

**GENERAL SYNOD**  
**ANNUAL REPORT OF THE AUDIT COMMITTEE**  
**FOR THE YEAR TO 31 MAY 2014**

**Introduction**

1. 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. Agreed practice is for the report to be debated every three years (this year's report is scheduled for debate), unless there is a specific request from the Committee in the intervening years to debate issues.
2. 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.
3. Mary Chapman is Chair of the Committee. Mary has been a member of the Council since 2010.

**Meetings**

4. The Committee has met four times during the year, on 17 July 2013, 10 October 2013, 11 March 2014 and 7 May 2014.

**External audit**

5. Following a competitive selection process, the Committee recommended the reappointment of BDO as the Archbishops' Council external auditor. The appointment was approved by the Council on 30<sup>th</sup> May 2013 and by General Synod at its July 2013 meeting. The agreed term is for ten years, to be reviewed after five years.
6. The Committee agreed BDO's approach to the 2013 external audit and fees at the meeting on 10 October 2013.
7. The Committee considered the external auditors' report on the 2013 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.

## **Annual financial statements and trustees' report**

8. The Committee reviewed, at their meeting on 11 March 2014, the draft financial statements for the Archbishops' Council for 2013. An additional telephone conference meeting, on 7 May 2014, reviewed the draft trustees report and proposed final version of the financial statements. The Committee recommended their acceptance to the Archbishops' Council.

## **Internal Audit**

9. The Committee reviewed the internal audit reports on the following audit assignments: Divisional Business Planning, Budgetary Control and Performance; National Procurement Initiative; and Restricted Funds. The work performed by the Internal Audit function identified the need to improve the process for objective setting, business planning and performance monitoring across the Divisions of the Archbishops' Council. This work has informed the implementation of new formats and timetables for the business planning process.
10. Internal Audit work also identified some areas for improvement around the management and reporting of expenditure from restricted funds. This area has been subject to further management action with Divisions.
11. The Committee obtained assurance from the Internal Audit department based on the work performed, that overall there was an effective system of internal control in place. Notwithstanding areas which required management action to further improve existing controls.
12. The Committee also received and reviewed the following internal audit reports which related to selected shared service operations used in common by all three National Church Institutions (NCIs): Procurement Policy Compliance, IT Network Administration, SAP IT System Administration and follow up of recommendations related to Performance Management and Absence Management. The Archbishops' Council, Church Commissioners and Pensions Board receive Finance, IT, HR, Communications, Legal, Internal Audit and Risk Management and Record Centre services via the jointly owned and managed shared service departments. From April 2014 these functions have been formed into a new NCI – Church of England Central Services.
13. The shared service processes examined across the NCIs were generally found to be adequately controlled. However, some weaknesses were identified around IT Network Administration. The audit report informed separate work undertaken by NCI management in 2013 to review IT capability and strategy for the NCIs. Plans are in place to address the issues raised.
14. Some delays have occurred over the full implementation of the new IT systems for Ministry selection and the upgrading of the Crockford system. The Audit Committee receives updates on progress and any emerging issues. Full implementation is planned by July 2014.
15. The Committee endorsed the relevant management responses, and continues to monitor that these have been followed up expeditiously.

16. The Committee approved the 2014 internal audit plan, which in addition to the work on restricted funds, includes reviews of progress around national safeguarding arrangements, monitoring of diocesan financial performance and follow ups of previous recommendations. The plan also includes review of selected pan-National Church Institutions (NCI) processes, such as accounts payable, accounts receivable, data handling compliance and IT transformation.

### **Risk management**

17. During the past year the Committee has continued to review the risk management activities in place and the departmental risk registers. 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 the current risk register is an accurate reflection of the issues faced by departments. Changes in the business planning and reporting processes in 2014, will allow further development and use of the risk registers as a management tool.
18. Work has commenced on the identification and monitoring of strategic, church wide risks, to identify areas where the Archbishops' Council provides specific mitigation or monitoring controls. Initial work has attempted to identify the financial, people related and reputational risks which may impact on the ability to maintain a presence in every community and to achieve growth.
19. These risks will be developed during 2014 and will further inform the review of business plans and departmental objectives.

### **Representations**

20. The Committee received no representations.
21. 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.

### **Governance**

22. The Committee reviewed the initial proposal for the formation of a new company to encompass the Shared Service activities of the NCIs and requested that further clarification on the business rationale and proposed governance arrangements be included in the paper to the Archbishops' Council.
23. The Audit Committee Chairs for the Archbishops' Council, Church Commissioners and Pensions Board met informally on 4<sup>th</sup> February 2014, to allow a better understanding of the respective bodies and to share issues around risks, internal controls, audit and assurance.

## Committee Membership

<b>Member</b>	<b>Appointment</b>	<b>Attendance</b>
Mary Chapman	Chair appointed by the Archbishops' Council in the first instance until 31 December 2014.	4 of 4
Keith Malcouronne	Re-elected by the General Synod for five years to 2015 or until successor elected.	4 of 4
Paul Boyd-Lee	Archbishops' Council Member and appointed by them until 31 May 2016.	4 of 4
John Neilson	Appointed by the Archbishops' Council for four years to 30 November 2016.	4 of 4
Susan Cooper	Elected by the General Synod for five years to 2015 or until successor elected.	4 of 4
Jonathan Evans	Appointed by the Archbishops' Council for five years to 31 May 2016.	3 of 4

Church House  
London  
7<sup>th</sup> May 2014

(signed) Mary Chapman  
Chair of the Audit Committee