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DAO(GEN) 12/04

Dear Accounting Officer

AUDIT OF GRANTS TO LOCAL AUTHORITIES AND NHS BODIES

This letter sets out the Audit Commission's new arrangements for audit of grants paid to local authorities, criminal justice and NHS bodies. It supersedes DAO 4/92, which is now withdrawn.

Action

2. Accounting Officers are asked to draw this letter and its annexes to the attention of appropriate staff in:

- their departments; and
- any sponsored bodies which make payments to local authorities and NHS bodies.

Contacts

3. For further information on this DAO, please contact:

- *Grants and Grants-in-Aid*: Stephen Morrish, TOA team, phone: 020 7270 4833; email stephen.morrish@hmtreasury.gov.uk .
- *Audit Commission Policy*: Mike Barnes, phone: 020 7166 2353 email m-barnes@audit-commission.gov.uk

Assurance about grant payments

4. Grant paying bodies remain responsible for securing assurance that claims and returns associated with the grants they pay are accurate so that



they can be confident that their expenditure meets the terms and conditions of the grant schemes they administer. *The Statement Of Responsibilities Of Grant-Paying Bodies, Authorities, The Audit Commission and Appointed Auditors In relation To Claim and Returns* at Annex A sets out the Audit Commission's new arrangements for auditor certification of claims and returns (referred to as "audit" for the rest of this letter) for grants made to a variety of local government, health and criminal justice bodies. These new arrangements reflect a consultation exercise the Audit Commission carried out last year.

5. The key principle is that audit for grants should be carried out in a way proportionate to the amounts involved and the associated risks. Bodies paying grants should of course always ask recipients to account for their claims. Further certification through formal audit is not always necessary. In particular, it is often not appropriate where:

- small sums are involved in total; or
- the amounts paid are regular and predictable; or
- the grants are simple and there are few conditions; or
- there are effective controls on grant payments; or
- there are other ways of securing confidence about the accuracy and propriety of the grants paid, for example through sampling or data monitoring.

6. The Audit Commission now intends to apply financial thresholds for materiality in deciding whether it is appropriate to audit grant claims. These are set out in Annex A. This does not mean that audit is viewed as any less important. It remains best practice for grant paying bodies to consider carefully, case by case, which method of assurance is most suitable, taking account of risks, the amounts involved, the workload required to carry out the audit and the costs of the different methods available.

7. Grant paying bodies should be aware that the Audit Commission retains the right to turn down requests for audit. When considering requests, the Commission will assess the particular circumstances of the scheme, the sums at stake, the workload for the auditor and the likely costs of certification.

8. Where the Audit Commission does not audit certain grant schemes, the grant paying body will need to consider how it can reasonably obtain assurance over the grant expenditure. Often the amounts involved will not be significant in relation to the paying body's own accounts. Where this is not the case, the grant paying body should consider with its own auditor what other action can be taken, for example using project reports or other means of measuring outcomes.

9. A joint statement from the Audit Commission and the National Audit Office about these arrangements is attached at Annex B.

Guidance

10. It may be helpful to consult the following publications:

- *Claims and returns: Good practice for grant-paying bodies*, setting out good practice for grant-paying bodies in devising and administering grant schemes, and including the framework the Commission uses to judge whether or not to offer audit services;
- *Claims and returns: Good practice for authorities*, setting out the key elements of good practice for authorities to adopt to help auditors provide assurance.

11. These publications are available on the Commission's website at www.audit-commission.gov.uk. Welsh translations are available from the office of the Audit Commission in Wales.

Transitional arrangements

12. These new arrangements apply from 1 April 2004, including for 2003-04 claims and returns unless the Audit Commission agrees otherwise. Certification of claims and returns outstanding from previous years will be carried out using the arrangements already agreed for those years.

PAULA DIGGLE
Second Treasury Officer of Accounts

STATEMENT OF RESPONSIBILITIES OF GRANT-PAYING BODIES, AUTHORITIES, THE AUDIT COMMISSION AND APPOINTED AUDITORS IN RELATION TO CLAIMS AND RETURNS

This statement highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns. It was first published in February 2002 but is now revised following consultation with stakeholders in 2003 on the Audit Commission's think-piece 'Grant claims – reducing the audit certification burden.'

The Audit Commission has also published two corporate briefings, Good practice in grant schemes: grant-paying bodies and Good practice in grant schemes: authorities receiving grants or preparing returns (Audit Commission – available from www.audit-commission.gov.uk).

