

STATEMENT OF RESPONSIBILITIES OF GRANT PAYING BODIES, LOCAL GOVERNMENT BODIES, THE CHIEF LOCAL GOVERNMENT AUDITOR AND LOCAL GOVERNMENT AUDITORS IN RELATION TO CLAIMS AND RETURNS

This statement highlights the different responsibilities of grant-paying bodies, local government bodies, the Chief Local Government Auditor and local government auditors in relation to claims and returns. It is published following the introduction of the Local Government (Northern Ireland) Order 2005 ("the Order"). Article 25 of the Order requires the Chief Local Government Auditor to make arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Northern Ireland department or public body to a local government body. This follows consultation with stakeholders.

The statement is based on a similar document published by the Audit Commission in 2004 and updated in 2007. The Audit Commission has also published two corporate briefings, Claims and returns: Good practice for grant-paying bodies and Claims and returns: Good practice for authorities (Audit Commission, published 20 April 2004 – available from www.audit-commission.gov.uk/reports).

Introduction

1. Grant-paying bodies may require certification of local government bodies' claims for grant or subsidy, and of other returns of financial information, by an appropriately qualified and independent accountant. Certification is one option for providing assurance as to the basis of a local government body's entitlement to grant or subsidy or, in the case of a return, as to the information provided. Grant-paying bodies, local government bodies, the Chief Local Government Auditor and local government auditors all have an interest in ensuring that claim and return certification procedures operate efficiently and effectively and with a common understanding by all parties of their respective responsibilities.
2. The purpose of this statement is to summarise the framework under which the Chief Local Government Auditor will apply his certification instructions and to assist grant-paying bodies, local government bodies, and local government auditors by summarising their respective responsibilities and explaining where those different responsibilities begin and end.
3. Throughout this statement:
 - 'grant-paying bodies' includes government departments and agencies, public authorities and the European Commission directorates and its agents requiring the completion of claims and returns;
 - 'local government bodies' means all local government bodies whose auditors are designated local government auditors under Article 4 of the Order, which have requested the certification of claims and returns under Article 25 of the Order;
 - 'Chief Local Government Auditor' refers to the local government auditor designated as Chief Local Government Auditor, by the Department of the Environment, with the consent of the Comptroller and Auditor General for Northern Ireland in accordance with Article 4 of the Order;
 - 'local government auditor' is the auditor designated to audit a local government body by the Department of the Environment, with the consent of

the Comptroller and Auditor General, from members of staff of the Northern Ireland Audit Office in accordance with Article 4 of the Order. For the purpose of certifying claims and returns under Article 25 of the Order a local government auditor acts under the direction of the Chief Local Government Auditor. In this capacity, whilst qualified to act as an independent external auditor, the local government auditor acts as a professional accountant undertaking an assurance engagement governed by the Chief Local Government Auditor's certification instruction arrangements;

- 'assurance engagement' is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;
- 'certification instructions' are the written instructions from the Chief Local Government Auditor to local government auditors on the certification of claims and returns;
- 'certify' means the addition by the local government auditor, of his/her audit certificate on a claim form or return, in accordance with arrangements made by the Chief Local Government Auditor;
- 'claims' includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;
- 'the Order' is the Local Government (Northern Ireland) Order 2005;
- 'returns' are either:
 - returns in respect of a grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
 - returns other than those in respect of grant, which must or may be certified by the local government body's auditor, or under arrangements made by the Chief Local Government Auditor ; and
- 'underlying records' are the accounts, data and other working papers supporting entries on a claim or return.

Chief Local Government Auditor's certification arrangements

4. Under Article 25 of the Order, the Chief Local Government Auditor shall, if required by local government bodies, make arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Northern Ireland department or public authority to any local government body subject to audit under the Order. The Chief Local Government Auditor, rather than the local government auditor, has the responsibility for making certification arrangements.
5. Notwithstanding any desire by a grant-paying body or local government body to have claims or returns certified by the local government auditor, the Chief Local Government Auditor is entitled (on the basis of legal opinion received by the Audit

Commission on equivalent legislation to the Order) to exercise reasonable discretion in meeting statutory obligations. This means he can make a judgement whether it is appropriate to apply his certification instructions in specific cases, having regard to the particular circumstances of a scheme, the sums involved, the likely auditor workload and the likely costs of certification. In practice, this means that the Chief Local Government Auditor can decline to apply his certification instructions where he deems it appropriate to do so.

