

To: Hughes, Seamus[Seamus.Hughes@detini.gov.uk]
Cc: Wightman, Stuart[Stuart.Wightman@detini.gov.uk]; Mills, John (DETI)[John.Mills@detini.gov.uk]; Willis, Adele[Adele.Willis@detini.gov.uk]; Briggs, Peter[Peter.Briggs@detini.gov.uk]; Jane Pierce[Jane.Pierce@ofgem.gov.uk]; Teri Clifton[teri.clifton@ofgem.gov.uk]; Gareth John[Gareth.John@ofgem.gov.uk]
From: Edmund Ward
Sent: 2016-03-24T17:21:18Z
Importance: Normal
Subject: RE: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]
Received: 2016-03-24T17:21:19Z

Seamus

Thanks for your time on the phone.

To address the points below:

- 1) No further action requested
- 2) Yes, we can confirm that a proposal for Phase 2 will be submitted by Deloitte and that this will include the sampling approach and that as per the letter from John Mills to Chris Poulton (7.3.16) this second proposal will include assessment of the ongoing compliance of participants through a sample of inspections of installations and that overall report will include a clear opinion on the compliance of participants with the terms of the scheme
- 3) To provide clarity/reassurance, I can confirm that phase 2 will be informed by the results of phase 1. This is addressed in the deliverables section, which is explicit that [emphasis added] 'After phase 1, a further detailed proposal for phase 2 **will** be prepared. The outcome would be a single Report, **to be informed by the outcomes of phase 1**, and the site audits conducted by Ricardo Energy and Environment as part of phase 2, to address the overall objective.' On that basis, I would recommend we move to progress on the basis of the scope as drafted.
- 4) You are of course welcome to take legal advice on sharing with NIAO or Assembly, should you so wish. Equally if you wish for me to clarify with Deloitte sharing of the report with any specific bodies, I will be happy to progress that in parallel with the fieldwork
- 5) I agree that it would be useful to agree a timetable for phase 2 at the earliest opportunity. However, mindful of the need for that to be realistic, my recommendation would be to agree to proceed with phase 1 now, and then to seek a draft proposal for phase 2 alongside joint DETI and Ofgem review of the draft report, targeting a further timetable to be proposed by w/c 25 April which would include a start date for site audits.

Are you happy with the above approach? If so, I would propose moving to continue with phase 1, and for us to raise associated paperwork to reflect this.

From our side, we'd be happy for this to be acknowledged by email in the first instance – for example via a short email note from John, confirming agreement to proceed – and for formal signoff to follow.

As I mentioned, we have Public Holidays tomorrow (Friday) and Monday – but conscious of availability and that Friday is a working day for you, I'm happy to discuss further today/to pick up emails tomorrow as required if there are any outstanding points to resolve this week.

Kind regards

Edmund

From: Hughes, Seamus [mailto:Seamus.Hughes@detini.gov.uk]

Sent: 24 March 2016 16:10

To: Edmund Ward

Cc: Wightman, Stuart; Mills, John (DETI); Willis, Adele; Briggs, Peter

Subject: FW: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]

Importance: High

Edmund

Michael has copied you in directly so no doubt you will already be addressing the points raised. Subject to these being addressed I think we are ready to move forward.

Happy to discuss.

Regards

Seamus

Seamus Hughes

Energy Efficiency Branch

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Received from OFGEM on 22.05.2017
 Annotated by RHI Inquiry

NI Year of Food & Drink 2016**Please consider the environment - do you really need to print this e-mail?****From:** Woods, Michael (DETI)**Sent:** 24 March 2016 15:50**To:** Edmund Ward; Hughes, Seamus**Cc:** Teri Clifton; Wightman, Stuart; Willis, Adele; Jane Pierce; Gareth John; Mhairi McQuillan; Mills, John (DETI); Stewart, Chris (DETI); McCormick, Andrew (DETI); Cooper, Trevor; Rooney, Eugene; Anderson, Michelle; Saunders, David; Cardwell, Mark; Bagdonaite, Dovile**Subject:** RE: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]

