

**GENERAL SYNOD****ANNUAL REPORT OF THE AUDIT COMMITTEE OF THE ARCHBISHOPS' COUNCIL****1 JUNE 2016 TO 31 MAY 2017****1. Introduction**

The Audit Committee has a duty to oversee the discharge of the Archbishops' Council's responsibilities relating to financial reporting, governance, risk management, internal control systems and internal and external audit. It reports to the Archbishops' Council with recommendations as appropriate, and publishes a report each year which is laid before the Archbishops' Council and the July Group of Sessions of General Synod. This accounts for the June-May reporting period that this paper covers, allowing it to be up-to-date and timely for its readers. Agreed practice is for the report to be reviewed and discussed by Synod every three years, unless there is a specific request from the Committee in the intervening years to debate issues.

The Committee reviews minutes from the Finance and Investments Committees, along with Council minutes, to inform its work, to allow the prompt identification of relevant issues for its consideration and to seek further information from the management team when considered necessary.

Mary Chapman is Chair of the Committee. Mary has been a member of the Council since 2010.

**2. Meetings**

The Committee has met three times during the year, on 5<sup>th</sup> July 2016, 1<sup>st</sup> November 2016 and 2<sup>nd</sup> March 2017.

**3. External audit**

The external auditors are BDO. At the meeting on 1<sup>st</sup> November 2016, the Committee agreed their approach to the 2016 external audit and confirmed that fees were in line with the agreed contract.

The Committee considered the external auditors' report on the 2016 financial statements and reviewed the management response. The audit went smoothly and no significant issues were identified. The Council's senior management team have again confirmed that they are not aware of any reason why the letter of representation to the auditors should not be signed off by those entrusted by the Council to do so.

**4. Annual financial statements and trustees' report**

The Committee reviewed, at their meeting on 2 March 2017, the draft financial statements for the Archbishops' Council for 2016 and initial draft annual report. The Committee worked with management and other selected members to shape the format and content of the annual report. This input also helped ensure that the annual report and accounts have been produced in a timely way for the Council and Synod. The Committee recommended acceptance of the annual report and accounts to the Archbishops' Council.

## **5. Risk management**

The Committee is responsible for reviewing the effectiveness of risk management processes, controls and governance arrangements, ensuring that all identified Archbishops' Council risks are being actively managed. This includes regular reviews of the Church of England strategic risks, principal risks identified by the Archbishops' Council and operational risks identified and assessed by Divisional management. The Committee seeks to obtain insight and assurance over the current and planned mitigations in place to manage significant risks and during the past year has received assurance from internal audit work and directly from risk owners and other responsible senior staff. Responsibility for implementing the risk policy, monitoring risks and maintaining effective risk management and internal control systems lies with the Secretary General and the Archbishops' Council's Senior Management Group.

The key areas of risk, over which the Committee has sought assurance in the past year, have included gaining adequate support/capacity for the Renewal and Reform agenda and the ability to sustain key Council objectives due to funding challenges. Safeguarding concerns have included both dealing with contemporary safeguarding issues relating to the implementation of agreed safeguarding policy and framework for action and to historical child sexual abuse allegations. The Committee sought specific assurance that risks related to the safeguarding of vulnerable adults are being addressed in addition to children's safeguarding. The Committee questioned the state of IT capabilities in the NCIs with a view to gaining further assurance around IT infrastructure and culture and more specific risks around IT digitalisation and data management. The Committee has also supported the Council in giving consideration of risks related to disputes around divisive and contentious issues.

The Committee is content that current risk management arrangements follow good practice guidance from the Charity Commission and continue to mature and become more embedded for both management and trustees. The Audit Committee was content that refinement of the Archbishop's Council Principal risk register as well as material improvements and managing facilitation of updates to the Church of England Strategic risk register, reflected the current issues faced. Further developments will take place during 2017, as priorities and business plans develop. Further work will be undertaken to mature the risk management process, specifically through an update of risk management policies and determining the risk appetite.