6. In order to manage the number of claims and returns requiring certification and the consequential regulatory burden on local government bodies, the Chief Local Government Auditor has decided that certification arrangements should be proportionate to the amount of grant involved and that grant-paying bodies must secure the Chief Local Government Auditor's formal agreement to apply his certification instructions before certification by one of the local government auditors is made a condition of grant.
7. The certification arrangements that the Chief Local Government Auditor will make are summarised below. In all cases the financial limits are by reference to the total amount claimed, rather than the grant allocation or the total eligible expenditure. In the case of projects, the financial limit is by reference to the total amount claimable over the lifetime of the project:
 - For claims and returns below a de minimis amount set by the Chief Local Government Auditor (currently £25,000), the Chief Local Government Auditor will not apply his certification instructions, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions. Consequently local government auditors are also prevented from certifying claims or returns below the de minimis amount.
 - For claims and returns between the de minimis amount and a threshold to be set by the Chief Local Government Auditor (currently £50,000), local government auditors will undertake limited tests to agree form entries to underlying records, but will not undertake any testing of the eligibility of expenditure or data.
 - For claims and returns over the threshold, auditors will assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, auditors will undertake limited tests to agree form entries to underlying records but will not undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, auditors will undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing (sample sizes) required.
8. The Chief Local Government Auditor requires grant-paying bodies to secure his formal agreement at scheme or programme level that he will apply his certification instructions, before certification by the local government auditor is made a condition of grant. To this end, the Chief Local Government Auditor requires the Principal Finance Officer, or equivalent, of the grant-paying body to write to him at an early stage, requesting auditor certification. The letter is to be accompanied by a copy of the grant terms and conditions, the claim form or return requiring certification and a list of potential claimant local government bodies and the amount claimable by each. The Chief Local Government Auditor requires a period of no less than twenty working days to respond to the grant-paying body. The Chief Local Government Auditor will

not apply his certification instructions unless his formal agreement to do so has been secured in accordance with this statement.

9. The Chief Local Government Auditor provides guidance on the certification of claims and returns to local government auditors in his Claims and Returns Certification Instructions (Chief Local Government Auditor – available from www.niauditoffice.gov.uk). The form of the local government auditor's certificate to be given is set out at the end of this statement.

Grant-paying bodies

10. The effectiveness of a grant-paying body's arrangements for securing independently certified information depends on the grant-paying body:
 - specifying robust and practicable terms and conditions in accordance with which a local government body prepares its claim or return and gives its certificate; and
 - specifying appropriate local government body and auditor certification arrangements.
11. Grant-paying bodies are responsible for providing:
 - grant terms and conditions which:
 - are available in sufficient time to enable local government bodies to plan and make best use of the funding available;
 - are clear as to the aims and objectives of the scheme, who can claim, the period during which eligible expenditure will be supported and the way grant entitlement will be calculated;
 - provide clear definitions of eligible expenditure and any performance measures on which entitlement to grant is based; and
 - are clear as to the role and responsibilities of the various parties involved in schemes operated by partnerships, in particular in identifying the responsible administering body and liabilities for repayment in the event of default;
 - claim forms and returns which:
 - are available in sufficient time to enable local government bodies to make arrangements to collect information and to complete the claim forms and returns by the prescribed deadline;
 - are properly designed so as to collect the information necessary for the calculation of grant entitlement, or required by the return in question, but avoid collecting detail not relevant to the grant calculation;
 - are supported by clear and comprehensive notes to secure their consistent completion, in particular as to the basis of the entries required (for example, on the basis of accruals or cash accounting);

