

MINUTES OF A MEETING OF PETWORTH TOWN COUNCIL
HELD ON THURSDAY 16 OCTOBER 2014
IN THE TOWN COUNCIL OFFICE AT 7.30 PM

Cllrs Present: Mr Chris Kemp (Chairman)

Mr John Robbins

Mr Alan Copus

Mrs Carol Goldthorp

Mr David Burden

Mr Richard Chandler

Mr Tony Sneller

Mr Rawden Rogerson

Dr Rosa Pawsey

Mr Neville Fox

Mrs Maggie South

Mrs Juliet Fynes

In Attendance: Town Clerk, Mrs Rebecca Knifton

West Sussex County Cllr Mrs Duncton

Chichester District Cllr Mrs Lintill

Member of the press

Two members of public

Ms Joan Devine

Mr Roger Hanauer

40/14 Representations by the public

Member of the public, Mr Morgan addressed Council regarding his ongoing concerns about the traffic within the town and asked whether PTC had addressed his previous requests for a 20mph speed limit and other traffic calming measures.

The Chairman addressed Mr Morgan and confirmed that he and the Clerk had met with Highways and this matter would be addressed later in the meeting.

Member of the public, Ms Lynette Humphry addressed Council and asked specifically when the Chairman would respond to her email.

The Chairman apologised to Ms Humphry and explained that due to a number of matters beyond his control, he had yet to deal with her request.

Ms Humphry went on to ask why when logging on to the Council website for an update on the NP there were no new matters. The Chairman confirmed that there had been some IT issues which were in the process of being resolved.

Ms Humphry ask a further question as to what PTC intended to do about the traffic issues on Grove Lane. The Chairman confirmed that Cllr Fox had given Ms Humphry contact details for the representative who could deal with her complaint at the previous meeting. Ms Humphry explained that the contact had not been helpful.

41/14 Apologies for absence

None

42/14 Declarations of interest

There were no declarations of Pecuniary and non-Pecuniary interests in relation to any items included on the agenda for this meeting in accordance with **THE LOCALISM ACT 2011** and the **Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012**.

43/14 Co-option of two Councillors

The Council had received 3 applications from prospective Members. The Council wished to exercise its power to co-opt.

At the previous meeting, prospective Cllr Mr Roger Hanauer had been unable to attend so PTC had held back on co-opting until he was available to give his address. The Council had heard representations from Joan Devine and Kerensa Robertson at the previous meeting.

Mr Hanauer explained that he had been a resident of Byworth for 7 years. He is now retired. He had trained in the RAF and then worked for BOA as a commercial airline pilot for 36 years. He stated that Petworth has a good community spirit and atmosphere and wishes to contribute to this. He has interests in nature, wildlife, history and architecture and would be happy to do what he can to assist in retaining and improving Petworth's assets. He went on to explain that he is used to working within strict parameters so the processes involved at Town Council level will be of no surprise.

Cllr Burden wished to state that he would be a great asset to the Town Council. Cllrs agreed that PTC would benefit from a representative from Byworth.

A vote by way of a show of hands took place.

The majority votes went to Ms Joan Devine and Mr Roger Hanauer.

RESOLVED that Ms Joan Devine and Mr Roger Hanauer be co-opted on to the Council. They were invited to join the table. The Clerk presented them with their declarations of acceptance of office which were duly signed in front of the Clerk. The Clerk gave them their registers of interest forms and a copy of the code of conduct and requested that these are completed and signed and returned to the Clerk.

The Chairman confirmed that upon speaking with the Clerk, a SSALC training event was due to take place on 11 November. It was **AGREED** that the Clerk will book them on the course.

44/14 Chairman's Report and other Announcements on matters requested

- SDNPA Meeting on 30 September 2014. **NOTED** that there had been some confusion over invitees but that the meeting had been purely for Cllrs and members of the NP Steering Group due to the sensitive nature of the topics to be discussed. The information given by SDNPA at the meeting will become public in December. **AGREED** that PTC must respond to their consultation.
ACTION: The Clerk to resend the email to all members.
- S106 meeting with CDC. The Chairman spoke of the meeting he and the Clerk had attended at CDC with Shona Turner, David Hyland and Sarah Peyman. He explained that he had come away feeling elated at the positive progress that had been made, along with the support given by CDC.
ACTION: The copy email from Shona Turner to be emailed out to members. The Clerk requested that a copy also be sent to Lynette Humphry in response to her enquiry.

There had been a general discussion about Petworth as a whole and CDC agreed that the Chairman's proposed 5 Year Plan was a good idea and would help PTC focus on what can be achieved. It had been noted that very little progress had been made in Petworth for many years. CDC stated that they welcomed the proposed Partnership Working.

