

Audit standards for service providers help contractors

HMRC will provide an audit framework for service providers to contractors. There had been rumours that such a framework would be scrapped, but at a seminar held by the Watford-based chartered accounting firm [JSA](#), which specialises in contractor affairs, HMRC Employment Status Policy director Robin Wythes confirmed that the audit standard would be published within the next two months.

Better Advice, Better Relationships With Agents

Why should contractors care about audit standards for service providers?

Contractors will enjoy better advice, and better relationships with their agencies as HMRC provides audit standards for service providers. Here's how it works: under the current [Managed Service Company legislation](#), agencies are afraid to provide you with advice about accountants and lawyers, because they risk being held liable for your tax debts. If they send you to a managed service company, they could wind up being liable for your tax debt.

But Now They Can

So the idea came about that your accountants and lawyers could be reviewed by auditors, to make sure they couldn't be tarred with the managed service company brush.

First, the Revenue was to do this audit. But the Revenue doesn't have the personnel, nor can it intervene in companies at this level, as Wythes explains. So the idea evolved that the Revenue would provide the standards governing an audit of this type, and then it could be applied to given service providers by third parties—the big four accounting firms were obviously the ones who were to be the third parties of choice, although the audit is not limited to them—any competent firm can provide it.

So Some Jumped The Gun

A few service providers decided to jump the gun. They did the audit with one of the big four audit firms before HMRC developed an audit standard. "The audit without the standard does not seem to serve any clear purpose," Wythes points out. "It makes more sense for service providers to wait until we provide the standard."

What The Standard Will Provide

When the standard is published, and auditors, from both the big four and the others, begin to check out service providers, contractors will be able to consult with these providers without fear of being involved in a managed service company.

Because the whole point of the managed service legislation was to keep contractors from working with managed service companies. If you need to have a [limited company](#) set up for you, or if you want to work with an [umbrella](#), you need to be sure that it is not tainted under the legislation. Working with an audited service provider means that you don't have to worry.

"This is important because we are still seeing managed service company providers offering what they call special deals to contractors," Wythes reminds us. "There are still a lot of companies out there who aren't compliant."

Barry Roback, of JSA, has tirelessly supported the resolution of this issue in the industry. "It's clear that now, with the audit standards coming into place, we will achieve a kind of stability and contractors will be able to make good choices."

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