Auditor certification of 2015/16 non domestic rates income returns

Technical guidance note TGN/NDR/16

AUDIT SCOTLAND

Prepared by the Technical Services Unit
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Foreword

Technical guidance notes are prepared by Audit Scotland's Technical Services Unit (TSU) to provide external auditors appointed by the Accounts Commission and Auditor General for Scotland with guidance on particular subjects or themes relevant to their audit appointment. They cover auditors' responsibilities to audit the financial statements, and review returns for whole of government accounts and local authority grant claims.

Technical guidance notes are available to external auditors from Audit Scotland's *Technical reference library*, and are also published on the Audit Scotland website so that audited bodies and other stakeholders can access them.

This particular type of technical guidance note is published under authority delegated by the Assistant Auditor General to provide guidance on the review of approved grant claims and other financial returns that require to be certified as part of a local authority audit appointment.

While auditors act independently, and are responsible for their own conclusions and opinions, the TSU has a role in ensuring that those conclusions and opinions are reached on the basis of informed judgement. Consistency in similar circumstances is important and the ***Code of audit practice*** **therefore states that auditors should follow TSU guidance**. Auditors should advise the TSU promptly if they intend not to follow any guidance provided in this technical guidance note.

Overview

Key points on this return		
Description of return		
The return is used to calculate a local authority's annual contribution to the national non-domestic rates pool.		
Return reference	**Deadline to auditors**	**Auditor submission deadline**
NDRI notified return report 2015/16	1 July 2016	7 October 2016

Risk areas

1 The amount payable before reliefs is not properly calculated.

2 The exemption for unoccupied or partly occupied properties has been awarded incorrectly or is not properly calculated.

3 Reliefs have been awarded incorrectly or are not properly calculated.

4 State aid implications have not been considered where limits have been breached.

6 Adjustments for bad or doubtful debts are not properly calculated.

7 Refunds of overpayments are not properly calculated.

8 Other deductions and additions are not properly calculated.

Address for certified return

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Publication date and relevant year	TSU contact point
8 June for 2015/16 returns	Tim Bridle Tel 0131 625 1793 E-mail: tbridle@audit-scotland.gov.uk

1 Introduction

Auditor certification requirement

1. External auditors are required by the Code of audit practice to review approved grant claims and other financial returns submitted to grant-paying bodies by local authorities to conclude whether they are fairly stated and in accordance with specified terms and conditions.

2. Auditors are required to express their conclusion in a certificate attached to each claim / return. The review and reporting process performed by auditors is therefore described as certification.

3. One of the approved returns is in respect of non-domestic rate income (NDRI).

Purpose of technical guidance note

4. This technical guidance note has been prepared by the TSU to provide guidance on auditor certification of the NDRI return for 2015/16. The approach set out in this technical guidance note has been agreed with the Scottish Government.

5. Procedures that auditors should carry out in respect of certifying 2015/16 NDRI returns are set out at section 2 (preliminary procedures), 3 (testing procedures) and 4 (completion procedures) of this technical guidance note and summarised in Appendix 1. Although this note provides a concise summary of the return, it may still be necessary for auditors to refer to the source material listed at Appendix 2 on which this note is based.

6. Auditors should also refer to the general guidance on the certification of claims provided by technical guidance note TGN/GEN/16.

Changes from 2014/15

7. The most significant changes from 2014/15 are
    - the end of the *Public health supplement* and the 2012/13 rates deferral scheme
    - the addition of line 38 for the *Business rates incentivisation scheme* (BRIS)
    - the introduction of local schemes for reduction and remission of rate by the *Community Empowerment (Scotland) Act 2015.*

Nature of return

8. NDRI in Scotland is collected by local authorities on an agency basis and notionally placed in a national 'pool', which is then redistributed among authorities based on each authority's estimated collection levels.

9. In April each year, authorities submit an estimate of their expected NDRI yield for the year ahead. This is known as the provisional contributable amount and is used to calculate the amount of NDRI for the purposes of funding payments.

10. Following the year end, authorities are required to submit their actual NDRI yield, known as 'the notified amount' in a final return to the Scottish Government.

Funding arrangements

11. The total revenue funding allocation for an authority is fixed by an annual order, and includes NDRI and general revenue grant (GRG). As authorities do not physically pass NDRI to the national pool, the weekly funding payments made to authorities are adjusted for NDRI collections.

12. After receipt of the final return, the actual NDRI yield is compared with the provisional contributable amount, and any differences are adjusted for by amending the weekly funding payments in the following year. These adjustments are generally conducted in two stages; firstly after the receipt of the return in June and then (if there have been any further changes) once the return certified by auditors has been submitted. The weekly funding payments are therefore adjusted for the net result of the authority’s expected NDRI yield in the current year, and differences between estimate and actual collections in previous years.

Submission of return to auditor

13. Authorities are required to submit the completed final return to their external auditors by 1 July 2016.

Contact point

14. The contact point in the TSU for this technical guidance note is Tim Bridle, Manager - Local Government (Technical) - tbridle@audit-scotland.gov.uk or 0131 625 1793.

2 Preliminary procedures

Purpose of section

15. This section sets out the preliminary procedure that auditors should carry out when they receive the return.

Preliminary procedure 1 - Completion of return

Auditors should check that

- **the authority's arrangements for the completion of the return appear adequate**
- **all relevant parts of the return have been completed, including certification by the director of finance**
- **all arithmetic on the return is correct**
- **the entries on the return agree with the authority's financial ledger or other underlying records.**

16. The NDRI return is a statement of income yield. It records the gross amount payable to an authority by rate-payers, including contributions in lieu of rates and amounts payable in respect of preceding years not included in previous returns.

17. The return has lines for the following reductions in rate yield which authorities are permitted in arriving at their contribution to the pool

- All of the mandatory reliefs, and at least a proportion of the discretionary reliefs, granted by the authority to rate-payers.
- Provisions for bad debts and amounts written-off.
- Refunds of overpayments, normally as a result of appeals, as well as related interest payments.
- Income from the *Tax incremental financing* (TIF) and BRIS scheme.

18. Authorities use the Scottish Government's online ProcXed system to submit the final return, but should have generated a hard copy for certification by auditors.