General introduction

1 Grant-paying bodies may require certification by an appropriately qualified and independent accountant of authorities' claims for grant or subsidy, and of other returns of financial information. Certification is one option for providing assurance as to the basis of an authority's entitlement to grant or subsidy or, in the case of a return, as to the information provided. Grant-paying bodies, authorities, the Audit Commission (the Commission) and its appointed 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 Audit Commission will make certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission's appointed auditors by summarising their respective responsibilities and explaining where those different responsibilities begin and end.

3 Throughout this statement:

- 'appointed auditor' is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority's accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission'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;
- ‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;
- ‘certification instructions’ (CIs) are a series of written instructions from the Commission to appointed auditors on the certification of claims and returns;
- ‘certify’ means the completion of the certificate on a claim or return by the auditor appointed by the Audit Commission in accordance with arrangements made by the Commission;
- ‘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 Assembly Government, public authorities and the European Commission directorates and its agents requiring the completion of claims and returns;
- ‘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 authority’s auditor, or under arrangements made by the Commission; and
- ‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.

Audit Commission certification arrangements

4 Under section 28 of the Audit Commission Act 1998, the Commission shall, if required by authorities, make arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or public authority to any body subject to audit under the Act. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements.

5 Notwithstanding any desire by a grant-paying body or authority to have claims or returns certified by the Commission’s appointed auditor, the Commission has been advised that it is entitled to exercise reasonable discretion in meeting its statutory obligations and that it can make a judgement whether it is appropriate to make certification arrangements 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 Commission can decline to make certification arrangements where it 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 authorities, the Commission has decided that its certification arrangements should be proportionate to the amount of grant involved and that grant-paying bodies must secure the Commission's formal agreement to make certification arrangements before certification by one of its appointed auditors is made a condition of grant. Statement of responsibilities

7 The certification arrangements that the Commission 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 Commission (currently £50,000), the Commission will not make certification arrangements, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions. As a condition of their appointment as an auditor appointed by the Audit Commission, appointed auditors are also prevented from certifying claims or returns below the de minimis amount in any other capacity.
- For claims and returns between the de minimis amount and a threshold to be set by the Commission (currently £100,000), 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 Commission requires grant-paying bodies to secure the Commission's formal agreement at scheme or programme level that it will make certification arrangements, before certification by its appointed auditor is made a condition of grant. To this end, the Commission requires the Principal Finance Officer, or equivalent, of the grant-paying body to write to the Head of the Grants Team at the Commission 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 authorities and the amount claimable by each. The Commission requires a period of no less than twenty working days to respond to the grant-paying body. The Commission will not make certification arrangements unless its formal agreement to do so has been secured in accordance with this statement.

9 The Commission provides general guidance on the certification of claims and returns to its appointed auditors in the annually updated CI A01 General Certification

Instructions (Audit Commission - available from www.audit-commission.gov.uk). The form of 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 an authority prepares its claim or return and gives its certificate; and
- specifying appropriate authority and auditor certification arrangements.

11 Grant-paying bodies are responsible for providing:

- grant terms and conditions which:
 - are available in sufficient time to enable authorities 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 authorities 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 an authority's accounting year to 31 March, have completion deadlines which fit with the authority's preparation of its accounts, and have auditor certification deadlines which enable the auditor to co-ordinate certification of claims or returns with the audit of the authority's accounts where appropriate;
 - incorporate appropriate certificates by the authority and, where required, by the auditor (see paragraphs 12 and 32). The authority's certificate, which must be required to be given before the claim or return is passed to the auditor, must provide at least as much assurance as that required of the appointed auditor, but may also provide assurance on areas not appropriate to the appointed auditor's certificate; and

– have a prescribed timetable for both their preparation and auditor certification, with appropriate retentions to encourage compliance.

12 Grant-paying bodies are responsible for specifying appropriate authority and auditor certification requirements including who may give the authority's certificate on the claim or return and which auditor may certify it (normally either any appropriately qualified independent accountant or the Commission's appointed auditor). Appropriate assurance should be taken from certificates given by chief finance 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. 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 Commission appointed auditor is or may be required, a grantpaying body must:

- secure the Commission's formal agreement that the Commission will make certification arrangements (see paragraph 8);
- familiarise itself with the general guidance that the Commission provides to its appointed auditors in the annually updated CI A01 General Certification Instructions (Audit Commission – available from www.audit-commission.gov.uk); and
- engage in timely consultation with the Commission to enable it to draft instructions to its appointed auditors on the basis of the terms and conditions and forms provided by the grant-paying body, to consult the grant-paying body on the draft and secure its written agreement to the instruction 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.