The Chairman reported that much discussion had taken place regarding the Skatepark and that PTC had been advised that the best situation for the Park was the Sylvia Beaufoy car park but that the planning consent had lapsed. The Chairman said that he had recently spoken to the Youth Club and that the committee had not been keen on the proposal.

District Cllr Lintill then spoke as she wished to address this issue for clarity. She first of all stated that she was disappointed that PTC had not been keeping her informed of the various meetings and further developments that had taken place in recent months. She informed PTC that she objected to the siting of the Park at the Sylvia Beaufoy but wanted to confirm that this had nothing to do with the fact her property backs on to the proposed site.

Cllr Lintill explained that the car park is in regular use and would be dangerous. The Chairman stated that currently the children are using Petworth's main car park to skate in and this is more heavily used and poses much more danger.

Cllr Lintill spoke of her concerns over anti-social behaviour which could arise from the Skatepark. She

confirmed that the alternative site at Hampers Green had not been met positively by both the residents and the Leconfield Estate who own the Common. Members spoke of their disappointment that due to the fear of anti-social behaviour, the Skatepark had not yet been progressed. It was **NOTED** that anti-social behaviour with some young adults within the Town had been due to a lack of amenities for the youth, combined with a lack of public transport to nearby amenities.

It was **NOTED** that £50,000 had been put aside for a Skatepark at CDC which had come from the £1.25m Leisure Fund which had originally been earmarked for a swimming pool for the Town.

The Chairman asked for Cllr volunteers to progress the project.

Cllr Sneller **AGREED** to volunteer and the Chairman and the Clerk will support.

Cllr South spoke of the need to improve and enhance the play park at Hampers Common and it could incorporate the Skatepark if placed at the top end. Cllr Robbins confirmed that discussions regarding the enhancement of the play park had been undertaken on the Open Spaces Committee.

Cllr Fynes reiterated her concerns of youth anti-social behaviour, whether the siting of the Skatepark was at the Sylvia Beaufoy or at Hampers Common. The Chairman again stated that the issues with anti-social behaviour in the Town was because there is nothing for teenagers to do in Petworth after the last bus at 6pm and that PTC have an opportunity to do something for them.

Cllr Lintill requested that she be kept informed and offered her support to the project.

- Phone line and Broadband. The Chairman spoke of the bad internet service provided by the current supplier and proposed that PTC switches to BT for the whole package. It was **NOTED** that the existing phone and broadband package had been set up as a residential line in the name of the previous Clerk which had caused problems for the new Clerk when making enquiries.
AGREED that the phone and broadband should be a business package in the name of the Town Council.
ACTION: The Clerk to obtain quotes.
- Secure Cloud. **NOTED** that the Clerk needs to be able to access the database from home and that a secure cloud system was needed. **NOTED** that PTC currently has no back-up system or hard drive in place for the electronic files. The Clerk had sourced a local IT company who can provide this service for an annual charge of around £100.
RESOLVED that all members agree that this service is an essential office purchase.
ACTION: The Clerk to instruct.
- Chairman's update on issues not included on this agenda. The Chairman spoke of the replacement lighting scheme due to be effected by SSE. It was **NOTED** that PTC own some of the lights and a list of lights had been sent to the Council. It was further **NOTED** that the replacement scheme included the historic lamps within the Town and that SSE could not replace like for like. If PTC wishes to do so, the estimated cost of the lamps were around £800 per post.
He reported that he had met with SSE this morning and that the works are due to start on the 3rd of December.
County Cllr Dunton reported that she had been on the original working party. She also voiced her disappointment that no member of PTC had attended the CLC meeting. The Chairman confirmed that this meeting had clashed with other meetings.
District Cllr Lintill explained that getting listed building consent to replace the historic lamps could take months, not weeks.
County Cllr Dunton suggested that the Chairman should contact her so to put him in touch with Dr Ian Whiteman, the Heritage Officer.
Cllr Hanauer asked why SSE could not just replace the important lights.
ACTION: The replacement lighting schedule to be emailed out to all members.
NOTED that an extraordinary meeting may have to be called.

