GENERAL SYNOD

Archbishops' Council Audit Committee Annual Report

1st May 2018 – 30th April 2019

1. Introduction

1.1   This is the Audit Committee's Annual Report for the 12-month period ended 30th April 2019. In line with practice adopted in previous years, the reporting period that this paper covers has been selected to ensure that the content is as up-to-date as possible for its readers.

1.2   The Committee's function is to oversee the discharge of the Archbishops' Council's responsibilities relating to the form, content and audit of its annual report and financial statements (as set out in the appropriate statements of auditing and accounting standards), its governance, its risk management and internal control systems and its internal audit. It reports to the Archbishops' Council with recommendations as appropriate and publishes a full report each year which is laid before the Archbishops' Council and the July Group of Sessions of General Synod.

1.3   The report provides an overview of all those areas for which the Committee is responsible, with information concerning the audit work carried out during the period and the extent of assurance obtained.

2. Distribution and evaluation of grants

2.1   During 2017, major reforms were introduced to the distribution of funding made available by the Church Commissioners to the Council to support the Church's mission and growth. One consequence of this was the significant increase in the level of income and expenditure flowing through the Council's accounts. The success in take up of Strategic Development Fund grants in 2018 has led to a continued increase in income and expenditure.

2.2   The Committee and the Archbishops' Council received feedback on the audit arrangements for the Strategic Development Fund grants processes and controls, through the Strategic Investment Board. The findings were satisfactory, and the outcomes were reported in a joint note from the Chairs of the Audit Committees of the Council and Church Commissioners to the joint meeting of the Archbishops' Council and the Church Commissioners' Board held in September 2018.

2.3   At this meeting it was agreed that the Council had put in place robust processes to distribute and evaluate the funding given to it by the Church Commissioners. It was also acknowledged that work was in hand to ensure the continuous improvement of those processes – which will continue to be tested by the Internal Audit team and reviewed by the Audit Committees of the Council and Church Commissioners. The conclusion of this discussion was that the oversight from and engagement between the two Audit Committees was sufficient, and that there was no need to set up another Group to undertake additional work in this area.

3. External audit

3.1   At its meeting on 6ᵗʰ November 2018, the Committee agreed the recommendations from BDO, the Council's external auditors, for their approach to the 2018 external audit and confirmed that fees were in line with the agreed contract.

3.2   In March 2019, the Committee considered the external auditors' report on the 2018 financial statements and reviewed the management response. The audit went smoothly, no significant deficiencies in internal control were identified. The Council's senior management team 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. BDO issued an unqualified audit opinion.

3.3   After the 2017 audit, the audit partner Don Bawtree, was required to retire by rotation having filled this position for ten years. As indicated in last year's report, Fiona Condron became the new audit partner for the 2018 accounts onwards. The Committee confirms that the audit for 2018 was completed with no material issues or other matters arising.

3.4   In response to the Committee's request for a broader engagement from the auditors, BDO organised a briefing session including new Charity Commission guidance and a technical update on finance and tax. The session was opened to staff and Audit Committee members of the other National Church Institutions (NCIs).

4. Annual financial statements and trustees' report

4.1   The format of the Financial Statements is similar to that of the 2018 financial statements.

4.2   The Committee reviewed, at their meeting on 6ᵗʰ March 2019, the draft financial statements for the Archbishops' Council for 2018 and draft annual report. Following agreement of some minor changes, the Committee recommended acceptance of the annual report and accounts to the Archbishops' Council at its meeting of 21ˢᵗ March.

5. Risk management

5.1   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 principal risks identified by the Archbishops' Council and operational risks identified and assessed by divisional management. The Committee also supports the Council in its coordination of the Church of England strategic risk register.

5.2   During 2018 two new risks were identified and added to the Archbishops' Council's principal risk register:

- Current growth/support initiatives ignore the "Middle 3ʳᵈ Churches" those with attendances of 20-60, which significantly impact the growth of the Church of England.

- The lack of prioritisation of Children and Young People fail to make the most of all opportunities available in churches, schools and households to develop youth evangelism.

5.3 The Committee plays an important role in supporting and encouraging the Council's understanding of risk and facilitated a full review of the principal risks in the light of the 2019 Archbishops' Council's Business Plan at the Archbishops' Council's meeting in December 2018, with a follow up session in January 2019. New risks captured in that review included:

- Giving and income generation might fail to meet inflationary cost pressures, let alone support investment in achieving growth.

- The complexity of governance structures could inhibit effective oversight and achievement of the Archbishops' Council's priorities.

- The closure of a significant number of Church buildings increases due to a lack of available funding, declining numbers of volunteers willing and able to engage in care of church buildings, combined with an end in 2017 of 40 years of continuous state/public funding.

5.4 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 Committee is content that refinement of the Archbishops' Council Principal risk register, as well as the facilitation of updates to the Church of England Strategic risk register, reflected the current issues faced. Both the Archbishops' Council's and Church of England Strategic risk registers have been subject to a detailed review and appraisal through the Risk Verification exercise that was completed in the summer of 2018.

5.5 The Risk Management policies are in the process of being refreshed and updated, with the draft policies scheduled to be fully signed off mid-2019.

6. Church of England Central Services (ChECS)

6.1 The Committee sought specific assurances regarding risks related to the ChECS departments and how they were being managed collectively by the National Church Institutions (NCIs), in particular, the adequacy of project management, data management and IT capabilities. The Committee was pleased to note the developments in the approach to project management, and also received updates on the progress with the NCIs' IT priorities, which appeared promising.

