



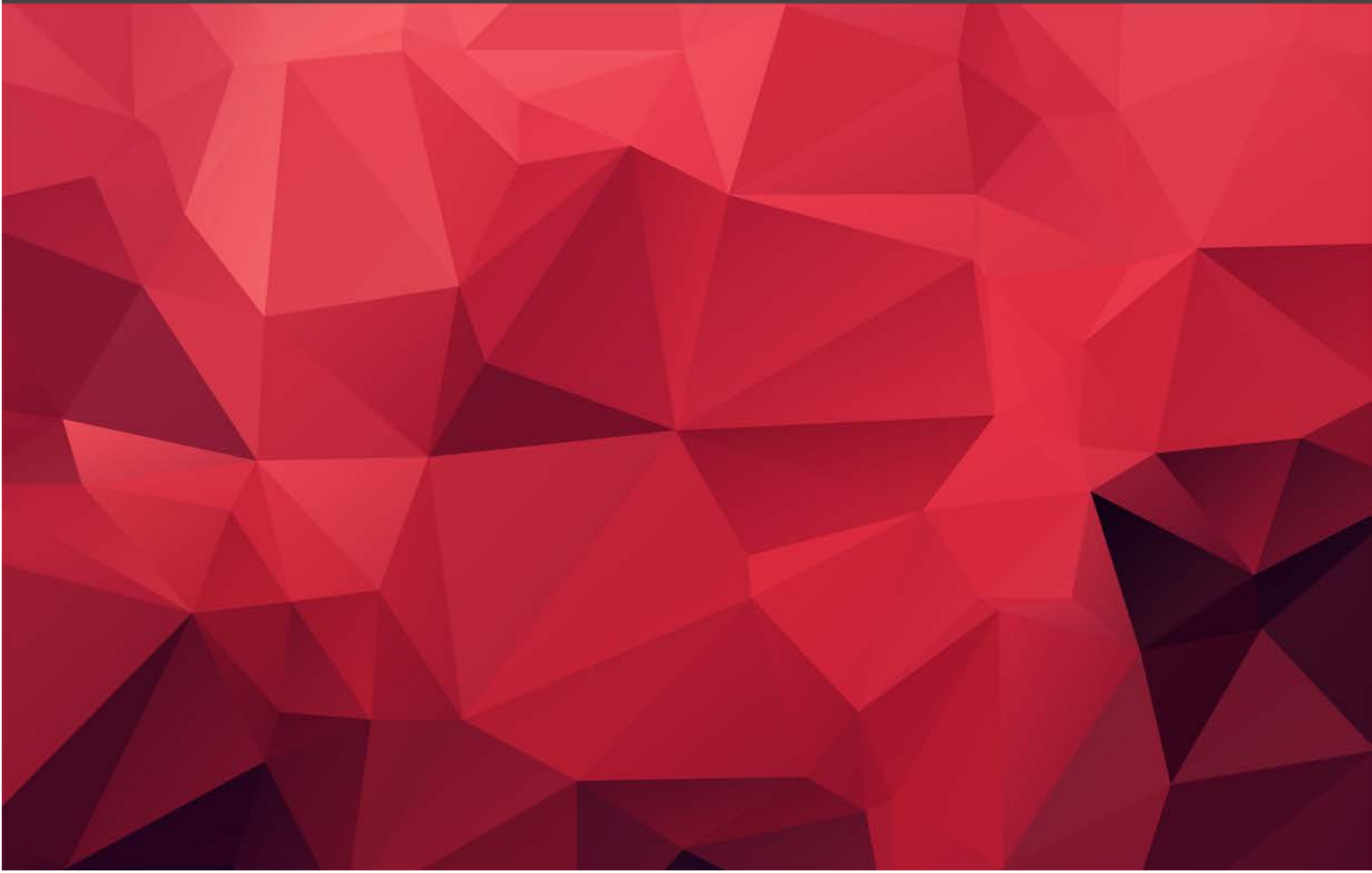
WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Statement of responsibilities for grants certification – **Wales Audit Office**

Date issued: December 2016

Document reference: 707A2016



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Statement of responsibilities

