audit team.

Desktop audits:

- 4.5. Desktop audits are carried out by the Ofgem Audit team. They can be used to augment the programme of site audits however our experience has demonstrated that desktop audits cannot provide the same assurance as a site audit does across the whole suite

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of eligibility criteria. Furthermore they are resource intensive and contradict the approach agreed by Ofgem and DECC to move towards a more proportionate approach to non-compliances based on material impact and frequency.

- 4.6. This paper primarily sets out the site audit strategy however it is expected that the scope of desktop audits will be reviewed prior to the sustainability requirements going live in Autumn 2015, with a view to introducing a desktop check in line with this new requirement.

5. Sample size

- 5.1. Ofgem, as NDRHI scheme administrators, have a responsibility to optimise risk mitigation within an acceptable cost.
- 5.2. Prior to the scheme audit programme commencing, Deloitte were commissioned to provide a view on appropriate sample sizes¹. Their method was subsequently adapted by Ofgem as it did not take into account audit findings, in particular non-compliances identified to date and their material impact on payments.
- 5.3. In 2012/13 and 2013/14 sample sizes were based on projected application volumes; 7.5% for site audits and 3.5% for desktop audits. As such, based on the August 2014 forecast (5,000 applications) 375 audits were undertaken in 2014/15.
- 5.4. However, the targeted nature of these audits meant that results could not be confidently extrapolated to provide a view of the overall population. Furthermore given the ever-increasing application volumes (and the complexity of forecasting these) the cost of the audit programme had the potential to become disproportionately large.
- 5.5. In 2014/15 Grant Thornton were appointed to conduct an external review of the NDRHI audit strategy². This focused primarily around establishing an appropriate sample size that could be completed at a reasonable operational cost, using a method that would enable the results to be extrapolated across the entire population of NDRHI installations.
- 5.6. Like Deloitte, Grant Thornton proposed the use of Monetary Unit Sampling, however their method differs in that it splits the audit programme into both statistical and targeted audits.

Statistical sampling

- 5.7. Monetary unit sampling provides a direct linkage between the financial value of payments and sample selection, applying materiality ("an acceptable level of error") and confidence levels to reflect the risks in the population. Each monetary unit (£) has an equal chance of selection; as such the sample is weighted towards those installations that receive the largest payments.
- 5.8. Grant Thornton have provided a spreadsheet to aid with the selection of monetary unit (statistical) samples by the NDRHI team³.
- 5.9. Key variables in statistical sampling are population, confidence level, materiality and error rate. These are all used to determine the final sample size.

¹ "2013/09: Review of the revised RHI Non Domestic sampling methodology" - Deloitte

² "Independent review of Ofgem's audit activities in relation to the NRHI scheme (Tranches 1 and 2)" - Grant Thornton

³ "NDRHI MUS Sampling- blank template"- Grant Thornton

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Population:

5.10. The population is the list of all installations being tested. Grant Thornton have recommended carrying out monetary unit sampling on all installations approved in the previous financial year as this provides a clear cut off point (rather than 'moving goalposts') which further assists with budgeting and the operational side of audit arrangement.

Population value:

5.11. The population value is the sum of the lifetime payment figures for the installations being tested. This is used, along with the sample size to establish a sampling interval (n) whereby every 'nth' monetary unit is selected.

Confidence level:

5.12. The confidence level is a measure of reliability of a result. 95% (recommended by Grant Thornton) is considered a high confidence level and suggests that we can be 95% confident that the population is not misstated by an amount greater than materiality.

Materiality:

5.13. Materiality is the 'tolerable error' or 'maximum monetary misstatement' that would be acceptable in the population. Setting the level of materiality requires judgement. Grant Thornton have recommended a materiality level of 3% as an appropriate starting point but suggest that it may be reduced if the expected error rate decreases or if annual payments increase significantly over time.

Expected error rate:

5.14. The expected error rate is the exception rate expected to exist in the population (i.e. the amount a population is expected to be misstated). Expected error rates should be based on historic experience, hence Grant Thornton have recommended a 0.75% error rate. This is a prudent figure based on the 0.7% percentage financial impact across the scheme as calculated for the 2013/14 audit programme⁴.

5.15. The error rate used will be reviewed once the results for the 2014/15 audit programme have been finalised.

Caveats:

5.16. Installations that are selected more than once in a financial year's sample (i.e. those with the greatest payments), will not be audited more than once in a financial year. As a result there will be less statistical audits completed than the sample size suggests. 'Spare' audits will be used to increase the targeted population size.