- are, other than in exceptional circumstances, based on proper accounting practices and on a local government body's accounting year to 31 March, have completion deadlines which fit with the local government body's preparation of its accounts, and have auditor certification deadlines which enable the local government auditor to co-ordinate certification of claims or returns with the audit of the local government body's accounts where appropriate;
 - incorporate appropriate certificates by the local government body and, where required, by the local government auditor (see paragraphs 12 and 32). The local government body's certificate, which must be completed before the claim or return is passed to the auditor, must provide at least as much assurance as that required of the local government auditor, but may also provide assurance on areas not appropriate to the local government auditor's certificate; and
 - have a prescribed timetable for both their preparation and local government auditor certification, with appropriate retentions to encourage compliance.
12. Grant-paying bodies are responsible for specifying appropriate local government body and auditor certification requirements including who may give the local government body's certificate on the claim or return and which auditor may certify it (normally either any appropriately qualified independent accountant or the local government auditor). Appropriate assurance should be taken from certificates given by chief financial officers. Grant-paying bodies should consider carefully whether auditor certification of a particular scheme is required having regard to the costs involved relative to the amounts of grant claimed. Local government auditor certification should not be required for claims relating to small amounts, expenditure that is regular or predictable over time or has few conditional provisions and no complex terms, or where other information or data or other monitoring of information about outcomes is available that provides assurance as to the appropriate use of grant monies.
13. If certification by a local government auditor is or may be required, a grant-paying body must:
- secure the Chief Local Government Auditor's formal agreement that the Chief Local Government Auditor will apply his certification instructions (see paragraph 8);
 - familiarise itself with the certification instructions that the Chief Local Government Auditor provides to local government auditors in the Chief Local Government Auditor Claims and Returns Certification Instructions (available from www.niauditoffice.gov.uk);
 - engage in timely consultation with the Chief Local Government Auditor to enable on the basis of the terms and conditions and forms provided by the grant-paying body, to consult the grant-paying body and secure his written agreement to the application of his certification instructions before publication (see paragraphs 20 to 26).
14. Grant-paying bodies must deal promptly with qualified certificates on claims or returns to ensure that matters are resolved and do not recur year after year.

Local government bodies

15. Local government bodies are responsible for the proper and accurate preparation of claims and returns and for the establishment of effective administrative and financial systems, including proper arrangements to prevent and detect fraud or error. They need to satisfy themselves that they will be able to comply with the terms and conditions of a grant, including auditor certification requirements (see paragraph 19), before accepting it. Local government bodies are also responsible for exercising proper degrees of supervision and review of completed claims or returns before completing the local government body's certificates. The local government body's certificate on a claim or return must be completed before it is passed to the local government auditor for examination. Local government auditors will not certify claims or returns where the local government body's certificate has not been completed.
16. The chief financial officer of a local government body is responsible for ensuring that supporting accounting records are sufficient to show the local government body's transactions, are maintained in accordance with proper practices and kept up to date, including a record of income and expenditure in relation to claims.
17. Local government bodies are responsible for ensuring that claims and returns:
 - are completed accurately and in accordance with the scheme terms and conditions;
 - are supported by systems of internal control, including systems of internal financial control and internal audit, which are both adequate and effective in practice;
 - are completed in a timely fashion so that deadlines are met;
 - are supported by adequate working papers, including, where applicable, non-financial records, which:
 - satisfy the statutory requirement on the chief financial officer of a local government body to maintain adequate records in relation to claims;
 - document the basis of the claim or return and the derivation of the information it contains; and
 - are kept in a form that will help the local government auditor and reduce certification time and, therefore, the cost to the local government body; and
 - are subject to proper supervision and review prior to completion of the local government body's certificate so that the assurance given by the local government body certificate is well founded.

Where these responsibilities are fully discharged it is more likely that the auditor will be able to conclude that reliance can be placed on the control environment for the preparation of a particular claim or return and so be able to limit the certification work required.

