OFG-82261

To: Mary Smith[Mary.Smith@ofgem.gov.uk]
From: Keith Avis
Sent: 2012-12-12T15:51:27Z
Importance: Normal
Subject: FW: NIRHI: Audit Position
Received: 2012-12-12T15:51:29Z
Draft NIAO Brief.docx
NIRHIletter 12 Dec.docx

Mary
So that you are aware, in preparation of the call from DETI tomorrow, which I think will likely be along the lines that the NIAO are sticking to their position, I have a further version of the cover letter with some suggested new wording and have a briefing framework in place which I can adapt as necessary to send to Stuart, MC, etc.
Happy to take on your views if you want to comment on these now. Equally, appreciate if you want to hold fire until DETI come back to us.
Keith

From: Keith Avis
Sent: 12 December 2012 11:59
To: Paul Heseltine; Robert Hull
Cc: Luis Castro; Mary Smith; Jacqueline Balian; Gavin Jenkins
Subject: RE: NIRHI: Audit Position

Bob and as above
I have chased DETI this morning who confirmed that Fiona Hepper is meeting the NIAO at 2pm tomorrow, so we will have a clear position from DETI tomorrow afternoon. In the meantime I will work on briefing covering option 3 so that we can raise this with those that Paul has mentioned below as needs be. I will also revisit the Admin Arrangements cover letter to make sure that we have appropriate wording. I think that scheme audits are of greatest interest to the NIAO, but in my view our line, certainly on full audit access rights, would be applicable to broader Ofgem audits as well.
Rgds
Keith

From: Paul Heseltine
Sent: 12 December 2012 07:17
To: Robert Hull; Keith Avis
Cc: Luis Castro; Mary Smith; Jacqueline Balian; Gavin Jenkins
Subject: Re: NIRHI: Audit Position

Bob,

Apart from MC, I would suggest bringing Walter Carlton up to speed on this issue and informing the audit committee (Stuart may simply wish to provide a verbal update or there can be a paper).

Paul

From: Robert Hull
Sent: Tuesday, December 11, 2012 06:43 PM
To: Keith Avis
Cc: Luis Castro; Mary Smith; Paul Heseltine; Jacqueline Balian
Subject: RE: NIRHI: Audit Position

Keith
I'm happy with option 3 – should/can we differentiate between scheme audits and audits of Ofgem? We will need to capture the position that we are commercially protected in that we will need to agree anything further. Paul, welcome your views on who (and when) in Ofgem we need to inform of this transitional position.
Bob

From: Keith Avis
Sent: 11 December 2012 17:07
To: Robert Hull
Cc: Luis Castro; Mary Smith; Paul Heseltine; Jacqueline Balian
Subject: NIRHI: Audit Position

Bob cc: Luis, Mary, Paul, Jacqueline

Picking up on the action point from the RHI Implementation Board this morning, I have spoken to Paul Heseltine regarding the Northern Ireland Audit Office's desire to have full NIRHI audit rights.

To recap: The NIRHI Administrative Arrangements have yet to be signed as they are pending resolution of the question of audit. We have made the point that we carry out our own independent audits and would be able to send DETI information that they need covering our administration of the scheme. However, we would not be prepared to provide access to their auditors to audit us at will. During the conversation with Matthew last Friday, Fiona Hepper from DETI said that she would approach the Northern Ireland Audit Office to seek agreement to move forward on this basis. NIAO subsequently came back to DETI today taking a much stronger line than it appears DETI had anticipated. In short they said that in undertaking any NIRHI audit they would "want to follow the money", which would include full audit access rights to DETI and ourselves. Fiona Hepper understands our position and has subsequently asked for an urgent meeting with NIAO either tomorrow or Thursday. The signing of the Admin Arrangements is, therefore, on hold pending the result of that meeting.

Options: The options open to us are:

1. We sign the Admin Arrangements agreeing to the DETI / NIAO audit terms.
2. We refuse to sign the Admin Arrangements until DETI soften their audit position.
3. We sign the Arrangements, but with a strong caveat in the cover letter along the lines that audit issues remain to be resolved, but while these discussions continue DETI will pay agreed Ofgem costs until the end of the financial year.

If DETI are unable to get the NIAO to move from their current position in the short term, we would suggest that option 3 would be preferable as this would allow us to move forward to sign the Arrangements without compromising our audit stance.

Paul Heseltine's View: Paul's view was that option 3 would be a sensible workable solution and he agreed that it was important to get the Arrangements signed quickly. He did caution on agreeing to NIAO's audit requirements. Logistically this could mean a number of NIRHI audits being undertaken in a very short time, adding real pressure on the RHI ops team. As I understand it the NAO have been pushing for full supply chain audits in the same way that NIAO are proposing, so there is also a danger that if we agree to NIAO's request we could be setting an unhelpful precedent for ourselves.

Paul also offered up the view that if we did want to suggest anything to DETI by way of compromise, one option would be that the NIAO speak to our current auditors if they wanted to audit us, so that Deloitte (if it is Deloitte) could undertake the audit on their behalf.

Next Steps: As a result of Paul's comments I would suggest that we await the outcome of the DETI/NIAO meeting over the next day or so and then, if the NIAO position has not changed, we will put the Arrangements to you for signature, but with a suitably worded caveat in the cover letter, that makes clear that the detail on audit will need further discussion and agreement between the two parties.

I hope that this is helpful. Of course, I will act on your steer and am available to discuss further as you need.

Rgds

Keith

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