19. The return passed to auditors should have been certified by the director of finance (or equivalent) as being made in accordance with the regulations.

3 Testing procedures

Purpose of section

20. This section sets out the testing procedures that auditors should carry out on the return.

Test 1 - Amount before reliefs (line 1)

Auditors should obtain evidence that the amount payable in line 1

- **has been properly calculated by using the rateable values shown on the valuation roll for the year multiplied by the rate per £ specified by Scottish Ministers**
- **is gross of reductions in the yield arising from reliefs and other deductions in respect of 2015/16.**

21. The amount payable in line 1 is the theoretical maximum rate yield in respect of 2015/16 if the properties included in the valuation roll were occupied and not subject to any reliefs or exemptions. It is calculated using the properties' rateable values (RV) multiplied by a rate per £ specified by Scottish Ministers.

22. The poundage rates for 2015/16 were set by The Non-Domestic Rate (Scotland) Order 2015 and The Non-Domestic Rates (Levying) (Scotland) Amendment Regulations 2015 and are included, along with rates for earlier years, in the following table.

Year	Poundage rates	
1999/2000	0.489	
	RV £10,000 or less	***RV more than £10,000***
2000/01	0.448	0.458
2001/02	0.45	0.47
2002/03	0.458	0.478
	RV £25,000 or less	***RV more than £25,000***
2003/04	0.478	0.484
2004/05	0.488	0.491
	RV £29,000 or less	***RV more than £29,000***
2005/06	0.461	0.4655
2006/07	0.449	0.453

Year	Poundage rates	
2007/08	0.441	0.444
2008/09	0.458	0.462
2009/10	0.481	0.485
	RV £35,000 or less	*RV more than £35,000*
2010/11	0.407	0.414
2011/12	0.426	0.433
2012/13	0.45	0.458
2013/14	0.462	0.471
2014/15	0.471	0.482
2015/16	0.48	0.493

Test 2 - Large business supplement (line 2)

Auditors should obtain evidence that the amount in line 2 is the amount payable in respect of the large business supplement.

23. The amount payable in respect of the large business supplement (payable by businesses with a rateable value in excess of £35,000) included in line 1 should also be separately reported at line 2. The large business supplement for 2015/16 is 1.3p, i.e. £0.493 less £0.48 as set out in the table above.

Test 3 - Unoccupied/partly unoccupied property (line 4)

Auditors should obtain evidence that the reduction in rate yield for unoccupied properties in line 4 has been properly stated and

- **reflects relief of 10% applied to properties qualifying for unoccupied property rate included at line 4b**
- **reflects relief of 100% applied to properties exempt from unoccupied property rate included at line 4a**
- **includes the yield lost from the three month rate free period included at line 4a.**

24. Property unoccupied for a period of less than three months is exempt from NDR. Where a property remains empty for a period longer than three months, subject to certain specified exemptions, the person entitled to possession of the property is required by The Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2013 to pay 90% of the NDR which would have been payable if the property were occupied. Circumstances

under which land and heritages are exempt from the 90% charge are set out in The Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 1994 as amended in 1995, 2000, 2008 and 2013. Circumstances include

- where occupation is prohibited by law
- land and heritages kept vacant by the Crown or any other public authority
- listed buildings or scheduled monuments
- qualifying industrial land and heritages
- possession by a trustee, executor or liquidator
- where the owner is subject to a winding up order
- the rateable value of the lands and heritages is less than £1700 (£1500 before 1 April 2000 and £1000 before 1 April 1995).

25. The amount in line 4 is made up of lines 4a and 4b.
    - Line 4a should include
        - the total reduction in rate yield as a result of the empty property exemptions, i.e. the yield loss from the three month rate free period
        - the yield loss from properties exempt from unoccupied property rate.
    - Line 4b should include the reduction in yield resulting from applying the empty property rate of 90%.

26. The reduction in yield is calculated after taking account of any small business relief under the small business bonus scheme.

27. Where part of a property is unoccupied for a short time, an authority may ask the assessor to apportion the rateable value between the occupied and the unoccupied parts. The chargeable amount is then calculated on the occupied part with an exemption or empty property charge applicable to the unoccupied part as appropriate. The entry in the return (shown at line 4a or 4b) is the reduction in rate yield as a result of the apportionment.

Test 4 - New start (line 5)

Auditors should obtain evidence that the amount included at line 5 in respect of *New start* relief is properly stated and

- **applies to empty new build properties entered on the valuation roll since 1 April 2013**
- **is limited to a 15 month period.**

28. The Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2013 introduced a relief for empty new build properties known as *New start* relief. Property owners can apply for, and councils can award, a relief of up to 100% for 15 months. This is in addition to the usual 3 month empty property exemption bringing the total relief period up to 18 months.

29. *New start* relief is only applicable to new properties entered onto the valuation roll between 1 April 2013 and 31 March 2016 and is not applicable to splits and mergers or other changes to existing entries on the valuation roll. Properties must be empty at the time of entry to the valuation roll but they can receive relief of up to 18 months for a discontinuous period if they subsequently go in and out of occupancy.

30. There is no interaction with other reliefs which means that where *New start* relief is awarded no other reliefs are available.

Test 5 - Fresh start (line 6)

Auditor should obtain evidence that the amount included at line 6 in respect of *Fresh start* relief is properly stated and

- **applies to empty shops, offices, pubs, hotels or restaurants with a rateable value of less than £65,000 which have been in receipt of empty property relief for at least 12 months**
- **is limited to 12 months relief at 50%**
- **relief has been awarded only where an application has been made**
- **does not apply where payday lending takes place at interest rates of 100% or above.**

31. *Fresh start* relief was also introduced by *The Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2013* and amended *by* The Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2014. This is a 50% relief for a period of 12 months available to smaller properties last used as a shop, office pub, hotel or restaurant. Eligible properties are those

- with rateable values of under £65,000
- that have been in receipt of empty property relief for a continuous period of at least 12 months prior to becoming occupied.

32. Where the property has not been used, the intended use must be as a shop, office, pub, hotel or restaurant.

33. The relief is available in respect of liabilities arising during the 3 year period from 1 April 2013 to 31 March 2016, but is only available for the 12 month period immediately following occupation. Property-owners are required to make an application for *Fresh start* relief.

