ARCHBISHOPS' COUNCIL AUDIT COMMITTEE
ANNUAL REPORT

1st May 2019 - 30th April 2020

1. Introduction

1.1 This is the Audit Committee's Annual Report for the 12-month period ended 30th April 2020. 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. External audit

2.1 At its meeting on the 3rd July 2019, the Committee received feedback on the completion of the 2018 external audit. It was felt that the audit had gone well, with positive engagement with the new BDO audit partner, Fiona Condron. It was noted that there had been some issues in relation to SAP data extraction and this would need to be addressed within the 2019 planning cycle so that better use of data analytics could be made. The Committee were notified that work on one of the audit points, to produce a revised Ministry Education Handbook was progressing well.

2.2 At its meeting on 5th November 2019, the Committee agreed the approach to the 2019 external audit recommended by the Council's external auditors, BDO. The Committee also agreed a one-off increase in the annual audit fees.

2.3 In March 2020, the Committee considered the external auditors' report on the 2019 financial statements and reviewed the management response. The audit went smoothly and no significant deficiencies in internal control were identified. Data analytics was used successfully during this review. The Council's senior management team confirmed that they were 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.

2.4 As a consequence of the COVID-19 pandemic, additional going concern work was required in order to finalise the 2019 external audit review. Additional disclosures were made to the draft financial statements and draft annual report. The Chair and Vice Chair reviewed the analysis prepared in relation to going concern and the additional disclosures in relation to COVID-19. BDO were satisfied with this work and issued an unqualified audit opinion. The Committee confirms that the audit for 2019 was completed with no material issues or other matters arising.

3. Annual financial statements and trustees' report

3.1   The format of the financial statements is similar to that of the 2018 financial statements but includes additional disclosures in relation to COVID-19.

3.2   The Committee reviewed, at their meeting on 3rd March 2020, the draft financial statements for the Archbishops' Council for 2019 and draft annual report. Following agreement of some minor changes, the Committee agreed to recommend acceptance of the annual report and accounts to the Archbishops' Council at its meeting of 24th March.

3.3   On 23rd March 2020, prior to the Archbishops' Council, the Charities Commission issued additional guidance in relation to the implications of the COVID-19 control measures and their impact upon financial reporting, which required additional disclosures and going concern analysis to be completed before the draft financial statements and annual report could be approved. At the Archbishops' Council meeting on 24th March, it was agreed that the 2019 draft financial statements and draft annual report would be circulated for approval in correspondence.

4. Risk management

4.1   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.

4.2   In December 2019, a new National Church Institutions (NCIs) Risk Management Policy and Guide were issued. The Committee reviewed the draft policy and guide, providing feedback which was incorporated into both documents ahead of their final approval and issue.

4.3   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 at the Archbishops' Council's meeting in December 2019. At this meeting, the principal risk register was updated, and an additional risk captured in relation to the General Data Protection Regulations (GDPR).

- Risk AC1 was updated to reflect the importance of retaining clergy.

- Risk AC7 now reflects the potential reputational damage that could be caused by a cyber-attack.

- Risk AC9 is now more focused upon diversity within the Church.

- Risk AC19 reflects how the closure of symbolically significant church buildings could undermine effective ministry.

- Risk AC20 was added in relation to maintaining an effective GDPR/DPA 2018 control framework.

4.4   The Church of England Strategic risk register was also reviewed at the Archbishops Council meeting in December 2019 and it was agreed that a new risk would be added in relation to the Church's engagement with marginal groups. A new risk was developed and included in the register with the support of the Director of Mission and Public Affairs.

4.5   In March 2020, the Committee discussed the emerging Covid-19 risk and how the situation was being managed. The Archbishops' Council's Secretary General gave an overview and highlighted that a management group was in place and meeting regularly. He noted that the risk was being closely monitored and Public Health England and Government guidance were being followed. It was acknowledged that Covid-19 was a risk that the Committee was likely to return to in the future. The Committee discussed AC18 (Complexity of Governance Structures) and it was explained that a detailed Governance Review was planned for later in the year that would look at the governance structure of the Archbishops' Council and the quinquennial goals for the next decade.

4.6   In April 2020, the Chair and Vice Chair, as part of their review of the additional disclosures to the year-end financial statements, considered the financial risks associated with Covid-19. It was also noted in correspondence, that Covid-19 had significantly changed the risk landscape since the Committee's meeting in March 2020. The note highlighted that the risks were not only financial but were likely to have wider implications for the Church in terms of its strategy, operations and governance and these issues would need to be considered further by the Committee.

4.7   The Director of Risk and Assurance has been looking at Covid-19 risks impacting upon the NCIs more broadly and this will be shared with the respective audit committees in due course.

4.8   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 issues faced as at March 2020 and that appropriate updates will be made to both registers to reflect the Covid-19 risk landscape.