5.17. Audits that have already been carried out in previous years as part of the targeted sample will not be re-audited. Instead the results of the previous audit will be pre-populated into the results table.

5.18. The approach to re-auditing installations will be reviewed by management going forward.

⁴ 2013/14 annual report

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2015/16 Approach

- 5.19. We propose to conduct a single statistical sample, using the starting values recommended by Grant Thornton, that incorporates all installations approved since scheme start up to the 31st March 2015.
- 5.20. This results in a statistical sample size of 175 audits to be conducted in 2015/16 (as per Table 1). This may change if the results of the 2014/15 audit programme are significantly different.

Expected error rate	Materiality	Confidence level	Sample size
0.5%	3%	95%	143
0.75%	3%	95%	175
1%	3%	95%	220
1.5%	3%	95%	385
1.5%	4%	95%	187
2%	4%	95%	289

Table 1: Proposed statistical sample size based on error rate

2016 onwards

- 5.21. The variables used for future statistical samples will be adjusted based on the audit results for 2015/16. Tables 2-4 set out the approach that can be considered if the expected error rate increases, remains constant or decreases.
- 5.22. Future approaches may see the segmentation of the statistical sample, however we are not at a stage to do this until some statistical sampling has been completed.

	Year 1	Year 2	Year 3	Year 4	Year 5
Confidence level	95%	95%	95%	95%	95%
Materiality	3%	3%	3%	4%	5%
Error rate	0.75%	1%	1.5%	2%	2.5%
Statistical sample size	175	220	385	289	231
Targeted sample size	100	100	110	116	122
Total sample size	275	320	495	405	353

Table 2: Error rate increases

	Year 1	Year 2	Year 3	Year 4	Year 5
Confidence level	95%	95%	95%	95%	95%
Materiality	3%	3%	3%	3%	3%
Error rate	0.75%	0.75%	0.75%	0.75%	0.75%
Statistical sample size	175	175	175	175	175
Targeted sample size	100	100	100	100	100
Total sample size	275	275	275	275	275

Table 3: Error rate remains constant

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	Year 1	Year 2	Year 3	Year 4	Year 5
Confidence level	95%	95%	95%	95%	95%
Materiality	3%	3%	3%	3%	3%
Error rate	0.75%	0.4%	0.3%	0.2%	0.1%
Statistical sample size	175	132	123	115	107
Targeted sample size	100	100	100	95	95
Total sample size	275	232	223	210	202

Table 4: Error rate falls

Targeted sampling

- 5.23. Whilst the results of targeted audits cannot be extrapolated across the whole population they do provide value for money by focussing on higher risk areas or emerging trends.
- 5.24. We intend to undertake at least 100 targeted audits, alongside the statistical audits, as per Grant Thornton recommendations. The exact number will depend on the number of audits that have already been completed in previous years / the number of large installations selected more than once by the sampling interval in the statistical population.

6. Site Selection

Operational considerations

- 6.1. Given the need for the statistical results to be available to inform the budget setting process, site selection for statistical audits will be carried out in early April each year. These will be passed to the contractor for planning as soon as available.
- 6.2. Targeted audits will be selected on a 6 monthly basis, with the first round of selection criteria being agreed and audits selected in March 2015. This enables the contractor to organise, plan and implement audits as soon as the financial year begins, increasing operational efficiency by reducing stand down time.
- 6.3. Audits will also be carried out on an ad-hoc basis where Ofgem decides suspected abuse, misuse or fraud issues necessitate an immediate inspection.
- 6.4. Pre-accreditation audits will be selected and carried out as and when required throughout the year.

Selection criteria

- 6.5. The selection criteria (for targeted audits) will focus on key risk areas, as per previous years, with risk categories reviewed and approved by senior stakeholders prior to the audit programme commencing.
- 6.6. In order to make best use of resources and be cost effective, the targeted audit sample will typically consist of installations targeted due to:
- Installed capacity/size of NDRHI payments
 - Reasonable concerns by staff while processing applications or periodic data submissions
 - Risk-based selection based on trends from audit findings and other risk criteria
 - Geographical considerations

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6.7. Table 5 outlines some examples.