- Meetings to be held in August and December. **AGREED** that Council meetings will be held in December and it will be held on the second Thursday of the month. In 2014 this will be the 11th to tie in with the Finance meeting due on the 9th.
- Date for Wish List/5 Year Plan. **NOTED** that Trevor Leggo from SSALC will be providing his free service and visiting PTC at 6pm of Thursday the 6th of November.
- Office opening hours change. Due to historic issues and an ever increasing workload for the Clerk, the Chairman proposed that as soon as the cloud system is set up, the office should open 1 day a week until all outstanding matters have been dealt with. It was **AGREED** that this would not be permanent and may only be for a month.
The Chairman explained that when the Clerk is in the office on Thursday and Friday, there are so many visitors and enquiries that she is unable to undertake any clerical work. The Clerk has started a visitor's book to record the enquiries. This means that the Clerk is working additional hours in order to complete the work of the Council.
The Chairman explained that due to budget constraints, PTC were unable to increase the Clerk's hours in this financial year. The Clerk explained that although she is salaried as doing 24hrs a week, her actual working week can be as much as 35hrs a week.
Cllr Devine offered to cover the office 1 afternoon a week. This matter will be discussed at the next meeting of Council.
- Appointing an Internal Auditor. **NOTED** that PTC must instruct an independent Internal Auditor and that the Clerk has requested a list from SSALC to approve at the next meeting of Council. **AGREED** that an interim audit should be carried out in January.
- Loan for Rosemary Gardens Play Park. **NOTED** that the replacement of the safety surface, along with repairs or replacement of the play equipment could cost in the region of £25k.
ACTION: The Clerk to obtain information on loans through the Public Works Loan Board.
- All Parishes Meeting – 5.30-6.30 on the 21st of October. **NOTED** that the Chairman and the Clerk will be attending.
- Dog Poster Campaign. The Chairman attended the event at the local Primary School where two prizes had been given to the children for the best 'dog poo' posters. These posters will be printed and published.
- Results of meeting with Highways. **NOTED** that the Chairman and the Clerk had met with Fiona Baker from WSCC. The Chairman again highlighted the importance of partnership working. Discussions regarding the County's s106 funds and other available grants had taken place. Issues such as the proposed 20mph speed limit within the Town and other traffic calming measures had been highlighted.
ACTION: Operation Watershed. Cllr Chandler will obtain some quotes for works to be carried out at Hampers Common. The Clerk will then submit an application for a Watershed Grant.
County Cllr Dunton confirmed that she will sign-off PTC's application for a 20mph speed limit but warned members that there will be up to a 3yr delivery for the project.
ACTION: The Clerk to obtain contact details for Hamilton Baillie.
- WSALC, WSCC & AirS Conference – 30th of October. **NOTED.**
- Quick Fix Fund. **ACTION:** The enhancement of the bollards in the Town was discussed and it was **AGREED** that the Clerk will make an application for the 'Quick Fix Fund'.
- SSALC training session held on 7th of October. **NOTED.**

- Councillor vacancy following the resignation of Elizabeth Hodgkins. **NOTED** that the Notice of Vacancy had been sent to Electoral Services.

45/14 To confirm the minutes of the Council meeting held on Thursday 18 September 2014

Proposed by Cllr South and seconded by Cllr Sneller.

RESOLVED that the minutes be approved and signed as a true record.

The Chairman wished to vary the order of the agenda.

46/14 District and County Councillors

District Councillor Eileen Lintill reported.

She spoke of the ongoing campaign for a defibrillator within the Town and of the local tragedy of the young girl who suffered a cardiac arrest. She explained that the Ambulance Service can supply the equipment free of charge. **NOTED** that both County Cllr Dunton and District Cllr Lintill are on hand to assist PTC.

CDC's Local Plan examination has been on for 3 days. An update on developments will be given at the next meeting.

NOTED that there had been a children's half marathon organised by CDC the previous Sunday.

CDC are supporting the District campaign for flu jabs.

CDC's new website is due to go live any day.

NOTED that there had been a television programme, 'inside out', that had focused on dementia carelines and Chichester was on it.

County Councillor Janet Dunton reported.

She wished to inform PTC that Cllr Lintill had been elected as Deputy Leader to CDC.

She spoke of the all-day event in Petworth held at the House, 'Are we fit to frack'. **NOTED** that Celtique have appealed on both the Wisborough Green and Kirdford applications.

She referred again to the West Sussex Credit Union facility and more information can be obtained on this in Chichester, every 2nd Thursday from 10am – 12.30pm, and every 3rd Tuesday in Billingshurst between 1pm and 4pm.

NOTED that the West Sussex Fire and Rescue reductions at Midhurst, Petworth and Storrington have been approved and a statement has been made.

Cllrs Lintill and Dunton left the meeting.

47/14 Matters Arising from previous minutes

To include:

(a) Rosemary Gardens – A repairs update was given and notification of the first quotation was discussed. This item will be brought back to the next meeting of Council.