34. In some instances, the *Small business bonus scheme* may offer greater relief for a single individual property, in which case that relief should be awarded if the property is eligible. Where *Fresh start* relief is awarded no other reliefs are available.

35. *Fresh start* is not available where 'payday lending' is carried out at the property if interest rates used are 100% or above.

Test 6 - Religious relief (line 7)

Auditors should obtain evidence that the reduction in rate yield for churches, etc in line 7 has been properly stated and includes

- **buildings occupied by a religious body used for worship**
- **church halls used for purposes connected with that body**
- **premises used for administrative activities.**

36. Under schedule 13 of the *Local Government Finance Act 1992,* the following religious properties are exempt from rates

- Buildings occupied by a religious body used exclusively for the purposes of public worship.
- Church halls and similar buildings used wholly or mainly for purposes connected with the church and no profit is derived from their use.
- Premises occupied by a religious body and used by it for carrying out administrative activities.

Test 7 - Charities mandatory relief (line 8)

Auditors should obtain evidence that the mandatory reduction in rate yield for charities at line 8 has been properly stated and

- **reflects the granting of 80% rate relief**
- **relates only to properties occupied by a charity and used for charitable purposes.**

37. Charitable organisations are required to pay only 20% of the rates otherwise due (and may pay less where top up discretionary relief has been granted). Charities are defined as an institution or other organisation established for charitable purposes. In order to qualify for exemption, the premises must be occupied by a charity and be wholly or mainly used for charitable purposes. Charitable purposes may be divided into four main groups

- relief of poverty
- advancement of religion
- advancement of education
- other purposes beneficial to the community.

38. The Office of the Scottish Charity Regulator maintains a Scottish charity register which auditors may find of use.

Test 8 - Sports clubs mandatory relief (line 9)

Auditors should obtain evidence that the mandatory reduction in rate yield for community

amateur sports clubs at line 9 has been properly stated and

- **reflects the granting of 80% rate relief**
- **relates only to properties used by registered sports clubs.**

39. Community amateur sports clubs (CASCs) registered with HM Revenue and Customs qualify for 80% mandatory relief under Section 98 of The Charities and Trustee Investment (Scotland) Act 2005. Mandatory relief granted should be included in line 9. Local authorities can also top up relief to 100% with the use of discretionary relief.

Test 9 - Rate rebates for disabled persons (line 10)

Auditors should obtain evidence that the reduction in rate yield for disabled persons at line 10 has been properly stated and

- **includes any institutional building where half or more of the floor area is used for specified qualifying purposes**
- **reflects the amount of rates attributable to that part of the building used exclusively for qualifying purposes.**

40. Residential and nursing homes which cater for the needs of disabled persons are eligible for relief under the *Rating (Disabled Persons) Act 1978*. Rebate is granted if more than half of the floor area is used exclusively for specified purposes, which include the provision of

- residential accommodation for the care (not including medical, surgical or dental treatment) of persons suffering from illness, their aftercare, or disabled persons
- facilities for the training of such persons
- welfare service, workshops, etc for disabled persons.

41. The percentage of rebate granted is equivalent to the proportion that the part of the property used exclusively for these qualifying specified purposes bears to the whole building (i.e. it will be between 50% - 100%).

Test 10 - Rural rate mandatory relief (line 11)

Auditors should obtain evidence that the mandatory reduction in rate yield for rural settlements at line 11 has been properly stated and

- **relates only to qualifying businesses in settlements on the authority's rural settlement list**
- **relates only to settlements which have been designated by Scottish Ministers as rural areas**
- **relates to properties where rateable values are below thresholds**
- **reflects 50% rate relief granted.**

42. Local authorities are required to compile and maintain a rural settlement list which contains settlements with a population of 3,000 or less on the 31 December before the relevant financial year, i.e. 31 December 2014 for 2015/16. Certain types of business within a rural settlement, provided the settlement has been designated by Scottish Ministers as a rural area, are entitled to a mandatory 50% rates relief where their rateable values are less than prescribed thresholds.

43. Designated areas can be found in The Non Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Amendment Order 2010 whilst qualifying businesses and relevant thresholds (as set out in the 2005 order) for mandatory relief are

- the only general store or post office with a rateable value of £8,500 or less
- a food shop with a rateable value of £8,500 or less
- the only public house/small hotel (with appropriate license), with a rateable value of £12,750 or less
- a petrol filling station with a rateable value of £12,750 or less.

44. Local authorities have discretionary powers to top-up this relief to 100%.

Test 11 - Small business bonus scheme (line 12)

Auditors should obtain evidence that the reduction in rate yield for small business mandatory relief at line 12 has been properly stated and

- **relates only to businesses with a cumulative rateable value of £35,000 or less**
- **been awarded over and above other reliefs**
- **reflects total reliefs granted of between 25 and 100%.**

45. Line 12 should record the reduction in rate yield in 2015/16 resulting from mandatory rate relief under the *Small business bonus scheme*. The Non Domestic Rates (Levying) (Scotland) Regulations 2014 sets the cumulative rateable value thresholds for relief at various levels up to £18,000.

46. Businesses with properties that have a cumulative rateable value between £18,000 and £35,000 can receive 25% rates relief on individual properties with a rateable value of up to £18,000.

47. The relevant rateable value bandings and relief percentages for 2015/16 are shown below

RV bandings £		Relief
From	to	
0	10,000	100%
10,001	12,000	50%

RV bandings £		Relief
12,001	18,000	25%
18,001	35,000	25% on each individual property with a rateable value not exceeding £18,000

48. Where any of the other mandatory reliefs or discretionary relief for sports clubs or stud farms apply, they take precedence over relief under the bonus scheme, i.e. ratepayers receive the higher relief available. This should be reflected in the return as follows

- Where the other relief is higher than under the bonus scheme, there is no entry in line 12 for that item.
- Where the relief under the bonus scheme is higher than the other relief, the total relief should be spread over the line in the form for the other relief with only the remainder in line 12.

Test 12 - Renewable energy relief scheme (line 13)

Auditors should obtain evidence that the reduction in rate yield for renewable energy relief at line 13 has been properly stated and

- **relates only to properties used solely for production of renewable energy**
- **been awarded only where applications have been made.**

49. Line 13 should record the reduction in rate yield in 2015/16 resulting from mandatory rate relief under the *Renewable energy relief scheme* which was established by The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Regulations 2010. This scheme provides a reduction on the rates due for properties which are used solely for the production of renewable energy.

