

To: Keith Avis[Keith.Avis@ofgem.gov.uk]; Gavin Jenkins[Gavin.Jenkins@ofgem.gov.uk]
Cc: Robert Hull[Robert.Hull@ofgem.gov.uk]; Mary Smith[Mary.Smith@ofgem.gov.uk]
From: Luis Castro
Sent: 2012-12-17T09:14:12Z
Importance: Normal
Subject: RE: NIRHI: Audit Position
Received: 2012-12-17T09:14:15Z

Many thanks Keith, let's have a quick catch up when you hear from DETI so we can decide next steps in order to try and finalise this week.
 Luis

From: Keith Avis
Sent: 17 December 2012 09:04
To: Gavin Jenkins
Cc: Robert Hull; Mary Smith; Luis Castro
Subject: FW: NIRHI: Audit Position

Gavin cc: Bob, Mary, Luis

Thank you for your response here. Just so that I am clear, to summarise what you say:

- NIAO should have access in terms of the auditing RHI payments
- We should not give NIAO access for the cost of administering the scheme.
- You feel that we should not share our own internal audit reports with DETI – but I would hope that we could come to a half way house agreement whereby we would summarise the findings – appreciate that we would need to agree this with DETI though.
- We should not feel obliged to take on DETI's requirements, but can agree to liaise with them before undertaking our own internal audit.

DETI are coming back to me this morning with a view from their Audit Committee, so I will provide a further update as soon as I take that call.

Regards
 Keith

From: Gavin Jenkins
Sent: 14 December 2012 12:41
To: Keith Avis
Subject: RE: NIRHI: Audit Position

Keith,

My view is that in terms of the actual payments to NI RHI claimants, we have to accept that the NIAO will require rights of access.

It is interesting to note that the NAO have shown little interest so far on payments made under the GB RHI scheme, but given their materiality to the overall DECC account (where RHI payments are accounted for), this is hardly surprising.

In terms of Ofgem's costs for administering the NI RHI, this is where audit access rights become a bit greyer. As far as I understand it (I know very little about the NI RHI arrangements though), we have given DETI a price for doing the work, which they have accepted. Unless we are named in statute to administer the scheme (which if we were there may already be an audit provision), DETI could easily have gone to someone else like Capita.

Capita would not have given the NIAO automatic rights of access unless the contract with DETI was an 'open-book arrangement'. To my knowledge though, these are quite rare, and are reserved only for very large business critical contracts. I would be surprised if Ofgem's contract with DETI would fall into this category.

Ofgem's costs of administering the scheme are still subject to external audit. The point is though that they fall under the remit of the National Audit Office, rather than the NIAO.

To answer your questions:

Internal Audit reports that would cover our administration procedures are produced for Ofgem management. I would not expect to share these reports, unless there was very good reasons. Even if we did share, we would have to get permission from Deloitte first.

I would imagine that Ofgem would not commission IA reports on the validity of payments being made, as this would be DETI's responsibility. If DETI did commission such reports, we would of course have to give them rights of access as per paragraph 1.

In terms of NIAO access when they want, I think we will have to go with whatever they are asking for in terms of the auditing RHI payments, but point out that our costs of administering the scheme fall under the audit remit of the National Audit Office.

One small crumb of comfort. Given that RHI payments are likely, as with DECC, to be a very small proportion of DETI spend, the chances of the NIAO wanting to exercise their access rights are remote.

I hope this helps
 Gavin

From: Keith Avis
Sent: 14 December 2012 09:31
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