Introduction

- 1 The statement of responsibilities (the statement) highlights the responsibilities of grant-paying bodies, grant-receiving bodies, the Auditor General for Wales and the auditors who work under his arrangements for certifying grant claims and returns.
- 2 Grant-paying bodies may require certification by an appropriately qualified and independent accountant of grant-receiving bodies' ('receiving 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 entitlement to grant or subsidy or, in the case of a return, as to the information provided.
- 3 The statement has two purposes. Firstly, to summarise the framework under which the Auditor General will make certification arrangements and, secondly, to assist grant-paying and receiving bodies and the auditors who work under the Auditor General's arrangements by summarising their respective responsibilities.
- 4 The Auditor General audits the Welsh Government and its related public bodies, including NHS bodies and local government bodies. When requested to do so by a relevant body, the Auditor General also has responsibility for making certification arrangements for claims and returns. The grants work of the Auditor General is performed by staff of the Wales Audit Office (WAO) or of the firms of accountants contracted to it.
- 5 **Please note that this statement does not apply to the certification of grant claims in respect of European structural funds, as the requirements for that work are prescribed by the Welsh European Funding Office.**
- 6 **Please refer to the [Good Practice Exchange](#) on the Wales Audit Office website for further information about good practice in grants management and administration.**

The Auditor General's responsibilities

- 7 Under paragraph 20 of Schedule 8 of the Government of Wales Act 2006, the Auditor General must, if required by a relevant body, make arrangements for certifying claims and returns. These claims or returns may be in respect of grants or subsidies made or paid by the Welsh Ministers, any Minister of the Crown or public authority to anybody subject to audit by the Auditor General under the Government of Wales Act 2006 or any other Act.
- 8 The Auditor General considers that he is entitled to exercise reasonable discretion in meeting his statutory obligations. Accordingly, he can make a judgement on the form of arrangements will be most appropriate to make in the particular circumstances of each case.

9 In making arrangements, the Auditor General will have regard to what is appropriate to expect from auditors' work under the certification process. The Auditor General:

- will make arrangements only if required by a relevant body; and
- will negotiate these arrangements having regard as to what is appropriate, both practically and professionally.

The Wales Audit Office is required to charge a fee covering the full cost of any certification work done under the Auditor General's arrangements. Normally, this fee is payable by the receiving body although a grant-paying body can opt to pay the auditor's fee directly, or provide specific funding to the receiving body to meet the costs of certification. In some cases, and at the discretion of the paying-body, the costs of certification incurred by the receiving body may be an allowable cost within the terms and conditions of the grant scheme itself.

10 The Auditor General requires grant-paying bodies to secure his formal agreement via the Wales Audit Office's Financial Audit Technical Group at scheme or programme level that he will make certification arrangements, **before** certification by the Auditor General or an auditor working under his arrangements is made a condition of grant. To this end, the appropriate senior finance manager, or equivalent, of the grant-paying body should contact the Financial Audit Technical Group at the Wales Audit Office at an early stage, requesting auditor certification. The Technical Group requires a period of **no less than twenty working days to respond to the grant-paying body**. The Auditor General reserves the right to make deferred or limited certification arrangements when grant-paying bodies have not secured the Technical Group's early agreement on the certification arrangements, or given insufficient notice.

11 The certification arrangements that the Auditor General will usually make are detailed below, although these can vary from scheme to scheme by agreement with the grant-paying body. For annual schemes, 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 Auditor General, certification arrangements will not normally be made (notwithstanding any statutory certification requirement or any certification requirement set out in grant terms and conditions). The current normal de-minimis is £100,000, although this will be reviewed annually by the Auditor General and can vary from scheme to scheme. In exceptional circumstances, and at the express request of the grant-paying body, the de-minimis may not be applied at all. Reference should be made to the individual Certification Instruction for further details.
- For claims and returns over the de-minimis (as relevant to the scheme), auditors will assess the risks associated with the preparation of the claim or return, use their assessment of these risks to inform decisions on the level of

testing (sample sizes) required and undertake all of the tests in the certification instruction.