## **6. Internal Audit**

The internal audit plan for the Archbishops' Council is focussed on providing an assessment of the adequacy and effectiveness of key controls in place to manage key risks to the achievement of the Archbishops' Council's objectives. In addition, the internal audit plan annually includes review of the controls in place within selected central service areas of the NCIs (ChECS). The Committee works with management to develop the internal audit plan, to ensure that resources are focussed on key areas of assurance need.

In the past year, the Committee has received reports on the following Archbishops' Council operations: Safeguarding quality assurance work, Ministry Education Contract, Renewal and Reform co-ordination and programme management and Budget setting and Business planning. These areas were identified as areas of significant change and also areas where significant operational risks were being managed.

The Committee was satisfied that overall, adequate internal control arrangements were in place in these areas. No fundamental control weaknesses were identified. Where weaknesses in control were identified, e.g. the Renewal & Reform Co-ordination and Programme Management and Ministry Education Contract audits, adequate action plans had been agreed with relevant management. The Committee has provided ongoing review of progress in the implementation of agreed management actions to address areas of weakness identified by internal audit.

In the past year, the Committee has sought feedback and assurance from a range of senior managers over areas of planned change. This has included elements of the Renewal and Reform agenda, the financing of the Archbishops' Council and national safeguarding developments.

The Committee also received and reviewed the following internal audit reports which related to selected central service operations, used in common by all three National Church Institutions (NCIs): Treasury Management, HR Recruitment, Common Services recharges, Cyber Assessment review, IT change controls, Disaster Recovery arrangements and the CRM project. Overall these areas were found to have effective controls in place to manage fundamental risks. However, the Cyber Assessment review, Disaster Recovery arrangements and CRM project audits all identified exposure to significant risks, where adequate actions plans have been agreed with the respective managers and will be reviewed under the follow up processes.

Subsequent to the audit of the Common Services recharges, the Committee suggested further work should be undertaken into assessing the value-for-money of the ChECS departments. This is to be overseen by the Joint Employment Common Services Board (JECSB).

The Committee approved the 2017 internal audit plan. The Committee has again aimed to ensure that the focus of the internal audit work in 2017 will be around areas of significant risk and significant planned change. The Committee sought assurance about the contractual and accounting arrangements for the funds made available by the Church Commissioners for distribution to the dioceses. Further focus will be on the adequacy of governance and programme management arrangements for elements of the Renewal and Reform agenda including Resourcing Ministerial Education, Dioceses Peer Review and Strategic Development Funding.

## **7. Representations**

The Committee received no representations.

Under the NCIs Whistleblowing policy, complaints are made to designated members of the NCI Audit Committees, who also supervise the subsequent investigation. No complaints were received in respect of the Archbishops' Council.

## **8. Committee Membership**

During the past year, there has been one change to the membership of the Committee. Canon Simon Butler was appointed as the representative from the Council and attended his first meeting in July 2016.

Jonathan Evans' term of office ended on 31 May 2017. John Neilson's term of office ends on 30 November 2017. Both vacancies will be advertised together, the Appointments

Committee will be involved in the process and the Archbishops' Council will be invited to approve the appointments later in 2017.

| <b>Member</b>  | <b>Appointment</b>                                                                        | <b>Attendance</b> |
|----------------|-------------------------------------------------------------------------------------------|-------------------|
| Mary Chapman   | Chair appointed by the Archbishops' Council in the first instance until 31 December 2017. | [3 of 3]          |
| John Neilson   | Appointed by the Archbishops' Council for one further year to 30 November 2017.           | [3 of 3]          |
| Jonathan Evans | Appointed by the Archbishops' Council for one further year to May 2017.                   | [3 of 3]          |
| Debbie Buggs   | Elected by the General Synod for five years to 2020 or until successor elected.           | [3 of 3]          |
| Stephen Hogg   | Elected by the General Synod for five years to 2020 or until successor elected.           | [3 of 3]          |
| Simon Butler   | Archbishops' Council Member and appointed by them until 31 May 2021.                      | [2 of 3]          |

Church House

London

15<sup>th</sup> May 2017

(signed) Mary Chapman

Chair of the Audit Committee