50. It is necessary for rate-payers to have made an application for this relief, which must be applied before the calculation of other reliefs.

51. Properties with a cumulative rateable value up to £145,000 are entitled to 100% relief, while relief is tapered for properties with higher values. The percentage reliefs for each banding is shown below

Cumulative RV	Percentage relief (%)
up to £145,000	100
up to £430,000	50
between £430,000 and £860,000	25

Cumulative RV	Percentage relief (%)
between £860,000 and £4,000,000	10
greater than £4,000,000	2.5

Test 13 - Enterprise areas (line 14)

Auditors should obtain evidence that the reduction in rate yield for enterprise area relief at line 14 has been properly stated and

- **relates to new properties or properties vacant for 3 months**
- **relates to properties in enterprise areas**
- **is in respect of specified activities**
- **has been awarded only where applications have been made.**

52. The Non-Domestic Rates (Enterprise Areas) (Scotland) Regulations 2012 (as amended) provide for a reduction on the rates due for specified properties in defined geographic locations known as enterprise areas. The four enterprise areas are set out below

Life Sciences Enterprise Area	Low Carbon / Renewables North Enterprise Area
Irvine (N. Ayrshire) - part of site Forres (Moray) Inverness Campus (Highland) BioQuarter (Edinburgh) Biocampus (Midlothian)	Hatston (Orkney) Arnish (Western Isles) Scrabster (Highland) Lyness (Orkney)

Low Carbon / Renewables East Enterprise Area	General Manufacturing and Growth Sectors Enterprise Area
Leith (Edinburgh)	Creative Clyde (Glasgow City) Prestwick International - aerospace (S. Ayrshire) West Lothian (Broxburn) - Food and drink manufacturing West Lothian (Livingston) - Food and drink manufacturing

53. Each area comprises a number of defined geographic locations. Boundaries for each location are set out in a series of maps.

54. Relief is available only to

- new build properties or properties which have been vacant for at least a three month period
- businesses undertaking certain activities set out in schedule 1 of the regulations.

55. Rate-payers are required to make an application for the relief, and an authority is required to consider whether a property is in receipt of any other relief. The total percentage of relief available to properties after the award of enterprise area relief is set out below

Rateable value	Percentage of rates relief
£120,000 or less	100%
More than £120,000 but not exceeding £240,000	50%
More than £240,000 but not exceeding £480,000	25%
More than £480,000 but not exceeding £1,200,000	10%
More than £1,200,000 but not exceeding £2,400,000	5%
More than £2,400,000	2.5%

Test 14 - Hardship relief (line 16)

Auditors should obtain evidence that the reduction in rate yield in respect of hardship at line 16 has been properly stated and

- **the authority is satisfied that the rate-payer would sustain hardship if relief was not granted, and it is reasonable to do so having regard to the interest of council tax payers**
- **the relief has been awarded in line with the authority's policy**
- **reflects 75% of the rate relief granted.**

56. Authorities have the discretion to reduce or remit rates if they are satisfied that the rate-payer would sustain hardship if relief was not granted, and it is reasonable to do so having regard to the interests of council tax-payers. The relief also applies to businesses which are particularly important to the local community and where a one off assistance will resolve the difficulties.

57. Line 16 should represent 75% of any relief granted and is offset against the authority’s contribution to the pool.

Test 15 - Charities and other organisations - discretionary (line 17)

Auditors should obtain evidence that the reduction in rate yield in respect of charities and other organisations at line 17 has been properly stated and

- **the discretionary relief has been awarded in line with the authority's policy**
- **reflects 75% of discretionary rate relief granted for up to 20% of charities bill**
- **reflects 75% of discretionary rate relief granted for other non-profit making organisations.**

58. Authorities are permitted to grant discretionary relief to charities on the remaining 20% of their rates (having given mandatory relief on 80%), bringing the total relief up to 100%. An amount equal to 75% of the discretionary relief granted may be offset against the authority's contribution to the pool and should be recorded at line 17.

59. Authorities may also grant up to 100% relief to certain non-profit making bodies. To qualify, an organisation must be charitable or religious, or concerned with education, social welfare, science, literature or the fine arts, or the property must be used by a non-profit-making organisation wholly or mainly for the purpose of recreation. An amount equal to 75% of the discretionary relief granted may be offset against the authority's contribution to the pool (excluding sports clubs reported at line 18).

Test 16 - Sports clubs - discretionary (line 18)

Auditors should obtain evidence that the reduction in rate yield in respect of sports clubs at line 18 has been properly stated and

- **the discretionary relief has been awarded in line with the authority's policy**
- **reflects 100% of the discretionary rate relief granted.**

60. In addition to the mandatory relief included at line 9, authorities may grant discretionary top up relief to sports clubs under section 4(5)(c) of the *Local Government (Financial Provisions) (Scotland) Act 1962*. All of the discretionary reliefs granted can be offset and should be included at line 18.

Test 17 - Backdated relief of sports clubs and charities (line 19)

Auditors should obtain evidence that the reduction in rate yield in respect of backdated relief at line 19 has been properly stated and

- **the discretionary relief has been awarded in line with the authority's policy**
- **reflects decisions to backdate made within the first 6 months of a financial year**
- **reflects 75% of backdated rates relief granted for charities and similar organisations**

- **reflects100% of backdated rates relief granted for sports clubs.**

61. Authorities are permitted to backdate discretionary reliefs for charities and similar organisations and sports clubs provided they make the decision within the first 6 months of a financial year
    - Amounts awarded in respect of 2015/16 up to the time the return is submitted on the ProcXed system should be included at line 19.
    - Amounts awarded after the return is completed, but within the 6 month period, should be included in the 2016/17 return as 'Other deductions not included elsewhere'.

62. The backdated relief has the same limits in respect of the amounts that can be offset as in-year decisions, i.e. 75% for charities and 100% for sports clubs.