- 12 The Auditor General provides general guidance on the certification of claims and returns to auditors who work under his arrangements in his CI A01 'General Certification Instructions' (available from the Financial Audit Technical Group by e-mailing waogrants@audit.wales). The normal form of auditor's certificate is set out in **Appendix 1** to this statement. Where a different form of certificate is required, auditors will be made aware of this in the scheme specific CI and will be provided with the relevant certificate accordingly.
- 13 The certification arrangements made by the Auditor General comprise a series of CIs which his designated auditors must follow. The certificate included on each claim or return requires the auditor to apply all of the tests in the relevant CI. The relevant CI is specific to each scheme and is agreed at the outset with the relevant grant-paying body, but it needs to be read in conjunction with CI A01, which provides background information and explains the general approach and procedures to be adopted.
- 14 Unlike an external audit of annual accounts, certification work using certification instructions is a different form of assurance engagement designed to provide a 'negative 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 (ISAs) and the Public Audit Forum's Practice Note 10 **do not apply** to certification work although the Auditor General's new Code of Audit Practice (issued in March 2014) does. The negative assurance approach is the normal approach to be applied under the Auditor General's arrangements. If different arrangements are required, the Wales Audit Office Financial Audit Technical Group will discuss this with the Grant Paying body. For schemes that are UK-wide (eg Housing Benefits Subsidy), auditors will adopt an approach common with the other Public Audit Forum bodies and not apply a Wales-specific form of assurance'.
- 15 The purpose of CIs is to set out the procedures to be applied in the examination of a claim or return and to leave grant-paying bodies and their auditors in no doubt as to the nature of work undertaken by auditors before giving their certificate. They also convey much of the background information which would otherwise have to be sought by auditors, thereby reducing the overall costs to auditors and receiving bodies.
- 16 The WAO's Financial Audit Technical Group is responsible for drafting CIs, agreeing drafts of scheme-specific CIs with grant-paying bodies, undertaking appropriate consultation on CIs for new schemes, issuing CIs and responding to queries from auditors when applying CIs. The Wales Audit Office consults with auditors working under the Auditor General's arrangements where there are significant changes to general certification requirements eg the type of assurance given (although not changes to individual schemes). The Wales Audit Office will

also deal with queries from grant-paying bodies that arise after auditor certification where further reference to the auditor may be called for. CIs are prepared by the Technical Group for the auditors who work under the Auditor General's arrangements who may use their discretion on whether to share them (in full or only in part with details of the testing schedule removed) with receiving-bodies. However, CIs are not available to other independent accountants appointed by receiving bodies and neither the Auditor General nor the Wales Audit Office accept any responsibility for their use other than by auditors working under the Auditor General's arrangements.

Responsibilities of auditors working under the Auditor General's arrangements

17 All auditors are required:

- to review the information contained within the claim or return and to express a negative assurance conclusion on the claim or return. (Auditors conclude that nothing has come to their attention to indicate that the claim or return is not fairly stated and not in accordance with the relevant terms and conditions);
- to examine the claim or return and related accounts and records of the receiving body in accordance with CI A01 and the CI specific to the claim or return. In carrying out this work, the auditor will obtain such evidence and explanations from the receiving body as the auditor considers necessary to form a negative assurance conclusion. The level of testing undertaken is a matter of professional judgment according to the particular circumstances of the receiving body and the claim or return as well as the auditor's assessment of risk. Where a minimum sample size is specified in the relevant CI, the auditor must use professional judgment to determine whether testing over and above that specified minimum is required in the particular circumstances;
- subject to compliance with CI requirements, to direct work to those matters that, in the 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 auditor acts as a professional accountant and not a legal expert;
- to plan and complete their work in a timely fashion so that, where possible, deadlines are met; and
- to complete the auditor's certificate, qualified as necessary, in accordance with the general guidance in CI A01 and to provide receiving bodies and the Wales Audit Office's Financial Audit Technical Group with copies of certified claims and returns, and any certification feedback notes or qualification letters for information. The auditor's certificate and qualification letter are provided for the use of the grant-paying body and the receiving body.

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 Auditor General, the National Audit Office, or other auditor of a grant-paying body, may use the auditor's certificate and qualification letter in connection with the audit of the grant-paying body; and

- provide unitary authorities with an annual feedback report on the results of their certification work.
- 18 Because of the inherent limitations of any control structure, errors or irregularities, including fraud, may occur and not be detected. Accordingly, the auditor's responsibility in respect of claims or returns is to express a negative assurance conclusion, on the basis of appropriate and sufficient evidence in relation to the tests contained in certification instructions, that evidence being persuasive rather than conclusive.
- 19 In particular, these arrangements do not therefore place on auditors a responsibility to either identify every error in a claim or return; or maximise the receiving body's entitlement to income under it. Therefore, 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 (hence a negative assurance conclusion being given).
- 20 Auditors will usually give a certificate in the form as prescribed in [Appendix 1](#) to this statement (and in CI A01) where no other form of certificate is prescribed. Auditors will only give a different form in exceptional circumstances and where the relevant CI requires it.