Risk factor	Rationale
Capacity ⁵ / payments	Potential for greatest losses as a result of greatest payments.
Risk based - Contaminated fuel	Target key non-compliances with material impacts.
Risk based - Ineligible heat	Target key non-compliances with material impacts.
Risk based - Moisture content / heat losses	Target key non-compliances with material impacts.
Suggested sites	Targeted selection of installations identified during or after accreditation that reviewers have suggested on the basis of concerns regarding eligibility / setup of the installation.
Regulation changes / Technology	Regulation changes have made further technologies eligible / it is important for scheme understanding to get an overall picture of all technology types on the scheme.
Degression	Application volumes can increase significantly in response to degression announcements and these triggers may increase the risk of applications from non-compliant installations, and applications are more likely to have been poorly made.

Table 5: Examples of risk based selection criteria

7. Audit findings

- 7.1. All targeted audit results will continue to be logged on the Management Information log. Statistical audits will be logged on the Management Information Log, but separately to the targeted audits. Results for the statistical audits will be transferred to the spreadsheet provided by Grant Thornton³.
- 7.2. Statistical and targeted audits will be reported separately to each other and comparisons will be drawn between the two to ascertain the effectiveness of our targeting and actions taken to reduce non-compliance.

Lifetime Value

- 7.3. Each installation’s lifetime value is calculated using the load factors provided by DECC. This is either an average load for sites which have previously received payment, or for instances where payment has not been made, this is an average load across all sites of the same technology and same heating use. The load factor is multiplied by installation capacity and by number of hours in a year, which gives an estimate of the annual heat generation for the site. (For Biomethane plants DECC provide an annual estimate for annual kWh generation). For technologies receiving a tiered tariff these annual generations are then split using the 1314 hours of generation to produce their EHO threshold at the tier 1 tariff and any remainder is paid at the tier 2 tariff. This produces a yearly payment value which is multiplied by 20 for the number of years the installation is eligible for RHI payments.

⁵ Small = ≤ 45kWth, Medium= 46kWth to 999kWth, Large = ≥ 1MWth

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Assurance Rating

7.4. All completed audits receive an assurance rating, as per the Ofgem E-Serve Audit Assurance Rating Categories (see Table 6 in the Appendix).

Non-compliance categorisation

7.5. All non-compliances are categorised into a risk category based on whether they have a material impact and the frequency (High/Low) of occurrence. This approach was agreed by Ofgem's Risk and Fraud Management Group (RFMG) and DECC's Audit and Risk Committee (ARC).

7.6. Examples of types of non-compliance are included in Table 7 in the Appendix.

7.7. The rationale explaining why a non-compliance has been assigned to a category will be documented and included as part of the quarterly report (see section 8) with any changes to risk categories clearly highlighted.

7.8. If a new non-compliance is found Ofgem will review and assign it to a category following a discussion with DECC (at monthly meetings), however the potential error cannot be assigned until compliance action has occurred.

Potential Error

7.9. Each non-compliance is assigned a 'potential error'. This is the percentage applied to a non-compliance in order to provide a 'snapshot' financial impact (for reporting purposes).

7.10. The potential error percentage is applied to the lifetime value for that installation and the resulting potential error value feeds into the assurance rating for that installation.

7.11. If multiple material non-compliances exist on one installation the potential errors are added together to provide the overall potential error.

7.12. The audit team will work closely with the compliance team to understand what the *actual* impact of non-compliances found to date has been (i.e. following compliance action). This will enable us to review whether the potential error value for each non-compliance is appropriate and whether the method of adding potential error values together for multiple non-compliances is appropriate.

7.13. The potential errors of non-compliances will be reviewed on an annual basis and any changes recorded in the 'potential error library'. Any changes will be highlighted and explained in the subsequent quarterly report.

Non-compliance action plan

7.14. The non-compliance action plan details the actions being taken to reduce non-compliance.

7.15. The action plan is owned by Ofgem but is a joint action plan with DECC. Actions are reviewed and updated on a monthly basis (at monthly meetings).

Observations

7.16. Observations are recorded as part of the site audit process. They refer to incidences that are not directly against regulations (and as such are not non-compliances) but

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which should be addressed or monitored to improve scheme understanding. Observations will be classified going forward into three categories: 'for information', 'for action' and 'best practise point'.

- 7.17. Observations will not typically be reported to DECC, however we will report on any observations that have been recently downgraded from a non-compliance (e.g. some metering installation errors following the February Regulation changes) or observations that are high frequency and could impact the scheme reputation in the long term.

