

SWANSCOMBE AND GREENHITHE TOWN COUNCIL

Annual Governance Statement 2025/26

Report to guide Members through completion of Section 1 of the AGAR

June 2026

Purpose of this report

This report is intended to assist the Town Council in considering and approving Section 1 of the Annual Governance and Accountability Return (AGAR), namely the Annual Governance Statement for 2025/26. It draws on the End of Year Internal Audit Report dated 11 June 2026 and identifies where a Yes, No or Not Applicable response appears appropriate. The final decision remains a decision of Full Council.

1. Executive summary

The Annual Governance Statement is not a technical accounting exercise. It is the Council's own statement that it has reviewed the effectiveness of its governance arrangements, internal controls, risk management and compliance during 2025/26. Members should therefore consider the evidence, the internal auditor's findings, the Council's own knowledge of the year, and the action now required.

The end of year internal audit contains a number of positive conclusions, including that monthly bank reconciliations were undertaken and reported, income was properly recorded, the year-end bank reconciliation agreed to the AGAR, insurance was in place, and the public rights and AGAR publication requirements for 2024/25 were met. However, the report also identifies serious weaknesses around budget monitoring, reserves, standing orders and financial regulations, VAT treatment, transparency publication, and the adequacy of scrutiny during the year.

On that basis, this report recommends that the Council gives a full and transparent set of responses. Where there is a material weakness, the safer governance approach is to answer "No" and publish a clear explanation and corrective action plan, rather than attempting to force a "Yes" answer.

2. Recommended Annual Governance Statement responses

AGS	Area	Suggested response	Reason / caveat
1	Financial management and preparation of accounts	NO	Inadequate budget monitoring and reserves; early release of £120,000 from the 2026/27 precept was needed to meet 2025/26 obligations.
2	Internal control	NO	Financial Regulations and Standing Orders are out of date; VAT concerns identified; no Internal Controls Policy or Scheme of Delegation in place.
3	Compliance with laws, regulations and proper practices	NO	Procurement/transparency publication requirements were not fully met and governance documents require urgent legislative update.
4	Exercise of public rights	YES	The internal audit confirms the 2024/25 public rights period was properly provided, although future approval minutes should expressly record the dates.
5	Risk management	YES	Insurance and operational risk arrangements were in place; the risk policy still requires fundamental review.
6	Internal audit	YES	Independent internal audit was

AGS	Area	Suggested response	Reason / caveat
			undertaken and reported to the Council.
7	Action on auditor reports	NO	The lack of adequate General Reserve had been raised previously and was not sufficiently resolved during the year.
8	Significant events	YES	The Council should minute that it has considered the financial impact of the early precept drawdown, low reserves and any other post year-end matters.
9	Trust funds	N/A	The Council is not a sole trustee.
10	Digital and data compliance	YES	The internal audit concludes this objective was met, but immediate action is needed on website accessibility and transparency improvements.

Note: The final responses must be approved by Full Council. If Members decide to depart from these suggested responses, the minutes should record the reasons and evidence relied upon.

3. Key matters Members should have in mind

3.1 Financial position and reserves

The internal audit records that the Council's 2024/25 rollover balance was £74,702.48, compared with an opening position of £193,955, suggesting an overspend of just under £120,000. The auditor also concluded that the Council did not have an adequate General Reserve and should have been aiming for a General Reserve in the region of £110,000 to £140,000.

The audit further records that the Council had to request an upfront payment of £120,000 from Dartford Borough Council from the 2026/27 precept request, received on 27 February 2026, to meet existing financial obligations. This is a material governance issue. It does not mean the Council received additional funding overall; it means part of the 2026/27 precept was received early, leaving a corresponding shortfall in 2026/27 cash receipts.

3.2 Scrutiny and budget monitoring

The internal audit noted that Finance and General Purposes Committee meetings during 2025 were relatively short and recommended more rigorous scrutiny of budget monitoring reports and bank reconciliations. The Council should therefore recognise that the budget monitoring process was not sufficiently robust during the year.

3.3 Internal control, procurement and VAT

The internal audit records that the Council does not have an Internal Controls Policy or Scheme of Delegation, and that Standing Orders and Financial Regulations are based on older NALC templates and refer to superseded EU financial limits. The report also identifies concerns over VAT treatment at the Old Fire Station Cafe and whether VAT advice is required for income streams such as hall hirings, open space hirings and partial exemption.

3.4 Transparency, digital compliance and website accessibility

The internal audit found that the Council does not have a dedicated Transparency Page and that certain publication requirements were not met, including procurement information, contracts over £5,000, senior salary information, pay multiple and fraud information. The report also identifies that the website is not currently WCAG 2.2 AA compliant and recommends engagement with the web provider.