(b) Defibrillator – Cllr Sneller spoke of the money raised for cardiac arrest in the young. **NOTED** that £1k had been promised to the Town Council to install a machine.

NOTED that there will be 3 defibrillators within the Town. One at Leconfield Hall in an oak cabinet, one at Hampers Green supplied by the Ambulance service and one at Grove Road. Cllr Sneller to forward on the

email correspondence.

(c) Update on allotments – Cllr Robbins reported that he and the Clerk had only just received all paperwork back from the auditor. A database will now be compiled and contracts will be decided by the open spaces committee.

(d) Tap on the Leconfield – **NOTED** that ex Cllr Elizabeth Hodgkins is still assisting on this project. The listed building consent is still ongoing.

(e) Councillor’s opportunity to raise matters from the previous minutes not already on this agenda. **NONE.**

48/14 Neighbourhood Plan Terms of Reference and Mission Statement

The Terms of Reference for the NP Steering Group were discussed and it was unanimously **AGREED** to adopt them as a matter of urgency.

Proposed by Cllr Burden and seconded by Cllr Pawsey.

RESOLVED that the Terms of Reference are adopted.

49/14 To receive Reports

(a) Finance and General Purposes Committee:

The items below were **NOTED**:

Receipts

Gillespie	08/09/2014	120.00	Petworth Pages
Simmonds Saws	11/09/2014	120.00	Petworth Pages
Community Garden	11/09/2014	25.00	Xmas Event
McCrae	11/09/2014	25.00	Xmas Event
Ticehurst	19/09/2014	35.00	Xmas Event
Ridgway	19/09/2014	75.00	Petworth Pages
Leconfield	19/09/2014	80.00	Petworth Pages
Precept (CDC)	23/09/2014	28,608.00	2 nd half Precept
Int (NatWest)	30/09/2014	4.85	Interest

Invoices for approval

R Knifton	1,083.85	Clerk's Salary	October
HMRC	505.39	Clerk's Salary	October Tax and NI
Naldrett	497.50	Rosemary/Hampers	September
PKF Littlejohn LLP	480.00	Audit Fee	External Audit
Alert Locksmiths	193.20	Office Expenditure	Door & window locks
The Leconfield Estate	750.00	Allotments Rent and Water	6 Month Rental
Southern Water	56.90	Office Water	April to Sept
SSE	260.05	Street Lighting Office Rent & Service	June to Sept
CDC	1,560.00	Charges	1/4 to Dec
M R Welch	134.00	Office Expenditure	Water Heater
R J Martin	727.50	Audit Fee	Internal Audit
Fiona Kemp	13.06	Office Expenditure	Tour of Britain Hosting

Fiona Kemp	38.98	Office Expenditure	Training
Austens	91.96	Office Expenditure	Kitchen and Picture Equipment
Jonathan Cann	180.00	Xmas Event	Children's Entertainer

Proposed by Cllr Copus and seconded by Cllr Rogerson.

RESOLVED that the above payments be made.

(a) Minutes of the meeting held in September to be approved – Proposed by Cllr Copus and seconded by Cllr Kemp.

RESOLVED that the minutes be ratified and approved as a true records of the meeting.

(b) Traffic and Planning Committee. Nothing to report.

(c) Neighbourhood Plan. **NOTED** that the next meeting is due to take place on the 30th of October

(d) Open Spaces Committee. **NOTED** that the next meeting is due to take place on the 23rd of October

(e) Petworth Business Association. Nothing to report.

(f) Petworth Pages. Negotiations are still taking place with the PBA. An update to be given at the next meeting of Council.

(g) Christmas Events – **NOTED** that the next meeting is due to take place on the 22nd of October

50/14 To consider other items at the Chairman's discretion

Cllr South raised an issue regarding a banner outside the Primary School which is obscuring sightlines.

ACTION: Cllr South to deal

Cllr Chandler raised the issue of the insurance for the cherry picker to install the Christmas lights. Estimated at £16.50 a day.

AGREED that this is a good price.

ACTION: The Clerk to check insurance regarding coverage for those putting up lights on ladders.

EXCLUSION of THE PUBLIC

In accordance with the provisions of section 1(2) of the Public Bodies (Admission to Meetings) Act 1960 the press and public has been excluded from the meeting by reason of the confidential nature of the business to be transacted. Information relating to the financial and/or business affairs of any particular person (including the authority holding that information).

All members in agreement that the press and public be excluded.

51/14 Internal Audit and Extraordinary Meeting

The Report presented by the Internal Auditor at the Extraordinary Meeting on the 15th of October 2014 was discussed.