18. Irrespective of who may complete claims and returns for the local government body, grant-paying bodies always require the local government body's certificate to be given by an appropriate senior officer, typically the chief financial officer, or an officer authorised by written delegated powers. The local government body's certificate should be given only when the certifying officer is satisfied with the entries made and that the assurance given by the local government body's certificate is well founded.
19. Where claims or returns require auditor certification, local government bodies are responsible for ensuring that they are certified only by an auditor acceptable to the grant-paying body. Grant-paying bodies may restrict certification to the local government auditor in accordance with the arrangements set out in this statement or to any accountant who is both independent and appropriately qualified. Where a local government body intends to ask its local government auditor to certify a claim or return it should, before it accepts the grant terms and conditions, confirm with the grant-paying body that the grant-paying body has secured the Chief Local Government Auditor's formal agreement to apply his certification instructions on the basis set out in this statement (see paragraph 8). Local government bodies should not assume that the Chief Local Government Auditor will automatically apply his certification instructions and/or provide certificates in the manner required by the grant-paying body. Where a local government body makes arrangements for claims or returns to be certified other than through the Chief Local Government Auditor it needs to be able to demonstrate to the grant-paying body, if required, that the accountant is independent and holds any qualifications specified by the grant-paying body.

Chief Local Government Auditor

20. Under Article 25 of the Order, the Chief Local Government Auditor shall, if required by local government bodies, make arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Northern Ireland department or public authority to any local government body subject to audit under the Order. The Chief Local Government Auditor, rather than the local government auditor, has responsibility for making certification arrangements. The framework within which the Chief Local Government Auditor will decide whether or not to apply his certification instructions in any particular case is set out in the first section of this statement.
21. In applying his certification arrangements, the Chief Local Government Auditor:
 - may do so only at the request of local government bodies in respect of categories of grants and claims where he has agreed with a grant paying body that his certification instructions should apply;
 - is not subject to direction by grant-paying bodies; and
 - will ensure there shall be paid by every local government body, to the Comptroller and Auditor General for Northern Ireland, such fees as the Department of Environment may determine are appropriate to cover the full cost of certification.
22. The certification arrangements made by the Chief Local Government Auditor comprise Claims and Returns Certification Instructions which local government auditors must follow. The certificate included on each claim or return requires the local government auditor to apply some, or all, of the tests in the Claims and Returns

Certification Instructions, depending on the amount claimed and the auditor's assessment of the control environment for the preparation of the claim or return.

23. Certification work using the Chief Local Government Auditor's Claims and Returns Certification Instructions is not an audit but a different form of assurance engagement designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. International Auditing Standards (ISAs), the Auditing Practices Board's Practice Note 10 and the Chief Local Government Auditor's *Code of Audit Practice* do not apply to certification work.
24. The purpose of the Chief Local Government Auditor's Claims and Returns Certification Instructions is:
 - to set out the procedures to be applied in the examination of a claim or return;
 - to leave grant-paying bodies and their auditors in no doubt as to the nature of work undertaken by auditors before giving their certificate.
25. In making arrangements under Article 25 of the Order, the Chief Local Government Auditor will have regard to what it is appropriate, practically and professionally, to expect from the certification process and local government auditors to do, whether in terms of:
 - the nature or extent of the work required;
 - the level of assurance sought; or
 - the robustness of the criteria to be applied.
26. The Chief Local Government Auditor is responsible for drafting his Claims and Returns Certification Instructions, agreeing with grant paying bodies whether these will be applied to new schemes or programmes, undertaking appropriate consultation and responding to queries from local government auditors when using the Claims and Returns Certification Instructions. The Chief Local Government Auditor consults with local government auditors where there are significant changes to certification requirements. The Chief Local Government Auditor will also deal with queries from grant-paying bodies that arise after auditor certification where further reference to the local government auditor may be called for.

Local Government Auditors

27. Local government auditors act under the direction of the Chief Local Government Auditor when undertaking certification work and, while designated to act as independent external auditors, are not performing an audit but a different form of assurance engagement, the precise nature of which will vary according to the amount of the claim or return. When giving the local government auditor's certificate on a claim or return, the local government auditor is required to carry out certification work and complete the auditor's certificate in accordance with arrangements made by the Chief Local Government Auditor.
28. Local government auditors will only certify claims and returns in accordance with the arrangements set out at paragraphs 4 to 9 of this statement.