5. Internal Audit

5.1   The Director of Internal Audit & Risk Management, Aneil Jhumat, left the NCIs in August 2019 and the committee expressed thanks for his commitment and work, particularly in developing the level of risk maturity. Following his departure, a Director of Risk and Assurance, Stephanie Harrison was appointed.   The Chairs of each of the audit committees were actively involved in her recruitment. In the interim, the audit team have been supported by RSM, who have historically supported internal audit on technical reviews. Shingo Soga of RSM acted as Interim Director of Internal Audit & Risk Management until Stephanie commenced her new role in March 2020.

5.2   The Committee reviewed and approved the Internal Audit Charter presented at the July 2019 meeting. The Charter has been developed based on the best practice guidance provided by the Institute of Internal Audit. It details the Risk Management and Internal Audit Team's purpose and mission, standards by which they are governed, authority, independence and objectivity, responsibilities and quality assurance and improvement process.

5.3   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.

5.4 In the past year, the Committee has received reports on the following, Archbishops' Council Governance, Vote 1 Ministry Training Administration, Diocesan Financial Monitoring, Renewal & Reform Governance and Freeholder Risks Assurance. These areas were identified as areas of significant change and/or where significant operational risks were being managed.

5.5 Some of the audits conducted identified weaknesses where improvements can be made to governance, risk management and the internal control environment (Diocesan Financial Monitoring, AC Governance, Freeholder Risks Assurance). Where weaknesses were identified, suitable action plans have been agreed with relevant managers and these are monitored and reported upon regularly. The Committee was satisfied that overall, the remaining Archbishops' Council's audits demonstrated that adequate internal control arrangements were in place.

5.6 The Committee has received additional updates following previous internal audits. In November 2019, the newly appointed Director of Safeguarding updated the Committee on the work the National Safeguarding Team (NST) have undertaken to address the issues identified in the 2018 Safeguarding Audit report. The Director of Safeguarding also updated the Committee on a revised Business Plan for the NST and the Case Management Project which is in development. In March 2020, the Human Resources team provided the Committee with an update on the work that they have undertaken to address the issues identified in the 2018 Starters and Leavers review, some of which is dependent upon the implementation of the Human Resources Information System - People System. In both cases it was positive to see how much work has been done to address control issues identified.

5.7 The Committee also received and reviewed the following internal audit reports which related to selected Church of England Central Services (ChECS) operations, used in common by all three National Church Institutions : ChECS Governance Review, HR Review, Pan NCI Insurance Coverage, Cyber-Security and IT Procurement and Asset Management. Again, a number of these reviews identified control weaknesses, but appropriate actions have been put in place by management.

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

5.9 The Committee approved the 2020 internal audit plan following discussion at its November 2019 meeting. The Committee has again aimed to ensure that the focus will be on areas of significant risk and significant planned change. The inhouse audit function will be supported by RSM to complete the 2020 plan.

6. Membership and Meetings

6.1 The Committee met three times during the year, on 2nd July 2019, 5th November 2019 and 3rd March 2020.

6.2 During the past year, Mary Chapman retired as Chair in November 2019. The Archbishops' Council's Secretary General expressed, appreciation to the Chair for her contribution and commitment. Maureen Cole was appointed by the Archbishops' Council as Chair in January 2020. Andrew Weatherill resigned from the Committee in the spring of 2020. The Committee would like to thank Andrew for his contribution to its work. The Committee are currently advertising this vacancy and hope to have found a new member by October 2020.

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

Member	Details of appointment	Committee meetings attended
Mary Chapman	Chair appointed by the Archbishops' Council (retired November 2019)	2
Maureen Cole	Chair appointed by the Archbishops Council (appointed January 2020)	1
Stephen Hogg	Vice Chair. Elected by the General Synod for five years until 2020 or until a successor is elected.	3
Debbie Buggs	Elected by the General Synod for five years until 2020 or until a successor is elected.	3
Dr Ian Paul	Archbishops' Council member and appointed by them until 31 May 2021 or until a successor is elected	3
Bethany Burrow	Independent. Appointed by the Archbishops' Council from 1st July 2017 to 30th June 2022.	2
Andrew Weatherill	Independent (resigned March 2020). Appointed by the Archbishops' Council from 1st July 2017 to 30th June 2022.	1

6.4 Due to COVID-19, the Archbishops and Officers of General Synod have asked the Privy Council to extend the life of the current General Synod until July 2021. This means that the two members elected by the General Synod may continue to serve on the Committee until early 2022.

7. Cross NCI collaboration

7.1 A meeting of the Audit Committee Chairs was held on 7th October 2019. The meeting focused on how the 2020 Internal Audit plan had been developed and the share of the work across each of the NCIs. The Church of England Strategic risk register was also reviewed, and it was agreed that feedback from each of the NCIs now needed to be integrated into the risk register.

7.2 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.

8. Representations

8.1 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.

8.2 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.

8.3   The NCIs updated their Speaking Up (Whistleblowing) Policy and Procedure in September 2019. Members of the NCIs senior management and the designated members of the NCI Audit Committees attended a whistleblowing training session in February 2020.

Church House
London   (Signed) Maureen Cole
XXth May 2020   Chair of the Audit Committee