8. Reporting and Governance

- 8.1. Each audit report is reviewed by a member of the audit team, with any clarifications requested from the contractor recorded on a coversheet. The report is then approved by a different member of the audit team and the closure letter is sent to the participant with the key findings. Any non-compliant installations are passed to the compliance team for action.
- 8.2. Progress against KPIs will be reported internally on a daily and weekly basis.
- 8.3. The monthly NDRHI report (shared with DECC) includes information on the number of audits approved, the non-compliance rate to date and the types of non-compliance found.
- 8.4. A monthly review meeting is held with DECC to work together to ensure the action plan and risk categories remain up to date. Standard agenda items include reviewing any updates to risk categories of non-compliances, reviewing and updating the non-compliance action plan and reviewing changes to the timetable of upcoming meetings / activities.
- 8.5. Quarterly reports (covering the periods April-June, July - September and October - December) will be provided that focus on results for that quarter, year and scheme to date. They will include some analysis regarding emerging trends and emerging non-compliances, the overall and material non-compliance rate and updates on actions being taken to address non-compliance. These will be shared with DECC and followed by joint DECC/ Ofgem quarterly review meetings. A Quarterly letter accompanies the report and is sent from the Managing Director of Ofgem to the Heat and Industry Director of DECC.
- 8.6. The quarterly review meetings with DECC cover a high level review of quarterly reports and discussion of any related issues, implications or future regulatory changes.
- 8.7. On a 6-monthly basis, we will review management information on audit findings to date in advance of site selection for the next round of targeted audits. Audit findings will inform decisions regarding our risk-based approach to targeted site selection and will be signed off by senior stakeholders.
- 8.8. On an annual basis, we will provide an annual report on the audit programme that covers the same information as the quarterly reports, but also includes analysis of the financial impact of non-compliance and a more detailed analysis of the results to date.
- 8.9. Reports will be provided on an ad-hoc basis to internal and joint boards such as the NDRHI Board, Management Committee and Joint Working Group.

9. Fraud

- 9.1. Any audits that unearth suspected fraud will be referred to the central fraud team for further investigation.

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10. Required Resources

External contractor

- 10.1. Following an open tender process an external contractor has been appointed to undertake the site audits of NDRHI installations. These will be carried out in accordance with the audit plan while ensuring value for money. The contractor is required to:
- Agree an audit programme with Ofgem
 - Organise and notify participants / applicants of the site visit
 - Review relevant documentation relating to the installation
 - Carry out a site visit (including, where necessary, visiting any off-site heat use measurement or off-site sampling facilities)
 - Provide a report detailing audit outcomes, within agreed timescales
 - Amend / clarify reports based on feedback from the internal audit team
- 10.2. The external contractor will also supply the audit team with a periodic report for the relevant audit round that includes:
- A summary of the NDRHI audit programme findings to date
 - A summary of the NDRHI audit programme findings for the reporting period
 - Feedback on the NDRHI audit programme including any recommended actions related to the RHI Regulations, Ofgem NDRHI communications materials and improvements to internal controls to address issues identified at site audits.

Auditor capabilities

- 10.3. For smaller installations, including those classified as having simple or standard metering arrangements, we will require auditors with the following skills or knowledge:
- Water supply operations
 - Energy and mass balances
 - Data handling
 - Comparing records
 - Fluid mechanics
 - Thermodynamics
 - Understanding of eligible heat use
 - Heat metering
 - Metering installation and calibration
- 10.4. For larger installations, including those classified as having complex or multiple metering arrangements, we will require auditors with the same skills and knowledge as for smaller installations, and in addition:
- Steam system operations
 - Steam metering
 - Biomass/biogas handling
 - Statistics (sampling theory, errors and uncertainty)
 - Process engineering experience
 - Interpreting system schematics

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Internal Audit Team

10.5. The internal audit team are responsible for the development and implementation of the audit programme, including management of the external contractor undertaking site audits on our behalf.

10.6. The team are responsible for specific tasks that include:

- Planning and monitoring the audit programme
- Managing the external contractor(s)
- Administration of the audit programme
- Developing and refining audit checks
- Carrying out desk-based audits
- Approving site audit reports including assurance ratings
- Compiling management information and reporting to senior management and DECC
- Assisting with E-Serve audit contract procurement processes

10.7. We will recruit staff with the necessary skills and knowledge to undertake the duties and functions of their respective roles. This will include:

- Strong numerical and analytical skills paying particular attention to detail
- Excellent written and verbal communication skills including reporting to senior management
- Experience of applying the principles and practices of risk management
- Experience of contract monitoring and management

10.8. We will maintain standard operating procedures that are updated periodically, in particular where process improvements are made. These will provide detailed descriptions of processes, roles and responsibilities and timescales for when tasks are required to be carried out. These will be used as the basis for induction training so that new starters can become productive as quickly as possible.