Authorities

15 Authorities 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. Authorities are also responsible for exercising proper degrees of supervision and review of completed claims or returns before completing the authority's certificates. The authority's certificate on a claim or return must be completed before it is passed to the appointed auditor for examination. Auditors will not certify claims or returns where the authority's certificate has not been completed.

16 The chief finance officer of a local authority is responsible for ensuring that supporting accounting records are sufficient to show the authority'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** Authorities 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 finance officer of a local authority 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 appointed auditor and reduce certification time and, therefore, the cost to the authority; and
 - are subject to proper supervision and review prior to completion of the authority's certificate so that the assurance given by the authority 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 authority, grant-paying bodies always require the authority's certificate to be given by an appropriate senior officer, typically the chief finance officer, or an officer authorised by written delegated powers. The authority's certificate should be given only when the certifying officer is satisfied with the entries made and that the assurance given by the authority's certificate is well founded.

19 Where claims or returns require auditor certification, authorities 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 Commission's appointed auditor in accordance with the arrangements set out in this statement or to any accountant who is both independent and appropriately qualified. Where an authority intends to ask its Audit Commission appointed 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 Commission's formal agreement to make certification arrangements on the basis set out in this statement (see paragraph 8). Authorities should not assume that the Commission will automatically make certification arrangements and/or provide certificates in the manner required by the grant-paying body. Where an authority makes arrangements for claims or returns to be certified other than through the Audit Commission, 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.

Audit Commission

20 Under section 28 of the Audit Commission Act 1998, the Commission shall, if required by authorities, make arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or public authority to any body subject to audit under the Act. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements. The framework within which the Commission will decide whether or not to make certification arrangements in any particular case is set out in the first section of this statement.

21 In making certification arrangements, the Commission:

- may do so only at the request of authorities;
- is not subject to direction by grant-paying bodies; and
- must charge authorities such fees as will cover the full cost of certification.

22 The certification arrangements made by the Commission comprise a series of CIs which the Commission's appointed auditors must follow. The certificate included on each claim or return requires the appointed auditor to apply some, or all, of the tests in the relevant CI, depending on the amount claimed and the auditor's assessment of the control environment for the preparation of the claim or return. The relevant CI is specific to each scheme, but it needs to be read in conjunction with CI A01, which provides background information and explains the approach and procedures to be adopted.

23 Certification work using 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. Statements of Auditing Standards (SASs), the Auditing Practices Board's Practice Note 10 and the Audit Commission's *Code of Audit Practice* do not apply to certification work.

24 The purpose of CIs is:

- to set out the procedures to be applied in the examination of a claim or return;
- to convey much of the background information which would otherwise have to be sought by appointed auditors, thereby reducing the overall costs to auditors and authorities; and
- to leave grant-paying bodies and their auditors in no doubt as to the nature of work undertaken by appointed auditors before giving their certificate.

25 In making arrangements under section 28, the Commission will have regard to what it is appropriate, practically and professionally, to expect the certification process and appointed 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 Commission 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 appointed auditors when applying CIs. The Commission consults with appointed auditors where there are

significant changes to certification requirements. The Commission will also deal with queries from grant-paying bodies that arise after auditor certification where further reference to the appointed auditor may be called for. CIs are prepared by the Audit Commission for use only by the Commission's appointed auditors in accordance with the arrangements made under section 28 of the Audit Commission Act 1998. CIs are not available to other independent accountants appointed by authorities and the Commission accepts no responsibility for their use other than by the Commission's appointed auditors.

Audit Commission appointed auditors

27 Appointed auditors act as agents of the Commission when undertaking certification work and, while qualified 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 appointed auditor's certificate on a claim or return, the appointed auditor is required to carry out certification work and complete the auditor's certificate in accordance with arrangements made by the Commission.

28 Commission appointed auditors will only certify claims and returns in accordance with the arrangements set out at paragraphs 4-9 of this statement. As a condition of their appointment by the Commission, appointed auditors are prevented from certifying claims and returns outside of these arrangements.