29. Local government auditors:

- review the information contained within the claim or return and to express a conclusion whether the claim or return:
 - is in accordance with the underlying records (*claims and returns between the de minimis amount and the threshold*); or
 - is fairly stated and in accordance with the relevant terms and conditions (*claims and returns over the threshold*).
- examine the claim or return and related accounts and records of the local government body in accordance with the Chief Local Government Auditor's Claims and Returns Certification Instructions. In carrying out his/her work, the local government auditor will obtain such evidence and explanations from the local government body as the local government auditor considers necessary to form a conclusion. Where testing is required, the level of testing is a matter of professional judgment according to the particular circumstances of the local government body and the claim or return as well as the local government auditor's assessment of risk.
- comply with the Chief Local Government Auditor's Claims and Returns Certification Instructions and where testing is required, to direct work to those matters that, in the local government auditor's view, significantly affect the claim or return. In assessing the extent to which amounts included in a claim or return are in accordance with the conditions under which it is made, the local government auditor acts as a professional accountant and not a legal expert;
- plan and complete their work in a timely fashion so that deadlines are met; and
- complete the local government auditor's certificate, qualified as necessary, in accordance with the Chief Local Government Auditor's Claims and Returns Certification Instructions and to provide local government bodies with copies of certified claims and returns, and qualification letters for information. The local government auditor's certificate and qualification letter are provided for the use of the grant-paying body and the local government body. Local government auditors should not disclose certificates and qualification letters, in whole or in part, to third parties other than those with statutory rights of access to them. The Northern Ireland Audit Office, or other auditor of a grant-paying body, may use the local government auditor's certificate and qualification letter in connection with the audit of the grant-paying body.

30. Because of the inherent limitations of any control structure, errors or irregularities, including fraud, may occur and not be detected. Accordingly, the local government auditor's responsibility in respect of claims or returns is to express a conclusion, on the basis of appropriate and sufficient evidence in relation to the tests contained in the Chief Local Government Auditor's Claims and Returns Certification Instructions. That evidence should be regarded as being persuasive rather than conclusive.

31. In particular, these arrangements do not place on local government auditors a responsibility to either:

Chief Local Government Auditor's Statement of Claims & Returns Responsibilities

- identify every error in a claim or return; or
- maximise the local government body's entitlement to income under it.

Where testing is required, local government auditors do not perform detailed tests to the extent that would be necessary to disclose all errors and failures to maximise entitlement, and the certification process should not be relied upon to disclose all such matters.

32. The local government auditor's certificate derives from the Audit Commission's General Certification Instructions (CI A01). It includes reference to this Statement of Responsibilities and to the Chief Local Government Auditor's Claims and Returns Certification Instructions. Local government auditors will give a certificate in this form.

Certificate of the local government auditor designated by the Department of Environment for Northern Ireland

The Statement of Responsibilities of grant-paying bodies, local government bodies, the Chief Local Government Auditor and local government auditors in relation to claims and returns, issued by the Chief Local Government Auditor, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as local government auditors.

I have examined the entries in this form (which replaces or amends the original submitted to me by the local government body dated _____)* and the related accounts and records of the local government body in accordance with the Chief Local Government Auditor's Claims and Returns Certification Instructions and I have:

For claims and returns above de minimis and up to the threshold#

- carried out Part A tests in the Chief Local Government Auditor's Claims and Returns Certification Instructions and obtained such evidence and explanations as I consider necessary.

(Except for the matters raised in the attached qualification letter dated _____)*
I have concluded that the claim or return is in accordance with the underlying records.

For claims and returns over the threshold#

- assessed the control environment for the preparation of this claim or return in accordance with the Chief Local Government Auditor's Claims and Returns Certification Instructions and, on the basis of my assessment, carried out Part A/Parts A and B* tests in the Chief Local Government Auditor's Claims and Returns Certification Instructions and obtained such evidence and explanations as I consider necessary.

(Except for the matters raised in the attached qualification letter dated _____)*
I have concluded that the claim or return is:

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature _____

Name (block capitals) _____

Date _____

on behalf of the Chief Local Government Auditor

**Delete as necessary*

Delete non-applicable certificate