It was **AGREED** that with the amendments as approved at the meeting, the document should be in the public domain for the sake of transparency and openness as it is in the public interest.

AGREED that the report will form part of these minutes.

Proposed by Cllr Fox and seconded by Cllr South. Cllr Sneller voted against the Audit.

RESOLVED

PETWORTH TOWN COUNCIL

A REPORT ON AN INVESTIGATION INTO TOWN COUNCIL GOVERNANCE AND CONTROL PROCEDURES

By Rob Martin BSc Hons, CPFA, CiLCA

30 September 2014

Introduction

1. I had been contacted by Trevor Leggo, Chief Executive of the Sussex Association of Local Councils (SALC), who requested that I contact Rebecca Knifton as Clerk of Petworth Town Council. He indicated that concerns had been expressed about the situation Rebecca had inherited and that he would like me to undertake a 'forensic examination' of the records available and to report the findings to the Town Council.
2. I have worked with Rebecca to carry out the requested investigation, but have to report that conclusive evidence is difficult to find because of the disarray of the records, some of which appear to have been mislaid.
3. This report deals in turn with two possible problems that were of concern:
 - a) Whether the Town Councils procedures were adequate and compliant with the relevant laws and regulations, and
 - b) What improvements could be made to ensure improvements for the future.
4. It is important throughout to remember that in this case the Town Clerk and Responsible Financial Officer (RFO) are one and the same. This means that, not only is the Clerk the Council's Responsible Officer, the legal advisor, but also the person who has to verify the probity of the Council's financial affairs. This means that the Clerk is in the position of absolute trust and responsibility.

Obtaining Documentation

5. The majority of the financial papers of the Town Council were eventually produced for me to look at, in a box that had been securely stored in a Town Council container. The files turned out to be a set of docket storage packets, one for each year since the former clerk started in 2000/2001.
6. I also understand that the 2013 minutes of the Parish Council were described as being 'on the website' – these however are not those signed as a correct record at the meeting and the original versions should always be held securely by the clerk in the office, together with any necessary supporting papers.

The Financial Framework

7. The rules and regulations determining how the financial affairs of a Town Council should be run is laid down in the publication, '**Governance and Accountability in Local Councils in England and Wales – A Practitioners' Guide**' (GALC). The first version of this was published in 2002 with the current, March 2014 version available free to download from the SLCC/SALC websites. I will refer to various sections of this document in this report, as the Petworth Town Council finances have not generally been operated in accordance with expectations.
8. The GALC guide has sections containing the following:-
 - The public accountability framework
 - The legal framework for local councils, such as Petworth Town Council
 - The annual return and corporate governance
 - Accounting guidance for small local councils
9. My suggestion is that Petworth Town Councillors obtain copies of the guidance and make themselves aware of the contents.
10. In order to focus on the task in hand, I undertook to look at the records made available for the last two complete years 2012/2013 & 2013/2014. I went through every transaction for each of the years, noting my observations and this report is mainly based on the evidence that this reveals.

Annual Return

11. The first year I considered was that for 2013/2014, starting with the **Annual Return** and the associated required documentation.
- The first point is that there was no Return in the file and the question was whether this had been signed off by the External Auditors yet.
 - In any case, the accounts upon which the Annual Return has been based have been incorrectly labelled as having an Income & Expenditure basis, whereas they are just Receipts & Payments. The wider implications of this are dealt with below, but it is important to understand the difference between the two methods of presenting financial information.
 - There was no evidence in the file that the 'Electors Rights' notices had been advertised as required by the Local Council Accountability Regulations.
 - I found no evidence of the minimum requirement of an Internal Auditor's annual report on the accounts as a whole. The internal audit requirements are clearly laid down in the Local Council Accountability Regulations, paragraph 2.58 of Part 2
 - In the light of my findings detailed below, I was indeed surprised to find no evidence of any audit reports for any years.
 - Given the lack of any of this, I was surprised to see that both the Internal Auditor and the Town Council had indicated on their returns (Section 3 and 2, respectively) that there were adequate Internal Checks and controls in place. The evidence I have seen does not support these statements.
 - Looking at the Annual Return for 2013/2014 the fact that Box 9 (Asset Register Value) stays constant from one year to the next raised questions. Looking further back at the previous year, it was apparent that the same number was being used then as well. This led to the question of whether or not the Asset Register was being revised, since there was Capital Expenditure in the year which should have increased the Register value accordingly.
 - I have found no evidence of an Asset Register.