Test 18 - Rural rate relief - discretionary (line 20)

Auditors should obtain evidence that the reduction in rate yield in respect of rural settlements at line 20 has been properly stated and

- **the discretionary relief has been awarded in line with the authority's policy**
- **reflects 75% of discretionary rate relief granted on those properties entitled to 50% mandatory relief**
- **reflects 75% of discretionary rate relief granted to other properties which are of benefit to the local community.**

63. Authorities may extend relief to properties entitled to mandatory rural rate relief and other properties with a rateable value of less than £17,000 which are of benefit to the local community.

64. This discretionary relief can be off-set against the pool at a rate of 75% and should be reported at line 20.

Test 19 - Stud farms (line 21)

Auditors should obtain evidence that that the reduction in rate yield in respect of stud farms at line 21 has been properly stated and

- **the discretionary relief has been awarded in line with the authority's policy**
- **reflects 75% of discretionary relief granted on stud farms**
  - **established on or after 1 April 2003**
  - **with a maximum rateable value of £7,000.**

65. Stud farms established on or after 1 April 2003 may be granted discretionary relief provided the rateable value is less than £7,000 under The Valuation (Stud Farms) (Scotland) Order 2005.

66. 75% of this relief can be off-set against the pool and should be recorded at line 21..

Test 20 - State aid

Auditors should obtain evidence that the authority has considered the state aid implications of awarding discretionary benefits where de minimis levels have been breached.

67. State aid is a European Commission term which refers to forms of public assistance given to undertakings on a discretionary basis, with the potential to distort competition and affect trade between Member States.

68. State aid rules are applicable to rates relief. Authorities granting discretionary rate relief should consider state aid implications if de minimis levels are breached (currently 200,000 Euros over a rolling 3 year period).

Test 21A - Bad or doubtful debts (lines 22, 25, 26 and 31) - gross

Where the authority does not take the option to report only the net change, auditors should obtain evidence that the reduction in rate yield in respect of bad or doubtful debts at lines 22, 25 and 26 and the increase at line 31 have been properly stated and

- **the write off of bad debts has been properly approved**
- **provisions have been calculated on a reasonable basis**
- **line 22 reflects reductions to the yield for rates relating only to 2015/16**
- **line 25 reflects reductions to the yield for rates relating to 1993/94 to 30 June 1999**
- **line 26 reflects reductions to the yield for rates relating to 1 July 1999 to 31 March 2015**
- **line 31 reflects increases in the rate yield for bad debts written off in previous years which have been collected or are now considered.**

69. Bad or doubtful debts (i.e. impairment losses) in respect of rates for 2015/16 or preceding years dating back to 1993/94 (provided they have not been taken into account in a previous return) can be offset against the authority's contribution to the pool.

70. Authorities have the option of either reporting changes in bad debts in respect of preceding years on a gross basis or they may report only the net change to the yield in respect of bad debt adjustments since the last return.

71. Where the authority adopts a gross basis, the entries in the return should be as follows

- The entry in line 22 relates to bad debts written off and provisions for bad debt in respect of rates due for 2015/16.
- The entry in line 25 should include increases in bad debt provision and amounts written off in respect of rates due in the period 1993/94 to 30 June 1999.

- The entry in line 26 should include increases in bad debt provision and amounts written off in respect of rates due in the period 1 July 1999 to 31 March 2015.
- The entry in line 31 relates to bad debts in respect of preceding years which have been previously written off but which have been collected or are now considered collectable.

Test 21B - Bad or doubtful debts (lines 22, 25, 26 and 31) - net

Where the authority takes the option to report only the net change, auditors should obtain evidence that the adjustments in rate yield in respect of bad or doubtful debts at lines 22, 25, 26 and 31 have been properly stated and

- **the write off of bad debts has been properly approved**
- **provisions have been calculated on a reasonable basis**
- **line 22 reflects reductions to the yield for rates relating only to 2015/16**
- **line 25 reflects any net reduction to the yield for rates relating to 1993/94 to 30 June 1999**
- **line 26 reflects any net reduction to the yield for rates relating to 1 July 1999 to 31 March 2015**
- **line 31 reflects any net increase in the rate yield for bad debts written off in previous years which have been collected or are now considered.**

72. Where the authority chooses to report only the net change to the yield in respect of bad debt adjustments since the last return

- amounts previously included that are now collected or considered collectable are netted off at lines 25 and 26 rather than shown separately at line 31 where there is a net reduction in the yield (i.e. a net increase in bad debt adjustments); or
- increases in bad debt provision and amounts written off are netted off at line 31 rather than shown separately at lines 25 and 26 where there is a net increase in the yield (i.e. a net decrease in bad debt adjustments).

Test 22 - Appeals etc (lines 27 and 28)

Auditors should obtain evidence that the reductions in rate yield in respect of appeals at lines 27 and 28 have been properly stated and

- **line 27 reflect amounts reducing the yield relating to 1993/94 to 30 June 1999**
- **line 28 reflects amounts reducing the yield relating to 1 July 1999 to 31 March 2015**
- **repayments are included only where an overpayment has been caused by error or an incorrect entry in the valuation roll**
- **transitional relief has been taken into account where relevant.**

73. Authorities are required to repay rates if there has been an overpayment caused either by error or as a result of an incorrect entry in the valuation roll (mainly identified as a result of appeals). These amounts, included in previous returns as being due but which are now repayable by the authority, are reductions in the rate yield and should be reported as follows

- Line 27 should include amounts reducing the yield for the period 1993/94 to 30 June 1999.
- Line 28 should include amount reducing the yield for the period 1 July 1999 to 31 March 2015.

74. Any amounts paid to the authority as the result of appeals which have not been previously taken into account should not be reported at these lines (they should be reported at lines 29 and 32).

75. Transitional relief was available in respect of the revaluation that took place on 1 April 2005 and limited subsequent increases in rates for the three years to 2007/08. This relief may be relevant to the calculation of backdated appeals. Amounts payable in 2005/06 (before taking account of reliefs) were limited to a proportion of the liability for 2004/05 as set out in The Non-Domestic Rates (Levying) (Scotland) Regulations 2005. Applicable limits are shown below

Upper transitional limit	Lower transitional limit
1.16	0.928

76. The difference between what would be payable on a property's new rateable value in 2005/06 without any transitional adjustment and the amount payable after limitation is referred to as the 'base transitional adjustment'. For years 2006/07 and 2007/08, transitional adjustments reduced as a proportion of this base adjustment in line with the factors set out in the relevant levying regulations and shown below

Year	Factor to be applied to the base adjustment
2006/07	0.649
2007/08	0.491

Test 23 - Interest (line 23)

Auditors should obtain evidence that the reduction in rate yield at line 23 in respect of interest payable on overpayments has been properly stated and reflects amounts paid in the year.

