

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

*This statement of responsibilities (the statement) highlights the different responsibilities of grant-paying bodies, local government bodies and the Chief Local Government Auditor in relation to claims and returns. Article 25 of the Local Government (Northern Ireland) Order 2005 (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.*

### Introduction

1. Grant-paying bodies may require certification by an appropriately qualified and independent accountant of local government bodies' claims for grant or subsidy, and of other returns of financial information. 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 and the Chief Local Government Auditor 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/her certification instructions and to assist grant-paying bodies and local government bodies 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'** is 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;
- **'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 on the certification of claims and returns;
- **'certify'** means the addition by the Chief Local Government Auditor, of his/her certificate on a claim or return,;

- **'claims'** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;
- **'limited assurance'** is where the Chief Local Government Auditor performs such procedures (as required by the Certification Instructions) as to obtain information and explanations which provide sufficient appropriate evidence for him/her to give a limited assurance conclusion. This conclusion would state that "nothing has come to the Chief Local Government Auditor's attention to indicate that claims and returns are not fairly stated and are not in accordance with specified terms and conditions". This is the normal form of assurance given under the Chief Local Government Auditor's arrangements;
- **'qualification'** arises where there is a matter of disagreement between the Chief Local Government Auditor and the receiving body- or an uncertainty arising from an inability to obtain sufficient appropriate audit evidence- as to the entries in the claim or return which determine entitlement. In these circumstances, the Chief Local Government Auditor's certificate will refer to an accompanying qualification letter which sets out the facts- as agreed by the Chief Local Government Auditor and the local government body- so that the grant-paying body may then determine actual entitlement;
- **'the Order'** is the Local Government (Northern Ireland) Order 2005;
- **'returns'** are normally:
  - 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.

## **Responsibilities of grant-paying bodies**

4. 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.

5. 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 roles 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 Chief 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, the agreed normal form of certificate by the Chief Local Government Auditor (see paragraph 21 ). 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 Chief Local Government Auditor, but may also provide assurance on areas not appropriate to the Chief Local Government Auditor's certificate; and
    - have a timetable for both their preparation and certification by the local government body, with appropriate retentions to encourage compliance.

6. 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 Chief Local Government Auditor). **Appropriate assurance should be taken by grant paying bodies 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. Chief 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.**

7. If certification by the Chief Local Government Auditor is proposed, a grant-paying body must:

- engage in timely consultation in order to secure the Chief Local Government Auditor's formal agreement that the Chief Local Government Auditor will undertake certification work (see paragraph 16); and
- familiarise itself with the Chief Local Government Auditor's Certification Instructions (available from <http://www.niauditoffice.gov.uk>) that will be applied in carrying out the certification work.

8. 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.

### **Responsibilities of local government bodies**

9. 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 13), 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 Chief Local Government Auditor for examination. The Chief Local Government Auditor will not certify claims or returns where the local government body's certificate has not been completed.

10. 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.

11. 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 assist the Chief 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 testing required.

12. 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.

13. 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 Chief 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 the Chief Local Government Auditor to certify individual claims or returns 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 undertake certification work on the basis set out in this statement (see paragraph 16). Local government bodies should not assume that the Chief Local Government Auditor will automatically undertake certification work 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.

### **Responsibilities of the Chief Local Government Auditor**

14. Under Article 25 of the Local Government (Northern Ireland) Order 2005, 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 grant-paying body to any local government body subject to audit under the Order.

15. Notwithstanding any desire by a grant-paying body or local government body to have claims or returns certified by the Chief Local Government Auditor, the Chief Local Government Auditor is entitled to exercise reasonable discretion in meeting statutory obligations. This means he/she can make a judgement whether it is appropriate to undertake certification work in specific cases, having regard to the particular circumstances of a scheme or programme, 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 agree to undertake certification work where he/she deems it appropriate to do so.

16. The Chief Local Government Auditor requires grant-paying bodies to secure the Chief Local Government Auditor's formal agreement at scheme or programme level to undertake certification work before certification by the Chief Local Government Auditor is included as a condition of the scheme/programme. To this end, the Principal Finance Officer, or equivalent,

of the grant-paying body is required to write to the Chief Local Government Auditor at an early stage, requesting such consideration. The letter is to be accompanied by a copy of the scheme/programme 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 agree to certification unless his/her formal agreement to do so has been secured in accordance with this statement.

17. For those claims where the Chief Local Government Auditor has agreed to perform certification, he/she is responsible for considering what it is appropriate, practically and professionally, to expect from the certification process, 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.