7. Internal Audit

7.1 The internal audit plan for the Archbishops' Council is focussed on providing an assessment of the adequacy and effectiveness of 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. The Committee works with management to develop the internal audit plan, to ensure that resources are focussed on key areas of assurance need.

7.2 In the past year, the Committee has received reports on the following Archbishops' Council operations: Safeguarding, Diocesan Peer Review, Church Buildings, Evangelism & Discipleship and Measuring Participation (Growth). These areas were identified as areas of significant change and/or where significant operational risks were being managed.

7.3 Internal control weaknesses were identified during the Safeguarding Review and Church Buildings Review. Where weaknesses were identified, action plans have been agreed with relevant managers, with additional focus and scrutiny of the proposed action plans in response to recommendations arising from the Safeguarding Review. The Committee has provided ongoing review of progress in the implementation of agreed management actions. The Committee was satisfied that overall, the remaining Archbishops' Council's audits demonstrated that adequate internal control arrangements were in place.

7.4 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): Business Continuity Plan, General Data Protection Regulation (GDPR) Readiness, Project Management, Starters and Leavers Processes and the Fraud Follow Up. The Starters and Leavers Processes audit identified fundamental weaknesses, to which the Chief Finance and Operations Officer and Director of Human Resources are implementing a response plan. The Business Continuity Plan and GDPR Readiness Follow Up audits both identified exposure to significant risks. Adequate action plans have been agreed with the respective managers and will be reviewed under the follow up processes. The Committee was pleased to note the progress made in terms of the NCIs' approach to and investment in further Project Management capability.

7.5 Management actions from previous audits are scrutinised at each Committee meeting to obtain assurance regarding the progress and timely completion of those actions.

7.6 The Committee approved the 2019 internal audit plan following discussion at its November meeting. The Committee has again aimed to ensure that the focus will be on areas of significant risk and significant planned change. Further focus will be on the development and implementation of a Safeguarding Casework Management System, assurances of the processes and controls in respect of Ministry Training Administration, Diocesan Financial Monitoring, Renewal and Reform Governance and Lowest Income Communities (LInC) grant funding.
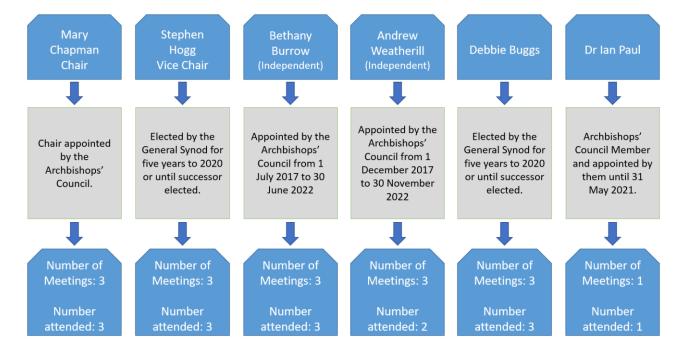

8. Effectiveness Review

8.1 The Committee carried out an assessment of its effectiveness, using a questionnaire both for self-evaluation and to invite input from Council members. While the results were generally positive, the Committee is taking forward suggested improvements to its processes and also to its engagement with managers between meetings to ensure that it is kept fully informed on all material matters. The review also identified a need for more consistent induction and development of new members, particularly to ensure a good understanding by independent members of the operations of the Archbishops' Council and its relationship with the other NCIs.

8.2 The Committee agreed to discuss with colleagues in the Church Commissioners and the Pensions Board a joint NCI review of the internal audit and risk management function.

9. Membership and Meetings

9.1 The Committee has met three times during the year, on 3rd July 2018, 6th November 2018 and 6th March 2019.

9.2 During the past year, Simon Butler resigned from the Committee in the summer of 2018. I would like to express my thanks for the insightful contribution Simon has made to the work of the Committee. Dr Ian Paul was appointed by the Council to replace Simon Butler on the Committee in December 2018.

9.3 Full details of the membership and attendance at meetings are shown below.

Mary Chapman Chair	Stephen Hogg Vice Chair	Bethany Burrow (Independent)	Andrew Weatherill (Independent)	Debbie Buggs	Dr Ian Paul
Chair appointed by the Archbishops' Council.	Elected by the General Synod for five years to 2020 or until successor elected.	Appointed by the Archbishops' Council from 1 July 2017 to 30 June 2022	Appointed by the Archbishops' Council from 1 December 2017 to 30 November 2022	Elected by the General Synod for five years to 2020 or until successor elected.	Archbishops' Council Member and appointed by them until 31 May 2021.
Number of Meetings: 3 Number attended: 3	Number of Meetings: 3 Number attended: 3	Number of Meetings: 3 Number attended: 3	Number of Meetings: 3 Number attended: 2	Number of Meetings: 3 Number attended: 3	Number of Meetings: 1 Number attended: 1

10. Cross NCI collaboration

10.1 The Committee agreed to a proposal that the Chair should participate in a trial of a twice-yearly meeting of the Chairs of the three NCI Audit Committees in order to achieve a more coordinated approach to internal audit matters.

10.2 These meetings are not intended to substitute for the business of the individual Audit Committees but may provide a valuable forum to review the ChECS audit plan, the development of risk management policy, Church of England strategic risks and the quality assessment of internal audit.

11. Representations

11.1 It is part of the Audit Committee's Terms of Reference to consider representations received from members of the Archbishops' Council, the Archbishops' Council staff, General Synod members or other persons. The Committee received no representations.

11.2 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.

Church House
London   (Signed) Mary Chapman
XXth May 2019   Chair of the Audit Committee