Responsibilities of grant-paying bodies

- 21 The Grant Paying Body has five responsibilities:
- specifying robust and practicable terms and conditions for grant which
 - are available on a timely basis;
 - have clear scheme aims and objectives;
 - provide clear definitions;
 - have clearly defined roles and responsibilities; and
 - include any sanctions to be applied in the event of non-compliance.
 - providing claim forms and returns which:
 - are available on a timely basis;
 - are appropriately designed to capture relevant information;
 - have appropriate completion notes;
 - are based on proper accounting practices (other than in exceptional circumstances);

- contain appropriate certificates for both the receiving body (which must be completed prior to being passed to auditors) and auditors (where appropriate); and
 - have a prescribed timetable for completion and certification.
- specifying appropriate receiving body and auditor certification requirements including:
 - who may give the receiving body's certificate on the claim or return; and
 - which auditor may certify it (normally either any appropriately qualified independent accountant, the Auditor General or an auditor working under his arrangements).
 - ensuring appropriate assurance is taken from certificates given by Chief Finance Officers; and
 - considering carefully whether auditor certification of a particular scheme is required having regard to the risks, nature and amounts involved relative to the value of the assurance sought and the likely cost of certification. Auditor certification should not be required in certain circumstances eg for small claims; expenditure that is regular or predictable over time or has few conditional provisions and no complex terms; or where other information or data about outcomes is available to provide assurance as to the appropriate use of grant monies (this list is not exhaustive).

- 22 When external auditor certification is proposed, the Grant Paying Body must contact the Financial Audit Technical Group at the WAO's Cardiff office to discuss these arrangements before making them a condition of grant. If certification under the Auditor General's arrangements is then required, the Grant-Paying Body must secure his formal agreement. It should engage in timely consultation with the WAO's Financial Audit Technical Group to enable the most appropriate arrangement to be agreed (see para 10, earlier, which explains that at least twenty working days should be allowed for the Technical Group to respond to a request for certification). Lastly, it should familiarise itself with the general guidance that the Auditor General provides to the auditors who work under his arrangements in CI A01 'General Certification Instructions' (available from the Technical Group by e-mail: waogrants@audit.wales).
- 23 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. The Financial Audit Technical Group at the Wales Audit Office will monitor qualifications and look to obtain evidence of this review process which will be considered as part of the decision to keep a scheme in the work programme.

Responsibilities of grant-receiving bodies

- 24 Acceptance of grant funding comes with an obligation to comply with all of a grant's conditions. It is therefore important that receiving bodies have a full understanding of the terms and conditions, including any requirements set for reporting and certification. In general, receiving 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. This means that claims and returns;
 - are completed accurately and in accordance with terms and conditions;
 - are supported by systems of internal control, 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, which:
 - satisfy the requirement on the Accounting Officer/Accountable Officer/Chief Finance Officer to maintain adequate records in relation to claims;
 - document the basis of the claim or return and the derivation of the information it contains;
 - are kept in a form that will help the auditor and reduce certification time and, therefore, the cost to the receiving body; and
 - are subject to proper supervision and review prior to completion of its certificate.
 - satisfying themselves that they will be able to comply with the terms and conditions of a grant, including auditor certification requirements; and
 - exercising proper degrees of supervision and review of completed claims or returns before completing their certificates.
- 25 Specifically, the Accounting Officer/Accountable Officer/Chief Finance Officer of the receiving body is responsible for ensuring that supporting accounting records are:
- sufficient to show its transactions;
 - maintained in accordance with proper practices and kept up to date; and
 - include a record of income and expenditure in relation to claims.
- 26 The receiving body's certificate is to be given by an appropriate senior officer, typically the Director of Finance/Chief Finance Officer, or an officer authorised by written delegated powers. **The receiving body's certificate should be given only when the certifying officer is satisfied with the entries made. Auditors**

will not certify claims or returns where the receiving body's certificate has not been completed.

- 27 Where claims or returns require auditor certification, receiving 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 Auditor General or an auditor working under his arrangements in accordance with the arrangements set out in this statement, or to any other accountant who is both independent and appropriately qualified.
- 28 Where terms and conditions include a requirement for certification by the Auditor General or an auditor working under his arrangements, the receiving body should – before it accepts the grant terms and conditions – confirm with the grant-paying body that the grant-paying body has secured the AGW's formal agreement to make certification arrangements. Receiving bodies should not assume that the Auditor General will automatically make certification arrangements and/or provide certificates in the manner required by the grant-paying body.
- 29 Where a receiving body makes arrangements for claims or returns to be certified other than under the Auditor General's arrangements, 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.