77. Where a repayment has been necessary following an appeal, the authority is also required to pay interest to the rate-payer involved. Amounts paid in the year (in respect of all years from

1990/91) as interest on overpayments are also reductions in the rate yield and should be entered at line 23.

78. The rate of interest is set by Regulation 4(2) of The Non Domestic Rating (Payment of Interest) (Scotland) Regulations 1992, as amended in 2009, at 1% below the bank base rate on the preceding 15 March. Rates for 2015/16 and other years are set out below

Year	%	Year	%	Year	%
1990/91	14%	1999/2000	4.5%	2008/09	4.25%
1991/92	12%	2000/01	5.00%	2009/10	0%
1992/93	9.5%	2001/02	4.75%	2010/11	0%
1993/94	5%	2002/03	3.0%	2011/12	0%
1994/95	4.25%	2003/04	2.75%	2012/13	0%
1995/96	5.75%	2004/05	3.0%	2013/14	0%
1996/97	5%	2005/06	3.75%	2014/15	0%
1997/98	5%	2006/07	3.5%	2015/16	0%
1998/99	6.25%	2007/08	4.25%		

79. Regulation 3(2) of the 1992 Regulations provide that interest will not be paid if the account concerned has fallen into arrears and legal proceedings have been taken by the authority for recovery.

Test 24 - Late changes to valuation roll (lines 29 and 32)

Auditors should obtain evidence that adjustments to the rate yield at lines 29 and 32 due to late changes to the valuation roll have been properly stated and

- **relate to a preceding year and have not been taken into account in previous notified returns**
- **line 29 reflects late deductions from the roll**
- **line 32 reflects late additions now due.**

80. Late changes to the valuation roll affect the rate yield in respect of a preceding year as follows

- Deductions from the roll (i.e. amounts repayable to rate-payers, including contributions in lieu) not taken into account in previous returns require to be removed from the rate yield and reported at line 29.
- Additions (i.e. amounts now payable to the authority not taken into account in previous returns require to be added to the rate yield and reported at line 32.

Test 25 - Other additions/deductions (lines 34 and 39)

Auditors should obtain evidence that any other additions or reductions in rate yield identified at lines 34 and 39 have been properly stated and the reason notified to the Scottish Government.

81. Any additions or deductions that are not included elsewhere in the return should be identified at lines 34 and 39 respectively. The authority should advise the Scottish Government of the nature of any entry in these lines by providing an explanation in the comments box.

Test 26 - Backdated small business relief and bonus (lines 35 and 36)

Auditors should obtain evidence that any amounts at line 35 in respect of backdated small business relief and at line 36 in respect of backdated small business bonus have been properly stated.

82. There are two lines on the return for backdated amounts in respect of small business rate relief and bonus. Deductions in respect of any backdated small business relief should be included in line 35. Backdated small business bonus in 2015/16 should be included at line 36.

Test 27 - TIF income (line 37)

Auditors should obtain evidence that any TIF income at line 37 has been properly stated.

83. Where the authority has an approved TIF scheme, the notified amount of any additional TIF income should be included at line 37. The notified amount is the difference between the collected amount and the collectable amount as set out in *The Non-Domestic Rating Contributions (Scotland) Amendment Regulations 2010*. Where an authority has repaid all TIF debt the notified TIF amount is limited to 50% of the difference between the collected and collectable amounts set out in the regulations.

84. Auditors should contact the TSU for further guidance where amounts are included at line 37.

Test 28 - BRIS income (line 38)

Auditors should obtain evidence that any BRIS income at line 38 has been properly stated.

85. Some authorities can deduct income retained under the *Business rates incentivisation scheme* (BRIS). The sums to be retained are set out in Finance circular 3/2016 and represent the 50% share of the additional rates income generated in 2014/15: The amounts for the relevant authorities are

- Aberdeen City £533,291

• Aberdeenshire	£471,198
• East Renfrewshire	£187,702
• Fife	£891,764
• Highland	£213,923
• Moray	£136,837
• Renfrewshire	£68,427

Test 29 - Notified amount (line 40)

Auditors should check that the notified amount at line 40 is the sum of the gross amount adjusted for reliefs, additions and deductions.

86. The notified amount at line 40 should be the sum of

- the amount at line 24 (i.e. the gross amount at line 1 less reliefs and other deductions in respect of 2015/16)
- additions (at lines 33, 34 and 35); less
- deductions for prior years (line 30), other deductions (line 39), and for small businesses (lines 35 and 36)
- deduction of the TIF notified amount where relevant (line 37)
- deduction of BRIS income retained (line 38).

Test 30 - Local rates relief (line 41)

Auditors should obtain evidence that any figure for local rates relief at line 41 is properly stated.

87. From 2015/16, a local authority is empowered by section 140 of the *Community Empowerment (Scotland) Act 2015* to establish a scheme to reduce or remit any rate levied by it in respect of lands and heritages. The authority should report the cost of any scheme in line 41 and provide details of the scheme in the comments box.

4 Completion procedures

Purpose of section

88. This section sets out the completion procedures that auditors should carry out after they have conducted testing of the return.

Completion procedure 1 - Conclusion on return

89. **Auditors should conclude whether the return is**

- **fairly stated**
- **in accordance with the relevant regulations.**

90. Auditors should

- evaluate the results of their testing procedures set out in section 3
- undertake additional procedures where they judge that to be necessary
- agree with the local authority any amendments necessary to correct errors found in the return. This is appropriate where auditors conclude the errors are isolated or have extrapolated findings and are satisfied that after amendment the claim or return is fairly stated and in accordance with the business model. A qualification to the auditor's conclusion in a covering letter is not required though auditors should draw attention to the amendment.

Completion procedure 2 - Auditor's certificate and covering letter

Auditors should complete the auditor's certificate and include any qualifications to their conclusion in a covering letter.

91. The return contains an auditor's certificate; however, this should not be used. Auditors should instead use the format and wording shown at Appendix 3 to this technical guidance note.