Payroll Problems

12. The next area of concern was that of the **Payroll** evidence:
- The only employee on record was the Clerk. The payments to the Assistant Clerk had been made as though she was self-employed, which is contrary to the regulations brought in by HMRC a number of years ago. The Assistant Clerk should have been paid as an employee and properly accounted for.
 - The only payroll evidence available was that contained on the hand-written P11's for each year those being records of the salary payments and deductions supporting the payments of Tax/NI made to HM Revenue & Customs (HMRC). P11's also provide the data from which the end-of-year P35 and P60 forms are based.
 - Since April 2013 it has been essential to report this information in an ongoing way by means of the HMRC Real-Time Information (RTI) system, with penalties being charged for those employers that do not comply. RTI information has to be sent directly to HMRC monthly before the 19th of the following month.
 - There are no copies of the P35 for the year, no copy P60s for the Clerk and no copy payslips on file. There is no record that the end-of-year processes have been undertaken at all. Indeed, the RTI system on the computer has not been closed for the last year, making it impossible to undertake the necessary tasks for the current year without the HMRC allowing a new start, which they have done.
 - The payments to the clerk have not been supported in the file with anything other than a piece of paper with an amount for the salary and upon which the cheque number and date are written. This is added to expenses outlaid by the clerk which are usually supported by receipts for them.
 - It is a legal requirement for the RFO to account for all salaries, including the Assistant Clerk (for which there is not even a claim form or invoice), to provide each employee (including themselves) with a payslip and properly account for the deducted Tax/NI to HMRC. None of this has been done.

13. The area of most concern is the evidence contained on the hand-written P11 form. HMRC allocate every employee with a tax code which, more often than not, is one tenth of the agreed allowance for the general employee. For instance, the much-vaunted £10,000 allowance in the current year is expressed as 1000L, the L denominating a normal PAYE employee, with tax deducted on a cumulative basis.
14. The former clerk, however, was allocated 3 codes during 2013/2014 – K491, K317 and finally K318. K codes are used to make the employer (Petworth Town Council in this case) deduct tax on other income received by the employee, in addition to their Town Council pay, usually a pension or investment income. There is a limit to how much can be deducted in this way amounting to a maximum of 50% of the gross Petworth Town Council pay for the month. This system has been in place for many years.
15. In calculating her own pay, the former clerk took no notice of the above and instead used the number as an allowance and calculated her monthly pay with too little tax deducted (eg 2013/2014 £10,000 minus £3,180 = £6,820 @ 20% = £1,364). Looking back at just the payroll records, this mistake has been replicated for each of the last five years and again at the beginning of 2014/2015.
16. What this means is that Petworth Town Council, through its RFO, has underpaid tax to HMRC amounting to at least £6,000, and probably more. In addition, the year-end returns to HMRC are incorrect something I have a duty to report to HMRC, which I have done. I have been informed that, despite the incorrect returns, the HMRC position is that following the picture I painted of the current position, Petworth Town Council will have been deemed to have done all it could in the circumstances and no further action will be taken. Any money still owed, will be collected by HMRC from the former clerk as part of the self-assessment process and will not be due from the Town Council.

Insurance and the Asset Register

17. The insurance policy details were not included in the papers brought to me. I do have worries, however, that the Parish Council might be underinsured. The Asset Register, which has too little capital value (the work done with the Section 106 money for instance) should form the basis of the Insurance Policy. A review of all assets should be carried out and the register brought up-to-date and the insurance cover adjusted accordingly.

Internal Audit

18. It is apparent that this has not been done satisfactorily. The Accountability Regulations have a great deal about how the Internal Audit function should be fulfilled and the main points not being done at Petworth are:
 - **Independence of the Auditor** – they should have **NO** connection with the Parish Council, its staff or councillors – the minute announcing the death of the previous incumbent announces that she had a 40-year close friendship with the Clerk.
 - **Competence of the Auditor** – whilst there is no requirement for qualifications, the process suggested is logical and designed to achieve reassurance about systems. Accountants are often best at this type of work
 - **Content of the Audit Plan** – the purpose of the audit is to provide assurance that the systems being used in the Parish Council will prevent fraud and ensure that legislative requirements are met. GALC has many suggestions on how this should be done.
 - **Agreeing the Audit Plan** – this must be done by the Parish Council and not the Clerk. In addition, the Parish Council must appoint the auditor based on competence, even if the candidates are initially sourced by the Clerk/RFO.

VAT Problems

19. I have concerns about the charges made by the Town Council for advertising in **Petworth Pages** because under the rules for VAT for Local Councils (Section 33 of the VAT Act 1994) this is not the one of the normal activities of a Council and that this income would then be subject to VAT registration. In short, there are other VATable organisations with which the town Council might be seen to be in competition with.
20. In addition, the VAT claims made do not correspond to the end of logical periods and there is, as a result, unclaimed VAT at the year-end. Claims are best done quarterly or every six months with the final one being for the period ending 31st March each year.