Appendix 1

Normal form of the Auditor General's Certificate

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Certificate of the Auditor General for Wales

The Statement of Responsibilities of grant-paying and receiving bodies, the Auditor General for Wales and the auditors who work under his arrangements for certifying claims and returns sets out the respective responsibilities of these parties. It also sets out the limitations of the responsibilities of the Auditor General for Wales and the auditors working under his arrangements.

I / We have examined the entries in this form (which replaces or amends the original submitted to me / us by the receiving body dated _____)* and the related accounts and records of the receiving body in accordance with Certification Instruction A01, and have carried out the tests in Certification Instruction number _____ and obtained such evidence and explanations as I / we consider necessary.

(Except for the matters raised in the attached qualification letter dated _____)*

I / we have concluded that nothing has come to our attention to indicate that the claim or return:

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

Signature _____

Name (block capitals) _____

(on behalf of the Auditor General for Wales)

Date _____

**Delete as necessary*

CF1 (5/16)

Appendix 2

Glossary

Auditor – for the purpose of certifying claims and returns under schedule 8 of the Government of Wales Act 2006, the auditor acts as an agent of the Auditor General for Wales. In this capacity, whilst qualified to act as an independent external auditor, the auditor acts as a professional accountant undertaking an assurance engagement governed by the Auditor General's certification instruction arrangements. The term refers to the Auditor General's designated 'Engagement Lead' who is the auditor responsible for the certification work.

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. Its objective is to express a conclusion that will provide the intended user with a degree of assurance about that subject matter.

Certification instructions (CIs) are a series of written instructions from the Auditor General for the auditors working under his arrangements for certifying claims and returns.

Certify means the completion of the certificate on a claim or return by the Auditor General for Wales or an auditor working under his arrangements. The normal form of certificate is included in Appendix 1 of this statement.

Claims includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise.

Grant-paying bodies includes government departments and agencies, the Welsh Government and other public authorities requiring the completion of claims and returns;

Negative assurance is where auditors perform such procedures (as required by the scheme CI) as to obtain information and explanations which provide sufficient appropriate evidence for the auditor to give a negative assurance conclusion. This conclusion would state that "nothing has come to the auditors' 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 Auditor General's arrangements. However, there may be instances where alternative forms of assurance and certificates are appropriate. In such instances all parties will be made aware of the alternative arrangements agreed.

Qualification arises when there is either a matter of disagreement between the auditor and the receiving body – or an uncertainty - as to the entries in the claim or return which

determine entitlement. In these circumstances, the auditor's certificate will refer to an accompanying qualification letter which sets out the facts – as agreed by the auditor and the authority – so that the grant-paying body may then determine actual entitlement.

Receiving bodies means:

- a local government body in Wales, within the meaning given in section 12(1) of the Public Audit (Wales) Act 2004;
- a local authority in Wales;
- a committee of a local authority in Wales (including a joint committee of two or more local authorities in Wales);
- a port health authority for a port health district wholly in Wales;
- a National Park authority for a National Park in Wales;
- a conservation board established by order of the Assembly under section 86 of the Countryside and Rights of Way Act 2000;
- a police authority for a police area in Wales;
- a fire and rescue authority in Wales constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies;
- an internal drainage board for an internal drainage district wholly in Wales;
- a local probation board established under section 4 of the Criminal Justice and Court Services Act 2000 for an area in Wales);
- a Welsh probation trust (as defined by paragraph 13(6) of Schedule 1 of the Offer; or
- a body whose accounts, or statements of accounts, are 'auditable accounts' falling to be examined by the Auditor General (in accordance with any provision made by virtue of the Government of Wales Act 2006 or any other Act) which have requested the certification of claims and returns under paragraph 20 of schedule 8 of the Government of Wales Act 2006. These are a '**Relevant body**' as defined in paragraph 20 of Schedule 8 of the Government of Wales Act 2006, '**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 receiving body's auditor, or under arrangements made by the Auditor General.
- **Underlying records** are the accounts, data and other working papers supporting entries on a claim or return.

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.