92. The auditor's certificate states that auditors have examined the entries in the year end statement and accounts and records of the authority, and have obtained such evidence and explanations, and carried out such tests, as they considered necessary.

93. Auditors should complete the auditor's certificate and any covering letter in accordance with section 5 of TGN/GEN/16. Where in the auditor's professional judgment the return is fairly stated and in accordance with the relevant regulations, auditors should

- delete the words 'Except for the qualification in the attached covering letter dated …..';
- sign and date the certificate.

94. Where auditor testing has been completed and, in the auditor’s professional judgment, the return is not fairly stated and in accordance with the regulation, auditors should

- prepare a covering letter explaining the qualification
- enter the date of the covering letter to the certificate
- sign and date the certificate.

Completion procedure 3 - Submission of certified return

Auditors should submit the return, completed auditor's certificate, and any covering letter, by 7 October 2016 to the Scottish Government.

95. Auditors should submit the income return, completed auditor's certificate, and any covering letter, by 7 October 2016 to

Alexander McPhee
Local Governance and Reform Analytical Division
Scottish Government
Area 3H North
Victoria Quay
EDINBURGH
EH6 6QQ

Appendix 1

Auditor action checklist

Preliminary procedures	Yes/No/N/A	Initials/date	W/P ref
1 Have you checked that • the authority's arrangements for the completion of the return appear adequate • all relevant parts of the return been completed, including certification by the director of finance • all arithmetic on the return is correct • the entries on the return agree to the authority's financial ledger or other underlying records?			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
1 Have you obtained evidence that the amount payable in line 1 • has been properly calculated by using the rateable values shown on the valuation roll for the year multiplied by the rate per £ specified by Scottish Ministers • is gross of reductions in the yield arising from reliefs other deductions in respect of 2015/16?			
2 Have you obtained evidence that the amount in line 2 is the amount payable in respect of the large business supplement?			
3 Have you obtained evidence that the reduction in rate yield for unoccupied properties in line 4 has been properly stated and • reflects relief of 10% applied to properties qualifying for unoccupied property rate included at line 4b • reflects relief of 100% applied to properties			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
exempt from unoccupied property rate included at line 4a • includes the yield lost from the three month rate free period included at line 4a?			
4 Have you obtained evidence that the amount included at line 5 in respect of *New start* relief is properly stated and • applies to empty new build properties entered on the valuation roll since 1 April 2013 • is limited to a 15 month period?			
5 Have you obtained evidence that the amount included at line 6 in respect of *Fresh start* relief is properly stated and • applies to empty shops, offices, pubs, hotels or restaurants with a rateable value of less than £65,000 which have been in receipt of empty property relief for at least 12 months • is limited to 12 months relief at 50% • relief has been awarded only where an application has been made • does not apply where payday lending takes place at interest rates of 100% or above?			
6 Have you obtained evidence that the reduction in rate yield for churches, etc in line 7 has been properly stated and includes • buildings occupied by a religious body used for worship • church halls used for purposes connected with that body • premises used for administrative activities?			
7 Have you obtained evidence that the mandatory reduction in rate yield for charities at line 8 has been properly stated and			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
• reflects the granting of 80% rate relief • relates only to properties occupied by a charity and used for charitable purposes?			
8 Have you obtained evidence that the mandatory reduction in rate yield for community amateur sports clubs at line 9 has been properly stated and • reflects the granting of 80% rate relief • relates only to properties used by registered sports clubs?			
9 Have you obtained evidence that the reduction in rate yield for disabled persons at line 10 has been properly stated and • includes any institutional building where half or more of the floor area is used for specified qualifying purposes • reflects the amount of rates attributable to that part of the building used exclusively for qualifying purposes?			
10 Have you obtained evidence that the mandatory reduction in rate yield for rural settlements at line 11 has been properly stated and • relates only to qualifying businesses in settlements on the authority's rural settlement list • relates only to settlements which have been designated by Scottish Ministers as rural areas • relates to properties where rateable values are below thresholds • reflects 50% rate relief granted?			
11 Have you obtained evidence that the reduction in rate yield for small business mandatory relief at line 12 has been properly stated and • relates only to businesses with a cumulative			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
rateable value of £35,000 or less • been awarded over and above other reliefs • reflects total reliefs granted of between 25 and 100%?			
12 Have you obtained evidence that the reduction in rate yield for the renewable energy relief scheme at line 13 has been properly stated and • relates only to properties used solely for production of renewable energy • been awarded only where applications have been made?			
13 Have you obtained evidence that amounts included in line 14 in respect of enterprise area relief have been properly stated and • relates to new properties or properties vacant for 3 months • relates to properties in enterprise areas • is in respect of specified activities • has been awarded only where applications have been made?			
14 Have you obtained evidence that the reduction in rate yield at in respect of hardship line 16 has been properly stated and • the authority is satisfied that the rate-payer would sustain hardship if relief was not granted, and it is reasonable to do so having regard to the interest of council tax payers • the relief has been awarded in line with the authority's policy • reflects 75% of the rate relief granted?			
15 Have you obtained evidence that the reduction in rate yield in respect of charities and other organisations at line 17 has been properly stated and			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
• the discretionary relief has been awarded in line with the authority's policy • reflects 75% of discretionary rate relief granted for up to 20% of charities bill (i.e. net of mandatory relief) • reflects 75% of discretionary rate relief granted for other non-profit making organisations?			
16 Have you obtained evidence that the reduction in rate yield in respect of sports clubs at line 18 has been properly stated and • the discretionary relief has been awarded in line with the authority's policy • reflects 100% of the discretionary rates relief granted?			
17 Have you obtained evidence that the reduction in rate yield in respect of backdated relief at line 19 has been properly stated • the discretionary relief has been awarded in line with the authority's policy • reflects decisions to backdate made within the first 6 months of a financial year • reflects 75% of backdated rates relief granted for charities and similar organisations • reflects 100% of backdated rates relief granted for sports centres?			
18 Have you obtained evidence that the reduction in rate yield in respect of rural settlements at line 20 has been properly stated and • the discretionary relief has been awarded in line with the authority's policy • reflects 75% of discretionary rate relief granted on those properties entitled to 50% mandatory relief • reflects 75% of discretionary rate relief granted			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
to other properties which are of benefit to the local community?			
19 Auditors should obtain evidence that the reduction in rate yield in respect of stud farms at line 21 has been properly stated and • the discretionary relief has been awarded in line with the authority's policy • reflects 75% of discretionary relief granted on stud farms – established on or after 1 April 2003 – with a maximum rateable value of £7,000?			
20 Have you obtained evidence that the authority considered the state aid implications of awarding discretionary benefits where de minimis levels have been breached?			
21A Where the authority does not take the option to report only the net change, have you obtained evidence that the reduction in rate yield in respect of bad or doubtful debts at lines 22, 25 and 26 and the increase at line 31 have been properly stated and • the write off of bad debts has been properly approved • provisions have been calculated on a reasonable basis • line 22 reflects reductions to the yield for rates relating only to 2015/16 • line 25 reflects reductions to the yield for rates relating to 1993/94 to 30 June 1999 • line 26 reflects reductions to the yield for rates relating to 1 July 1999 to 31 March 2015 • line 31 reflects increases in the rate yield for bad debts written off in previous years which have been collected or are now considered? OR			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
21B Where the authority takes the option to report only the net change, auditors should obtain evidence that the adjustments in rate yield in respect of bad or doubtful debts at lines 22, 25, 26 and 31 have been properly stated and • the write off of bad debts has been properly approved • provisions have been calculated on a reasonable basis • line 22 reflects reductions to the yield for rates relating only to 2015/16 • line 25 reflects any net reduction to the yield for rates relating to 1993/94 to 30 June 1999 • line 26 reflects any net reduction to the yield for rates relating to 1 July 1999 to 31 March 2015 • line 31 reflects any net increase in the rate yield for bad debts written off in previous years which have been collected or are now considered?			
22 Have you obtained evidence that the reductions in rate yield in respect of appeals at lines 27 and 28 have been properly stated and • line 27 reflect amounts reducing the yield relating to 1993/94 to 30 June 1999 • line 28 reflects amounts reducing the yield relating to 1 July 1999 to 31 March 2015 • repayments are included only where an overpayment has been caused by error or an incorrect entry in the valuation roll • transitional relief has been taken into account where relevant.?			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
23 Have you obtained evidence that the reduction in rate yield at line 23 in respect of interest payable on overpayments has been properly stated and reflects amounts paid in the year?			
24 Have you obtained evidence that adjustments to the rate yield at lines 29 and 32 due to late changes to the valuation roll have been properly stated and • relate to a preceding year and have not been taken into account in previous notified returns • line 29 reflects late deductions from the roll • line 32 reflects late additions now due?			
25 Have you obtained evidence that any other additions or reductions in rate yield at lines 34 and 39 have been properly stated and the reason notified to the Scottish Government?			
26 Have you obtained evidence that any amounts at line 35 in respect of backdated small business relief or line 36 in respect of backdated small business bonus have been properly stated?			
27 Have you obtained evidence that any TIF income at line 37 is properly stated?			
28 Have you obtained evidence that any BRIS income at line 38 is properly stated?			
29 Have you checked that the notified amount at line 40 is the sum of the gross amount adjusted for reliefs, additions and deductions?			
30 Have you obtained evidence that any figure for local rates relief at line 41 is properly stated?			

