

**GENERAL SYNOD**  
**ARCHBISHOPS' COUNCIL**  
**ANNUAL REPORT OF THE AUDIT COMMITTEE**  
**FOR THE YEAR TO 31 MAY 2013**

**1. Introduction**

The Audit Committee has a duty to oversee the discharge of the Archbishops' Council's responsibilities relating to the financial statements, governance, risk management and 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 not scheduled for debate), unless there is a specific request from the Committee in the intervening years to debate issues.

As at 31<sup>st</sup> July 2012 Tony Hesselwood retired as Chair of the Audit Committee. Tony had served on the Committee for 13 years, eight years as Chair. The Committee, Council and the Archbishops thanked Tony for his service and wished him well for the future.

From August 2012 Mary Chapman was appointed under new arrangements by the Archbishops' Council as Chair. Mary Chapman has been a member of the Council since 2010. This appointment provides a more defined link between the Audit Committee and Council which further strengthens the governance arrangements in place.

**2. Meetings**

The Committee has met five times during the year, on 19 July, 14 November 2012 and 5 March, 30 April and 15 May 2013.

**3. External audit**

The Committee endorsed BDO's approach to the external audit for 2012 and fees at the meeting on 14 November 2012.

The Committee considered the external auditors' report on the 2012 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.

The current contract with BDO as external auditors expires in 2013. A tendering process was undertaken in May 2013 in order for a recommendation to be made to the Archbishops' Council prior to seeking the approval of the General Synod.

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

The Committee reviewed at their meeting on 30 April 2013 the draft financial statements and trustees' report of the Archbishops' Council for 2012. After seeking some changes, and undertaking further review by correspondence and telephone conference they recommended their acceptance to the Archbishops' Council.

#### **5. Internal Audit**

The Committee reviewed the internal audit reports on the following: Church House Publishing; Church and Community Fund (CCF) Grant Administration; and a review of the controls in place around the National Procurement Initiative. In addition, the Committee reviewed reports on the risk register entries for risks related to national safeguarding and investment management.

The Committee also received and reviewed the following internal audit reports which related to shared service operations commonly used by all three National Church Institutions (NCIs): Data Handling and information security; HR Compliance; Cash Management; Staff Payroll; and compliance with NCI Procurement Policies

The Committee obtained assurance from the internal audit department that, based on the work performed, that there was overall, an effective system of internal control in place across the processes directly managed by the Archbishops' Council.

The shared service processes examined across the NCIs were generally found to be adequately controlled. However, some weaknesses were identified around the process for data handling and information security. Specific work is currently being undertaken by management to address these issues.

The Committee endorsed the relevant management responses, but will continue to monitor that these have been followed up expeditiously.

The Committee approved the 2013 internal audit plan, which will include a review of the business planning, objective setting and performance monitoring for the Archbishops' Council's delivery departments. Namely: Ministry, MPA, Education, Secretariat and Cathedrals and Church Buildings. The plan will also include review of selected pan-National Church Institutions (NCI) processes, such as such as IT administration, People and Pay project assurance and a follow up of HR processes around absence management and performance management.

#### **6. Risk management**

During the past year the Committee has continued to review the risk management activities in place, facilitated by the Risk Management and Internal Audit Department, and provided review and challenge to the risk registers which are produced with departmental management. The Committee is content that current risk management arrangements are compliant with the requirements and guidance from the Charity Commission. However, in order to provide further benefits as a management tool, clearer linkage to operational objectives and divisional performance is required.

In recent meetings, the Committee has sought additional information from management on the arrangements in place to monitor the financial stability of Dioceses and Cathedrals. The Committee believed that there was a need to assess and bring together all the various initiatives, to help form financial conclusions, which then might lead to

consequent action. Further review will be undertaken in future meetings and formal advice will be provided to the Council.

## 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. Governance

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.

## 9. Committee Membership

<b>Member</b>	<b>Appointment</b>	<b>Attendance</b>
Tony Hesselwood	Chair appointed by the Archbishops and approved by General Synod for three years to 31 July 2012.	1 of 1
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.	3 of 5
Paul Boyd-Lee	Archbishops' Council Member and appointed by them until 31 May 2016.	5 of 5
John Neilson	Appointed by the Archbishops' Council for four years to 30 November 2016.	5 of 5
Susan Cooper	Elected by the General Synod for five years to 2015 or until successor elected.	5 of 5
Jonathan Evans	Appointed by the Archbishops' Council for five years to 31 May 2016.	3 of 5

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.

Church House

London

3<sup>rd</sup> May 2013

(signed) Mary Chapman

Chair of the Audit Committee

List of current members of Archbishops' Council's Audit Committee:-

Mary Chapman

Chair of the Audit Committee

Keith Malcouronne

Vice-Chair

Paul Boyd-Lee

John Neilson

Susan Cooper

Jonathan Evans