

**ISSUES ARISING REPORT FOR  
Watchfield Parish Council  
Audit for the year ended 31 March 2016**

## Introduction

The following matters have been raised to draw items to the attention of Watchfield Parish Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016. This report must be presented to a full meeting of the smaller authority for review.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Minor issues
  - Employment status
  - Gifted asset additions
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The following issue(s) have been raised to assist the council. The council is recommended to take action on the following issue(s) to ensure that the council acts within its statutory and regulatory framework.

### **Employment status**

#### *What is the issue?*

The smaller authority utilises a self employed person to undertake the statutory role of RFO, and the smaller authority may be exposed to the risk of payroll taxes and penalties being levied if HMRC decide that the RFO is not self employed but is in fact an employee of the smaller authority.

HMRC has issued guidance that states that office holders of a smaller authority must be treated as an employee and cannot be treated as if they are self employed. All smaller authorities are deemed to be employers and must register as such. All payments to clerks & RFO's must be subject to PAYE and NI, and there are also other requirements such as real time information which must be submitted and also pension obligations.

#### *Why has this issue been raised?*

Failure to comply with the requirements to register the RFO as an employee, pay payroll taxes, provide real time information and also provide for pensions could result in penalties being levied which could be severe.

#### *What do we recommend you do?*

The smaller authority should contact HMRC as soon as possible and register the RFO as an employee, or if you feel that you are complying with the regulations you should obtain legal advice to confirm this.

Further guidance on this matter can be obtained from the following source(s):

HMRC guidance - Parish Council and Community Council Clerks, PAYE Implementation - issued in 2011

### **Gifted asset additions**

#### *What is the issue?*

The smaller authority have included assets at a value in box 9 of the annual return.

Gifted or adopted assets should not be given an estimated value on the annual return, it should be included at a £1 or nil, as it cost nothing to the smaller authority.

#### *Why has this issue been raised?*

The accounting treatment is not in compliance with proper practices.

#### *What do we recommend you do?*

The Practitioners Guide states that all assets should be held at cost. In future the smaller authority should review the current Practitioners Guide to ensure that they are accounting for assets correctly.

The cost value of assets is not expected to change unless an asset is ever disposed of or scrapped.

Further guidance on this matter can be obtained from the following source(s):

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The following issues have been raised as the comparatives have been changed.

**Minor issues**

*What is the issue?*

The following issue(s) has been raised as the comparatives have been changed:

The comparative figures disclosed in Section 2 of the Annual Return do not agree to the audited Annual Return for the year ended 31 March 2015. The comparative figures for the year ended 31 March 2015 were restated. We have reviewed the adjustments made and we are satisfied they are correct.

*Why has this issue been raised?*

This is raised to bring the matter to the attention of readers of the annual return.

*What do we recommend you do?*

No further action is required.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

**No other matters came to our attention.**

For and on behalf of  
BDO LLP

Date: 28 September 2016

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