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
1 Have you concluded whether the return is • fairly stated • in accordance with the relevant regulations?			
2 Have you completed the auditor's certificate and included any qualifications to your conclusion in a covering letter?			
3 Have you submitted the return, completed auditor's certificate, and any covering letter, by 7 October 2016 to the Scottish Government?			

Appendix 2

Rules for completing return

The key source of guidance in respect of the return is the guidance notes provided by the Scottish Government which can be accessed by following the hyperlinks and can be downloaded from Audit Scotland's *Technical reference library*.

The following legislation provides the basis for the operation of NDR and the compilation of the return, but it should not be necessary to refer to them unless there is uncertainty or disagreement

- Schedule 12 of the Local Government Finance Act 1992 sets out arrangements for payments to local authorities, contributions, and accounts. It also confers upon the Scottish Ministers the power to make regulations.
- The Non-Domestic Rating Contributions (Scotland) Regulations 1996 are the principal regulations which provide rules for the calculation of the contribution to the pool.
- The Non-Domestic Rating Contributions (Scotland) Amendment Regulations 1997 amended the rules concerning discretionary relief for certain premises in rural settlements and the backdating of discretionary rating relief for charitable organisations.
- The Non-Domestic Rating Contributions (Scotland) Amendment Regulations 1999 removed requirements no longer necessary as a result of the removal of crown exemption and introduced requirements for local authorities to calculate a separate sum for adjustments attributable to bad debts and appeals retrospectively for the period prior to and subsequent to devolution.
- The Non-Domestic Rate (Scotland) Order 2015 sets the poundage rate for 2015/16.
- The Non-Domestic Rates (Levying) (Scotland) Regulations 2014 make provision for additional annual amounts for properties valued at £35,000 or more and sets out reliefs where valuations are less than £18,000 under the small business bonus scheme.
- The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Regulations 2010 introduced the *Renewable energy relief scheme*.
- The Non-Domestic Rating (Payment of Interest) (Scotland) Regulations 1992 provide for the payment of interest where an authority makes a repayment of rates.
- The Non-Domestic Rates (Enterprise Areas) (Scotland) Regulations 2012 provide relief, to businesses in defined enterprise areas.
- The Non-Domestic Rating (unoccupied Property)(Scotland) Amendment Regulations 2013 contained amendments to the unoccupied property relief and introduced the *New start* and *Fresh start* reliefs.
- The Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2014 contained amendments to the *Fresh start* relief.

Appendix 3

External auditor's certificate

I/we have examined the entries in this non domestic rates income return for 2015/16 and the related accounts and records of [insert name of council] in accordance with *Technical guidance note TGN/GEN/16* and *Technical guidance note TGN/NDR/16*, and have obtained such evidence and explanations, and carried out such tests, as I/we have considered necessary.

Except for the qualification(s) set out in my/our letter dated…………….., I have concluded that the return is

- fairly stated
- in accordance with the relevant regulations.

Signed…………………………………….. (Appointed external auditor)

Date……………………………