4. Detailed guidance by AGS assertion

Assertion 1 - Financial management and preparation of accounts

Recommended response: NO

Reasoning:

- The internal audit confirms that the year-end bank reconciliation agreed to the AGAR and that financial records are maintained in Scribe.
- However, the Council's financial management during the year was materially weakened by inadequate budget monitoring, inadequate reserves, and the need for an early release of £120,000 from the following year's precept.
- Because the assertion asks about arrangements during the year, not just whether the year-end accounts can be prepared, the appropriate transparent response is "No".

Actions to minute / agree:

- Adopt a 2026/27 financial recovery plan.
- Report budget monitoring and bank reconciliations to every Full Council or Finance Committee cycle.
- Adopt a reserves policy setting target General Reserve and Earmarked Reserve levels.
- Rebuild General Reserve and create Earmarked Reserves for property, plant, vehicles, play areas and major maintenance.

Assertion 2 - Internal control

Recommended response: NO

Reasoning:

- The internal audit confirms that segregation exists for payment processing, with payments set up by officers and authorised by councillor signatories.
- However, there are material weaknesses: no Internal Controls Policy, no Scheme of Delegation, out-of-date Financial Regulations and Standing Orders, and VAT uncertainties.
- These weaknesses mean the Council cannot confidently state that it maintained an adequate system of internal control throughout the year.

Actions to minute / agree:

- Adopt updated Financial Regulations and Standing Orders.
- Adopt an Internal Controls Policy and Scheme of Delegation.
- Obtain specialist VAT advice and implement any corrections required.
- Introduce a formal monthly internal control checklist signed by the RFO/Clerk and independently reviewed.

Assertion 3 - Compliance with laws, regulations and proper practices

Recommended response: NO

Reasoning:

- The audit identifies that procurement and contract publication requirements were not fully met.
- Standing Orders and Financial Regulations still refer to old EU limits and require urgent update to reflect current procurement legislation.
- Transparency Code publication gaps also indicate that proper practice compliance was incomplete.

Actions to minute / agree:

- Create a website Contracts/Tenders and Transparency page.
- Publish invitations to tender and contracts over the required thresholds.
- Review all governance documents against current legislation.
- Maintain a compliance tracker for statutory publications and annual review dates.

Assertion 4 - Exercise of public rights

Recommended response: YES

Reasoning:

- The internal audit confirms that the publication requirements were met and that the public rights notice ran from 3 June 2025 to 14 July 2025, satisfying the statutory period.
- The only improvement noted is that future minutes should formally record the dates approved for the public rights period.

Actions to minute / agree:

- When approving the AGAR, minute the exact public rights dates.
- Ensure all required documents are published by the statutory deadline.

Assertion 5 - Risk management

Recommended response: YES

Reasoning:

- The internal audit confirms that the Council reviewed risks, maintained insurance cover, held appropriate liability and fidelity guarantee cover, and undertook play area inspections.
- The Risk Management Policy is nevertheless out of date and should be fundamentally reviewed.

Actions to minute / agree:

- Review and re-adopt the Risk Management Policy.
- Add risk areas for loss of key personnel, financial sustainability, cyber and data, property liabilities and income failure.
- Link financial risks back to the revised Financial Regulations.

Assertion 6 - Internal audit

Recommended response: YES

Reasoning:

- The internal audit was carried out by Parish and Town Auditing Services, who confirmed independence from the Council.
- The report was completed for the 2025/26 year-end audit and provides detailed testing against the AGAR internal control objectives.

Actions to minute / agree:

- Formally receive the internal audit report.
- Agree the management response and monitor actions through Finance and General Purposes Committee.

Assertion 7 - Reports from auditors

Recommended response: NO

Reasoning:

- The internal audit report states that the lack of a General Reserve had been commented on by the previous internal auditor.
- Given that the issue remained unresolved and the Council required an early precept drawdown, it is difficult to evidence that appropriate action was taken on all matters raised in previous auditor reports.

Actions to minute / agree:

- Create an audit action tracker covering all previous and current internal and external audit points.
- Allocate owners, deadlines and status updates.
- Report progress to every Finance and General Purposes Committee meeting until complete.

Assertion 8 - Significant events

Recommended response: YES

Reasoning:

- Members should specifically consider whether any litigation, liabilities, commitments, events or transactions during or after year-end require disclosure or adjustment.
- The £120,000 early precept drawdown, reserves position and financial recovery measures should be acknowledged in the minutes.

Actions to minute / agree:

- Minute the Council's consideration of significant events and financial implications.
- Ensure any material post year-end issues are disclosed to the external auditor if required.

Assertion 9 - Trust funds

Recommended response: NOT APPLICABLE

Reasoning:

- The internal audit confirms that the Council is not a sole trustee.