Seamus

- 1) I am content that the deliverables section of the proposal now includes reference to a single report informed by the outcomes of the initial systems review plus the results of site visits undertaken in phase 2;
- 2) As the proposal only relates to phase 1, however, can we have confirmation that a proposal for Phase 2 will be submitted by Deloitte and that this will include the sampling approach and that as per the letter from John Mills to Chris Poulton (7.3.16) this second proposal will include assessment of the ongoing compliance of participants through a sample of inspections of installations and that overall report will include a clear opinion on the compliance of participants with the terms of the scheme.
- 3) The scope limitation still states that phase 2 (site inspections) is dependent on the findings of phase 1. Would it not be better to say "phase 2 will be informed by the results of phase 1";
- 4) In relation to the letters for Ofgem and DETI to sign, they appear okay, you may wish to get legal advice on the ability to share this report with NIAO or Assembly or at least confirm with Deloitte that notwithstanding the conditions in the letter DETI can share the report; and
- 5) The timetable still refers to Phase 1 only and includes the production of a draft and final report on phase 1. It is not clear if this timetable is still relevant, if as I understand, there is now to be one overall report. Is it the intention to produce a report on phase one and a separate report after phase 2 on the whole exercise? Would it not be better to have a timetable for the whole exercise and this would include the commencement of site inspections and the overall report. If the timetable only relates to phase 1 then can you confirm if work on phase two will only commence after the final report on phase one is produced i.e. end of April 2016. A timetable for Phase 2 would be useful in particular the likely date on which site inspections will commence.

Michael Woods

DETI IAS

Ext 29892

From: Edmund Ward [<mailto:Edmund.Ward@ofgem.gov.uk>]**Sent:** 23 March 2016 17:38**To:** Hughes, Seamus**Cc:** Teri Clifton; Wightman, Stuart; Willis, Adele; Jane Pierce; Gareth John; Mhairi McQuillan; Woods, Michael (DETI)**Subject:** RE: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]

Hi Seamus

Just re-circulating the attached (these are the same as those sent through earlier today to you/Stuart) to this wider circulation – on the assumption that you were to confirm you're happy with the attached, then I can follow up formally alongside associated CRs to reflect costs.

Kind regards

Edmund

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gov.uk>]**Sent:** 23 March 2016 09:09**To:** Edmund Ward**Cc:** Teri Clifton; Wightman, Stuart; Willis, Adele; Jane Pierce; Gareth John; Mhairi McQuillan; Woods, Michael (DETI)**Subject:** RE: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]

Hi Edmund

Just following up from our teleconference meeting on Monday on when we are likely to receive the revised Deloitte proposal and details of the likely costs? We are very keen to get this agreed and underway as soon as possible.

Many thanks

Regards

Seamus

Seamus Hughes

Annotated by RHI Inquiry

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

From: Edmund Ward [<mailto:Edmund.Ward@ofgem.gov.uk>]

Sent: 18 March 2016 16:39

To: Hughes, Seamus

Cc: Teri Clifton; Wightman, Stuart; Willis, Adele; Jane Pierce; Gareth John; Mhairi McQuillan

Subject: HPRM: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL) [OFFICIAL]

Hi Seamus

I couldn't reach you by phone earlier, but please see below latest responses from Deloitte [in red] to your auditors comments and my proposed way forward [in green]

It would be good to discuss on Monday - alongside our discussion on preliminary accreditations further to your letter - if we can find an available time. **1pm (or potentially 10:30am)** are possible slots for a call – do either of those work from your side?

If we could agree these changes early on Monday, I should be in a position to circulate a final scope from Deloitte during the course of Monday to John/Chris with a view to still commencing work next week in order to progress this work during this financial year.

Thanks

Edmund

1) *The intent was for a jointly commissioned review, however the proposal only allows that a report is shared with DETI see the Section titled "deliverables" it also states that DETI cannot use or make a copy of the report available to anyone without the Ofgem auditors expressed permission. This report needs to be seen as a joint report, DETI will need to be able to share. It is worth checking if this is a standard "copper plate" statement that their auditors use or if this means we need their approval to share the report; DETI will need our approval to share the report and as such, we can prepare a letter for DETI to sign, which would allow for this. EW proposed action: Deloitte to draft the necessary letter*

2) *Rather than starting with inspections and using these to inform the review of systems the proposal suggests the reverse, with the onsite inspections taking place depending on the results of the systems review. Given that we have allegations of abuse it is imperative that any review includes a sampling of actual installations, the allegations are that the scheme is both open to abuse and being abused, both need to be considered. I would suggest therefore that the reference to stage two taking place depending on the results of stage 1 is amended. I would be concerned that Deloitte will only be expressing an opinion on the systems and not also on the results of the onsite inspections. I thought the intent, we discussed with Ofgem was for one report that covered both questions. We are happy to remove the reference to the two stage process in our scope document, however, the DETI internal auditors are correct in that Deloitte would only be expressing an opinion on the systems and processes of internal control at Ofgem, rather than doing any site inspections themselves.*

