

ARCHBISHOPS' COUNCIL

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE YEAR TO 31 MAY 2008

1. Introduction

The Audit Committee has a duty to oversee the discharge of the Archbishops' Council's responsibilities, both in the Council's own right and in its capacity as the Central Board of Finance, 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.

2. Meetings

The Committee has met twice during the year, on 8 October 2007 and 7 May 2008, and also met jointly with the audit committees of the Church Commissioners and Church of England Pensions Board on 11 December 2007.

3. Committee Membership

Member	Appointment	Attendance
Tony Hesselwood	Chair appointed by the Archbishops and approved by General Synod for five years to 31 July 2009.	[3 of 3]
Jane Bisson	Elected by the General Synod for five years to 31 December 2010 (having previously been appointed by the Archbishops' Council for a term of office to expire on 31 May 2006).	[2 of 3]
Brian Newey	Appointed by the Appointments Committee from amongst the membership of the Finance Committee for three years until 31 December 2008.	[3 of 3]
Keith Malcouronne	Elected by the General Synod for five years to 31 December 2010.	[3 of 3]
Paul Boyd-Lee	Archbishops' Council Member and appointed by them until the elections in 2010.	[3 of 3]
Revd. Canon Justin Welby	Appointed by the Archbishops' Council for three years to 31 May 2009 (resigned 7 June).	[0 of 0]

John Neilson	Appointed by the Archbishops' Council for five years to 30 November 2012.	[1 of 1]
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4. External audit

A tendering exercise, observed by some members of the Church Commissioners and Pensions Board audit committees, was carried out for external audit services for the Archbishops' Council with effect from the 2008 year end. The successful candidate will be recommended for approval by the Council at its meeting on 12 June and will go to the July Group of Sessions.

The Committee agreed to the audit fee of £52,000 in respect of the 2007 year end and approved the additional fee of £10,000 for the extra days overrun in completing the 2006 audit plus a one-off £20,000 fee relating to additional work arising from the switch from Navision to the SAP financial system during the year.

The Engagement Partner and Director of Deloitte & Touche attended the meeting of the Audit Committee on 8 October 2007, when the Committee endorsed their approach for the 2007 audit.

The Committee considered the external auditors' management letter and approved the management response.

5. Annual financial statements and trustees' report

The Committee reviewed the draft financial statements and trustees' report of the Archbishops' Council for 2007 and, after suggesting some amendments, recommended their acceptance to the Archbishops' Council. The Committee endorsed the further development of the Statement of Financial Activities (SOFA) to comply with the Statement on Recommended Practice (SORP 2005). The Committee noted the smoother process and better audit readiness of the financial statements this last year, due to the efforts of the Accounts and Financial Policy staff.

6. Internal Audit

The Committee endorsed the management response to a report on financial controls following the implementation of SAP for the Archbishops' Council, which highlighted the need to improve policy and procedures, ensure that authority levels and access to master data were appropriate, and that the use of correcting journals and credit control were tightened.

The Committee endorsed the management response to the follow-up reports of staff payroll, IT policy implementation, procurement, and foreign exchange. It is monitoring carefully the follow up and implementation of reports issued in recent years.

The Committee endorsed the management response to a report on the operation of the Church of England Records Centre based in Bermondsey. The Committee was pleased to hear of the progress subsequently made by the Records Centre in revising its contracts with customers.

The Committee endorsed the management response to a report of anti fraud controls on a pan-NCI basis, which highlighted the need for adequate insurance cover and the need for adequate security of confidential information.

The Committee welcomed the additional internal audit resources acquired within the year. It approved the 2008 plan for internal audits.

7. Risk management

The Committee reviewed an analysis of significant risks that apply to the Archbishops' Council, including those that apply across the National Church Institutions. It welcomed the progress which has been made in identifying and monitoring such risks, and encouraged that further work should focus on the highest priority risks.

8. 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.

9. Liaison with the Audit Committees of the Church Commissioners and the Church of England Pensions Board

A joint meeting of the audit committees took place on 11 December 2007. The three audit committees considered the SAP options review, Common Service departments service level agreements, Internal Auditing Department's service review, NCI Business continuity planning and internal audit plans.

10. Other topics

The Committee endorsed the provision of internal audit services to certain dioceses by the NCI Internal Auditing Department. It has considered the revised structure of financial management across the NCIs. It reviewed recent experience in the induction of new finance staff. It has monitored the continuing implementation of the SAP finance system.

The Committee would like to see effective audit committees established in all dioceses, is considering how it can help to promote this, and also how it might contribute to the sharing of best practice across such committees.

Church House
London
21 May 2008

(signed) Tony Hesselwood
Chair of the Audit Committee

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