General Comments on Cheque Payments & Receipts

21. A new cheque book was used every quarter, presumably when the paperwork was given to someone else to do the report for Council. This involved the unused cheques being ripped up and presumably destroyed. All that was left were cheque books with a lot of blank stubs. This is **NOT RECOMMENDED** as lost cheques could be used for money-laundering. All cheques should be properly accounted for.
22. There was no evidence that councillor signatories had ever seen any paperwork supporting payments. There were no initials on cheque stubs or invoices and these should both be annotated to verify that what was being paid was supported by the documentation.
23. Other than where necessary to enable on-line access to the accounts, the clerk should not be a signatory except if this is necessary to be able to have on-line access, and should certainly **never** sign cheques. Transfers between bank accounts should also be certified in a way agreed by the Town Council, to ensure clear-cut transactions.
24. There are also problems with the receipt of income, particularly for allotments, because there are no receipts given detailing the debtor, the amount or the date received and whether the receipt was by cheque or cash. It is therefore impossible to tell whether all cash and cheques received were banked promptly.
25. The allotments records are poor and incomplete, and it is impossible to tell who owes what. There is evidence that large sums of money were held in the office with up to £425 of cash being banked together but no details on when this was received in the office.
26. From invoices for Viking and some others it is apparent that the former clerk had many things delivered to her home rather than to the office. This is inappropriate and not good practice.

Detailed Comments on 2013/2014 Payments

27. The first cheque drawn in the year (103701) was for cash for the delivery of Petworth Pages, which is not the correct way to account for this type of expenditure.
28. Cheque number 103714 was the first of many to be paid to Naldrett Garden Services with no documentary evidence. I realised once I had looked at the allotments file that this firm had been given the job of cutting grass etc in the allotment areas, but there must always be documentary proof that the payment has been invoiced for, every month. The Clerk/RFO should be satisfied that the work being paid for has been done in accordance with the contract, before putting cheques in front of councillors for signature.
29. The previous clerk's salary cheques (eg 103729) are evidenced by no information on what has been agreed (I assume by calculation that it was 16.5 hours a week on SCP 21, but there is nothing to support that) and equating this to the final payment net of tax. The documented support should be by means of a copy payslip and sight of the HMRC monthly return. There appears to be none of this.
30. Other payments are made (eg Cheque 103801) with insufficient evidence of who is making the claim, such as pieces of paper marked 'watering', but with no name or address. These are in the file as supporting documents for payments.
31. Cheque 103847 for Pipeline Plumbing Services was for work plainly done for the Church, and 103827 payable to Alex Dann, both had VAT reclaimed by the Town Council. The rules for claiming VAT on expenditure as a Local Council are contained in Section 33 of the VAT Act 1994, as laid out in HMRC Notice

749 (2002) and these say that in order to reclaim VAT on an item it must have been **ordered, paid for and retained in ownership** by the claiming body. In short, the name of the Town Council should be on the order and the invoice and be for its activities.

32. Cheque 103860 gave particular cause for concern because it was **PAYMENT-IN-ADVANCE** to Gala Lights amounting to £1,401. This is absolutely wrong because the delay between payment and receipt of the goods (which was not documented) could be just when a company is about to go into liquidation. In these circumstances, as an unsecured creditor, the Town Council runs the risk of losing all the money it has paid out. If a contractor wants payment up front, it is the wrong contractor for the Town Council.
33. Cheque 103900 was a payment to Barrie Walsh of £1,345.14 supported by a number of dockets for what appears to be computer equipment. Only one of the dockets is a VAT receipt and yet £220.89 has been claimed back. This is wrong, and a VAT inspection by HMRC would determine most of this to be invalid and require repayment by the Town Council.

Detailed Comments on 2012/2013 Payments

34. Payments to Henry Caxton £130 (Cheque 103317); Clive McColl £362.60 (Cheque 103319); Willie Austen £350.00 and The Gallopers £3,000 were not supported at all by invoices. Apart from the obvious concerns about probity, there is the fact that if any of these payments involved VAT, no claim could be made.
35. Cheques 103408 and 103409 were made out to Paul Holden for £6,000 each, the second one post-dated with a third 103427 for £9,054. All of these invoices were labelled as being for the Hampers Green Hall Committee and yet the Town Council claimed the VAT back. This again flouts the rules in most respects.
36. I have concerns about the financial relationship between the Town Council and the Petworth Business Association (PBA). Cheque 103516 appears to be the payment of a membership fee for PBA whilst a further cheque 103629, for £800, towards the cost of market stalls. I am not clear what community benefit comes from this or what power the Town Council is using to make the payments.
37. Unless the Town Council has adopted the **General Power of Competence** or the previous **Power of Well-Being**, the payment of grants to community organisations can usually only be made using Section 137 of the Local Government Act 1972, which has limits placed on how much can be granted in this way. At no time has the Town Council recorded what power it is using to make grant payments, or indeed any of its activities.