29 Commission appointed auditors are required:

- to 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*).
- to examine the claim or return and related accounts and records of the authority in accordance with CI A01 and the CI specific to the claim or return. In carrying out their work, the appointed auditor will obtain such evidence and explanations from the authority as the appointed 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 authority and the claim or return as well as the appointed auditor's assessment of risk. Where a minimum sample size is specified in the relevant CI, the appointed 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 and where testing is required, to direct work to those matters that, in the appointed 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 appointed auditor acts as a professional accountant and not a legal expert;
- to plan and complete their work in a timely fashion so that deadlines are met; and
- to complete the appointed auditor's certificate, qualified as necessary, in accordance with the general guidance in CI A01 and to provide authorities with

copies of certified claims and returns, and qualification letters for information. The appointed auditor's certificate and qualification letter are provided for the use of the grant-paying body and the authority. Appointed 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 National Audit Office, or other auditor of a grant-paying body, may use the appointed 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 appointed 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 certification instructions, that evidence being persuasive rather than conclusive.

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

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

Where testing is required, appointed 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 appointed auditor's certificate derives from that jointly published by several government departments at the time of the Commission's formation and subsequently has been widely adopted by other grant-paying bodies. It has now been updated to include reference to this Statement of Responsibilities and to the Commission's general instructions to its appointed auditors on certification work (CI A01). Appointed auditors will give a certificate in this form where it is built into a claim or return or where no form of certificate is prescribed, and will give a different form only in exceptional circumstances and where the relevant CI requires it.



Certificate of the auditor appointed by the Audit Commission

The Statement of Responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns, issued by the Audit Commission, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors.

I/We have examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated _____)* and the related accounts and records of the authority in accordance with Certification Instruction A01 and I/we have:

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

• carried out Part A 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 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 Certification Instruction A01 and, on the basis of my/our assessment, carried out Part A/Parts A and B* 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 the claim or return is:

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

Signature _____ Name (block capitals)
on behalf of the Audit Commission

Date

* Delete as necessary

Delete non-applicable certificate

(4/04)

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Annex B – Joint Statement on Grant Claim Certification



Joint statement on grant claim certification

Introduction

- 1 The Audit Commission and the National Audit Office share a common objective of promoting the best use of public funds. We are committed to working together to ensure the proper stewardship of public finances and to implement effective accountability and audit arrangements for public bodies. We have agreed this joint statement concerning the new arrangements for grant claim certification put in place by the Audit Commission, commencing with 2003/04 financial year claims and returns.

Background

- 2 The Audit Commission is required by the Audit Commission Act 1998 to make arrangements for the certification of grant claims when requested to do so by public bodies in receipt of grant funds. Grants are made available to local government, health and criminal justice bodies from a number of grant-paying bodies, primarily central government entities. Typically, a condition of grant is that the auditor of the body in receipt of grant must examine and certify the grant claim.
- 3 The National Audit Office undertakes the audit of grant-paying bodies within central government for the Comptroller and Auditor General. In so doing, the National Audit Office seeks to establish that the grant-paying body has obtained adequate assurance that grant monies have been properly applied to the purposes intended by the grant-paying body. Grant claim certification contributes to this assurance.

The new certification arrangements

- 4 The Audit Commission has undertaken an extensive review of the arrangements which it makes for grant certification. In doing this, the Audit Commission consulted with key stakeholders, including the National Audit Office, as well as with grant-paying bodies and authorities. As a result of this review, the Audit Commission has put in place new, risk-based, more proportionate arrangements for grant claim certification by auditors.
- 5 The new framework has been broadly welcomed. Grant-paying bodies have expressed some concerns, however, that the new arrangements will provide insufficient assurance to them. We are issuing this joint statement in response to these concerns.
- 6 The National Audit Office supports fully the principles of the Audit Commission's revised framework for the certification of grant claims and financial returns. In implementing the new arrangements, we will work closely with grant-paying bodies to ensure that the certification process contributes to providing an appropriate level of assurance for the grant-paying body.
- 7 Grant-paying bodies need to establish a sound system of internal control for the use of public funds. Certification of grant claims and returns by an independent accountant or auditor is one element of this control framework. But the use of auditor certification to gain assurance must always be proportionate to risk and the amounts involved, and represent a sensible use of public money. Obtaining assurance from auditors carries a cost and grant-paying bodies should consider carefully whether auditor certification of a particular scheme is required having regard to the costs involved relative to the amount of grant being claimed and the assurance that is obtained from the other elements of the control framework. We therefore look to the grant-paying bodies to put in place appropriate arrangements to obtain adequate assurance about grant monies.
- 8 The National Audit Office and the Audit Commission are committed to working with grant-paying bodies to support them in implementing this new framework.