18. The Chief Local Government Auditor is responsible for producing written Certification Instructions (Chief Local Government Auditor's Claims and Returns Certification Instructions – available from <http://www.niauditoffice.gov.uk>) which must be followed when undertaking certification work. These provide guidance on the certification of claims and returns and explain the approach and procedures to be undertaken. The certificate included on each claim or return requires the Chief Local Government Auditor to apply all of the tests in the Certification Instructions. The form of the Chief Local Government Auditor's certificate to be given is set out in the Appendix to this statement.

19. The Chief Local Government Auditor is responsible for responding to queries on the application of the Claims and Returns Certification Instructions.

20. In applying his/her Certification Instructions, the Chief Local Government Auditor:

- may do so only at the request of local government bodies in respect of categories of claims and returns where he/she has agreed with a grant-paying body to undertake certification work;
- 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.

21. 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 a 'limited assurance' conclusion. This conclusion will normally state that "nothing has come to the auditor's attention to indicate that claims and returns are not fairly stated and are not in accordance with specified terms and conditions". International Standards on Auditing (UK and Ireland)(ISAs), Practice Note 10 (Revised) and the Chief Local Government Auditor's *Code of Audit Practice* do not apply to certification work. The form of the Chief Local Government Auditor's certificate to be given is set out in Appendix 1 at the end of this statement.

22. The purpose of the Chief Local Government Auditor's Certification Instructions is:

- to set out the procedures to be applied in the examination of a claim or return;
- to leave grant-paying bodies in no doubt as to the nature of the certification work undertaken by the Chief Local Government Auditor before his/her certificate is issued.

23. The Chief Local Government Auditor's approach to certification work is 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, the Chief Local Government Auditor will not apply his/her Certification Instructions, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions. The current de minimis set by the Chief Local Government Auditor is **£100,000**. Consequently the Chief Local Government Auditor will not normally certify claims or returns below the de minimis amount.
- For claims and returns over the de minimis, the Chief Local Government Auditor will assess the risks associated with the preparation of the claim or return, use his/her assessment of these risks to inform decisions on the level of testing (sample sizes) required and undertake all of the tests in the Certification Instructions.

24. The Chief Local Government Auditor will only certify claims and returns in accordance with the arrangements set out at paragraphs 14 to 23 of this statement.

25. The Chief Local Government Auditor will:

- review the information contained within the claim or return to express a negative assurance conclusion on the claim or return.
- examine the claim or return and related accounts and records of the local government body in accordance with the Certification Instructions. In carrying out his/her work, the Chief Local Government Auditor will obtain such evidence and explanations from the local government body as the Chief Local Government Auditor considers necessary to form a conclusion. The level of testing undertaken 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 Chief Local Government Auditor's assessment of risk.
- comply with the Certification Instructions and where testing is required, direct work to those matters that, in the Chief 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 Chief Local Government Auditor acts as a professional accountant and not a legal expert;
- plan and complete his/her work in a timely fashion so that deadlines are met; and
- complete the Chief Local Government Auditor's certificate, qualified as necessary, in accordance with the Certification Instructions and to provide local government bodies with copies of certified claims and returns, and qualification letters for information. The Chief Local Government Auditor's certificate and qualification letter are provided for the use of the grant-paying body and the local government body. The Northern Ireland Audit Office, or other auditor of a grant-paying body, may use the Chief Local Government Auditor's certificate and qualification letter in connection with the audit of the grant-paying

body. Outside of this, the Chief Local Government Auditor 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.

26. Because of the inherent limitations of any control structure, errors or irregularities, including fraud, may occur and not be detected. Accordingly, the Chief 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 Certification Instructions.

27. In particular, these arrangements do not place on the Chief Local Government Auditor a responsibility to either:

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

Therefore the Chief Local Government Auditor does 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.

28. The Chief Local Government Auditor's certificate includes reference to this Statement of Responsibilities and to the Certification Instructions. The Chief Local Government Auditor will give a certificate in the form as prescribed in Appendix 1 to this statement.



## Appendix 1

**Certificate of the Chief Local Government Auditor to [Name of grant-paying body] [For claims and returns over the threshold only]**

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

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.

I have assessed the risks associated with 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 the tests in the Chief Local Government Auditor's Claims and Returns Certification Instructions and obtained such evidence and explanations as I consider necessary. I did not perform tests to the extent that would be necessary to disclose all errors and my certificate should not be relied upon to disclose all such matters.

(Except for the matters raised in the attached qualification letter dated \_\_\_\_\_)\*  
I have concluded that nothing material has come to my attention during the course of my certification work to indicate that the claim or return is:

- not fairly stated; and
- not in accordance with the relevant terms and conditions.

Signature \_\_\_\_\_

Name (block capitals) \_\_\_\_\_

Date \_\_\_\_\_

Chief Local Government Auditor

*\*Delete as necessary*