CONCLUSIONS

38. Petworth Town Council has not organised its financial affairs to a level that its Council Tax payers deserve and should expect. The councillors have allowed the Clerk to run the financial, and probably other, procedures without sufficient effective oversight. Whilst it is important to allow a Clerk to run Council affairs, the point of having the overall regime of governance laid down by the GALC guide and the allied Annual Return statements is to avoid the current situation from happening.
39. Petworth Town Councillors must ensure that enough Internal Check is introduced into the procedures of the Council to enable them to be able to truthfully sign Section 2 of the Annual Return. There is never any guarantee that things will not go wrong, but the number of unacceptable matters I discovered in this examination was greater than I have experienced before.
40. Most of the problems outlined above would have been identified and reported by a competent Internal Auditor, properly briefed, with an agreed **Audit Plan** and allowed access directly to councillors. This needs to be put in place immediately, so that more effective assurance can be given as to the systems in place.
41. The absolute minimum improvements that need to be introduced are as follows:-
 - Introduce **Standing Orders** on the basis of the April 2014 version available from the SALC website.
 - Introduce **Financial Regulations** on the basis of those available from the SALC website. They should not be just as printed, but adjusted to take account of the way the Town Council wants to do things. More importantly, use the two documents to properly conduct business.

- Councillors need to be vigilant and ensure that questions asked about financial matters are answered appropriately.
 - Formal **Orders** should be placed for all work and services with the Town Council logo, address and contact numbers on them. All of the orders should be accounted for and should include – the **item; how many; what price; when** and **where** delivery is to take place. Once accepted by the contractor, this then forms a binding **contract** which is enforceable in law.
 - **Signatories** need to be revised and agreed and they should ensure that they check documentation before signing cheques, otherwise, what is the point? The Clerk should never sign cheques.
 - There should be invoices for all cheques and these should be **signed and dated** by the person(s) signing the cheques, as should the **cheque stub**. Care should be taken to cross-check paperwork with the cheques.
 - **Bank reconciliations** should be undertaken every time a statement is received.
 - Councillors should occasionally (possibly quarterly) **witness, and verify** as correct, the bank reconciliation for that period.
 - Appoint a qualified **Internal Auditor**, properly briefed and with access to councillors rather than just the Clerk.
 - Agree an **Audit Plan** with the Internal Auditor to provide appropriate assurance.
 - Draw up an up-to-date **Assets Register**, in line with that suggested in GALC. This will give a revised value for Box 9 of the Annual return for next year.
 - Ensure that the identified **Assets** owned by the Town Council are properly **Insured**.
 - Introduce **Receipts** books, appropriately labelled as those of the Town Council, showing what has been received, from whom, on what date and when banked. Ensure that there is a copy of each in the financial paperwork.
 - Verify with HMRC that the receipt of advertising income from Petworth Pages do not require the Town Council to charge VAT for this. This would add a further complication because it would require registration as a vatable body.
 - When making payments be sure that the **power** being used is clearly defined in minutes. This is particularly true of grant-giving under Section 137
42. Other things that would improve financial accountability are:-
- Appoint an independent bookkeeping company to undertake the **monthly payroll** of the Clerk and other employees. All employees should be included whether or not they pay tax at source.
 - Giving consideration to producing Final Accounts on an **Income & Expenditure** basis rather than Receipts & Payments. Apart from more business-like, budgetary control is more effective in this way.
43. Turning to the questions contained in paragraph 3 above, I have reached the following conclusions:
- a) The Town Councils procedures were woefully inadequate and the suggested courses of action will improve this, when they are implemented.
 - b) The improvements detailed in paragraphs 41 and 42 above will bring the Town Council into the 21st Century and provide the assurance that its Council taxpayers deserve and expect.
44. There are still unanswered questions, but there is no evidence of impropriety and it has been a case of the former clerk not applying appropriate rules and regulations to the task in hand

Rob Martin BSc (Hons), CPFA, CiLCA

Meeting closed – 10.12pm

Signed.....