Actions to minute / agree:

- Mark the assertion as Not Applicable, if this remains accurate at the date of approval.

Assertion 10 - Digital and data compliance

Recommended response: YES, with urgent actions

Reasoning:

- The internal audit records that the Council uses a .gov.uk domain for its website and emails, has an IT policy, and has a suite of data protection policies in place.
- However, the audit also records that the website is not WCAG 2.2 AA compliant and recommends that the web provider be contacted to improve accessibility and transparency.
- On balance, the suggested response follows the internal auditor’s conclusion that the objective was met, but Members should minute the action required.

Actions to minute / agree:

- Update the Accessibility Statement to WCAG 2.2 AA.
- Ask the web provider to address accessibility failures.
- Create a Transparency Page and publish the missing items identified by internal audit.
- Schedule an annual digital and data compliance review.

5. Suggested wording for the Council resolution

Recommended resolution

That the Council:

1. receives and notes the End of Year Internal Audit Report 2025/26;
2. considers each assertion within Section 1 of the Annual Governance and Accountability Return 2025/26;
3. approves the Annual Governance Statement responses as set out in this report, subject to any amendments agreed at the meeting;
4. approves the explanation of “No” responses and the associated action plan for publication and submission with the AGAR;
5. instructs the Clerk/RFO to ensure that all required AGAR documents and public rights notices are published within the statutory deadlines; and
6. requires an AGAR and audit action tracker to be reported to each Finance and General Purposes Committee meeting until all actions are complete.

6. Suggested explanation for “No” responses

Where the Council answers “No” to an Annual Governance Statement assertion, a brief explanation should accompany the AGAR. The wording below may be adapted for inclusion as a separate explanatory sheet.

Assertion	Suggested explanation and corrective action
1	The Council identified weaknesses in budget monitoring and reserve management during 2025/26. The Council required an early release of £120,000 from the 2026/27 precept to meet existing obligations. Corrective action: financial recovery plan, monthly budget monitoring, reserves strategy and more robust scrutiny by Finance and General Purposes Committee.
2	The Council identified weaknesses in its internal control framework, including out-of-date Financial Regulations and Standing Orders, absence of an Internal Controls Policy and Scheme of Delegation, and VAT matters requiring specialist advice. Corrective action: review and adopt updated governance documents, obtain VAT advice and implement a formal internal controls checklist.
3	The Council identified gaps in compliance with procurement, contract publication and transparency requirements. Corrective action: create Contracts/Tenders and Transparency pages, publish missing information, update governance documents for current legislation and maintain a statutory compliance tracker.
7	The Council acknowledges that previous audit concerns regarding the adequacy of the General Reserve were not sufficiently resolved during the year. Corrective action: audit action tracker, assigned action owners, target dates and regular monitoring by Finance and General Purposes Committee.

7. Immediate action plan

Area	Action	Lead	Timing
Finance recovery	Adopt a financial recovery plan showing the 2026/27 impact of the £120,000 precept received early and how General Reserve will be rebuilt.	Full Council / F&GP	Immediate and monthly
Budget monitoring	Report budget against actuals, bank reconciliation, cashflow and reserves to each F&GP meeting, with exception reporting to Full Council.	RFO / Clerk	Monthly
Reserves	Adopt a Reserves Policy with target General Reserve and Earmarked Reserves for key assets and liabilities.	RFO / Full Council	Within 3 months
Core governance documents	Update Standing Orders and Financial Regulations and adopt an Internal Controls Policy and Scheme of Delegation.	Clerk / F&GP	Urgent
VAT	Obtain specialist VAT advice on cafe income, hall hire, open space hire, partial exemption and any required corrections.	RFO	Urgent
Transparency	Create a Transparency Page and publish missing procurement, contract, senior salary, pay multiple and fraud information.	Clerk / Office	Within 1 month
Accessibility	Update the Accessibility Statement and instruct the web provider to address WCAG 2.2 AA issues.	Clerk / Web provider	Within 2 months
Audit tracker	Maintain a live tracker of all internal and external audit recommendations with owners, target dates and status.	Clerk / RFO	Every F&GP meeting

8. Conclusion

The Council should approach the Annual Governance Statement openly and with a clear audit trail. The internal audit does not prevent the AGAR from being approved; rather, it provides the evidence needed for Members to make informed and transparent responses. The key governance safeguard is to answer “No” where material weaknesses existed, explain why, and adopt a clear plan to correct them.

The recommended approach in this report is therefore to approve the Annual Governance Statement with “No” responses for assertions 1, 2, 3 and 7, “Yes” responses for assertions 4, 5, 6, 8 and 10, and “Not Applicable” for assertion 9, subject to the final decision of Full Council.