10.9. We will monitor resource requirements taking into account variations in application volumes, audit findings and other factors that have an impact on the audit sample size. Based on current audit volumes, we require three FTEs that include an Audit Manager, Audit Assistant Manager and Audit Administrator.

10.10. The team's work will be carefully monitored using internal KPIs and performance will be reviewed using the 'Internal Monitoring Log'.

Budget

10.11. The budget required to conduct the audit programme will be requested as part of Ofgem's business planning submission to DECC, with spend controlled in line with agreed procedures.

11. Appendix



Ofgem E-Serve Technical Audit Assurance Categories			
Assurance Rating	General Description	Trigger Point(s)*	Description**
Unsatisfactory	Audit found major issues of non-compliance.	<p>General: Major issue with eligibility.</p> <p>OR</p> <p>Financial: Impact on scheme considered to be in excess of £50,000 or 5% of lifetime payments.</p> <p>OR</p> <p>Fraud: There are suspicions of abuse, misuse or fraud</p>	<p>This assurance category will indicate that an audit has found one of the following;</p> <ol style="list-style-type: none"> 1. The audited station has been incorrectly accredited for scheme participation resulting in the receipt of incorrect payments which will need to be recovered and an assessment made on the possible removal of accreditation. This will include issues that have a significant impact on the wider scheme and/or Ofgem. 2. The impact of the audit findings indicates a large potential loss to the scheme (in excess of £50,000 or 5% of lifetime payments.) 3. There is a suspicion of abuse, misuse, or fraud.
Weak	Audit found moderate issues of non-compliance.	<p>General: Moderate issue with eligibility.</p> <p>OR</p> <p>Financial: Impact on scheme considered to be in excess of £1,000 or 2% of lifetime payments, but not exceeding £50,000 or 5% of lifetime payments.</p>	<p>This assurance category will indicate that an audit has found one of the following;</p> <ol style="list-style-type: none"> 1. The audited station has issues with eligibility which can be rectified within a reasonable timescale to ensure compliance with scheme legislation. This may result in payments being suspended or withheld until this happens. 2. The impact of the audit findings indicates a moderate potential loss to the scheme (in excess of £1,000 or 2% of lifetime payments, but not exceeding £50,000 or 5% of lifetime payments).
Satisfactory	Audit found minor issues or has recommended introduction of best practice.	<p>General: Minor issues found on site.</p> <p>OR</p> <p>Financial: Impact on scheme considered to be less than £1,000 or 2% of lifetime payments.</p>	<p>This assurance category will indicate that an audit has found one of the following;</p> <ol style="list-style-type: none"> 1. The audit has identified areas of poor practice and/or the station has not complied with certain on-going obligations. The impact of this will have a minor or no impact on the wider scheme and/or Ofgem. 2. The impact of the audit findings indicates a minor potential loss to the scheme (less than £1,000 or 2% of lifetime payments).
Good	No issues found during audit.	N/A	There were no issues noted during the audit.

Table 6: Ofgem Assurance categories

* Potential financial losses are calculated over the total lifetime of the scheme.



Risk category	Non-compliance type
Material impact, high frequency	Meter reading / PDS errors
	External pipework not declared
	Heat generated by ineligible plant
	Heat losses are not properly accounted for
Material impact, low frequency	Undeclared contaminated fuel
	Meter not calibrated for Glycol
	Fuel used does not match the Emissions certificate(s) / Wider range of fuels used than stated in application defunct as a result of AQ reg. changes)
	Building does not comply with RHI definition
	Biomethane related non-compliances - Data reporting the energy content of biomethane is incorrect / Method used to measure propane not confirmed with Ofgem /Methodology for heat supplied to biogas production is inadequate / Readings from propane meter not corrected for temperature and pressure
	Participant using fuel not recommended for boiler
	Eligible heat being used for ineligible purpose
	Accredited as NSD but appears to be Domestic
	Space heating in summer
	No evidence of installation
	Not properly commissioned
Installation is improperly maintained	
Non-material impact, high frequency	Meter component installed incorrectly
	Lack of fuel records
	Major schematic errors
	Faulty meter
Non-material impact, low frequency	No notification of change to installation
	Capacity unconfirmed
	Auditor unable to make contact
	Meter not recalibrated following repairs
	Unable to locate meter(s)
	Undeclared commercial cleaning/drying outside
	Nameplate different to that declared on the application
Undeclared ancillary fuel use	

Table 7: Examples of non-compliances and their risk category