You would need to distinguish between 1) applicants abusing the process because the regulations have a loophole which allow them to and 2) applicants abusing the process which a) Ofgem could pick up from having a more rigorous system of checks in place or b) could only be determined by doing site inspections. EW proposed action: change to Deloitte scope – in Audit Objective replace 'potentially conducted in a two-part process' with 'to be conducted in a two-part process, for which this document defines the scope for phase 1'

3) *The original commitment was to undertake 50 inspections by the end of March 2016, this is the only way i can see to address the issues of potential abuse. A time scale for the inspections would therefore be useful in the proposal as would clarify on whether Deloitte's role is to oversee the complete investigation or only to undertake the systems work. If the later then who will be providing the assurance on the results of site inspections?*

Deloitte could only undertake the systems work and not do the site inspections. I would suggest Ricardo, as your current site inspection auditors with the technical expertise to do this, would need to come on-board as well. EW proposed action: change to Deloitte scope – Scope Limitations – additional final sentence: 'Phase 2 would involve the conduction of site visits or physical inspection. These would not be conducted by Deloitte but our understanding is that

this could be delivered through Ofgem's arrangements with Ricardo Energy and Environment

4) It is important to keep in mind that there are allegations of abuse as well of there being weaknesses in the system of control.

Our proposed work would however, check the design and operating effectiveness of your controls in place to ensure Ofgem is carrying out its duties appropriately and minimising the risks of any fraud. EW comment – noted; we expect this to be most appropriately addressed as part of phase 2.

From: Hughes, Seamus [<mailto:Seamus.Hughes@detini.gov.uk>]
Sent: 16 March 2016 09:44
To: Edmund Ward
Cc: Teri Clifton; Wightman, Stuart; Willis, Adele; Jane Pierce; Gareth John; Mhairi McQuillan
Subject: RE: HPRM: FW: Non-Domestic NIRHI - Draft Scope (OFFICIAL)
Importance: High

Edmund

Thank you for the very helpful discussion around this in our meeting yesterday and for sending through the draft Deloitte proposal. I tried ringing you for a quick chat before sending this email but you are going to voicemail. We shared the draft with our Internal Audit colleagues and they have offered the following comments which we wish to share with you for your further consideration:-

1) The intent was for a jointly commissioned review, however the proposal only allows that a report is shared with DETI see the Section titled "deliverables" it also states that DETI cannot use or make a copy of the report available to anyone without the Ofgem auditors expressed permission. This report needs to be seen as a joint report, DETI will need to be able to share. It is worth checking if this is a standard "copper plate" statement that their auditors use or if this means we need their approval to share the report;

2) Rather than starting with inspections and using these to inform the review of systems the proposal suggests the reverse, with the onsite inspections taking place depending on the results of the systems review. Given that we have allegations of abuse it is imperative that any review includes a sampling of actual installations, the allegations are that the scheme is both open to abuse and being abused, both need to be considered. I would suggest therefore that the reference to stage two taking place depending on the results of stage 1 is amended. I would be concerned that Deloitte will only be expressing an opinion on the systems and not also on the results of the onsite inspections. I thought the intent, we discussed with Ofgem was for one report that covered both questions.

3) The original commitment was to undertake 50 inspections by the end of March 2016, this is the only way i can see to address the issues of potential abuse. A time scale for the inspections would therefore be useful in the proposal as would clarify on whether Deloitte's role is to oversee the complete investigation or only to undertake the systems work. If the later then who will be providing the assurance on the results of site inspections?

4) It is important to keep in mind that there are allegations of abuse as well of there being weaknesses in the system of control.

Happy to discuss.

Regards

Seamus

Seamus Hughes

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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: 15 March 2016 11:18
To: Wightman, Stuart; Hughes, Seamus; Willis, Adele
Cc: Teri Clifton; Jane Pierce; Mhairi McQuillan; Gareth John
Subject: HPRM: FW: Non-Domestic NIRHI - Draft Scope

Stuart, Seamus, Adele

Thanks for your time this morning.

Please find attached, to inform discussions within DETI, the initial draft scope from Deloitte as discussed on our call this morning.

Grateful for views on any desired changes, if at all, from a DETI perspective, before we might move to agreement to proceed?

Kind regards

Edmund

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