

ARCHBISHOPS' COUNCIL AUDIT COMMITTEE **ANNUAL REPORT**

1st May 2020 - 30th April 2021

I. Introduction

- 1.1 This is the Audit Committee's Annual Report for the 12-month period ended 30th April 2021. In line with the 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 Synod members.
- 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 arrangements. 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 7th July 2020, the Committee received feedback on the completion of the 2019 external audit. The Director of Finance informed the Committee that the year-end audit had been more complicated due to increased reporting requirements in relation to going concern and additional disclosures to the accounts needed as a consequence of the pandemic. The Committee were thanked for their support during this process. BDO requested a fee increment for the additional going concern work undertaken and the Committee reluctantly agreed to this. The Committee agreed to review the provision of the Council's External Audit Services, as its current external auditors, BDO, had been in place for a number of years.
- 2.2 At its meeting on 6th November 2020, the Committee agreed the approach to the 2020 external audit recommended by BDO. The Committee observed that the preparation of the 2020 statutory accounts, would involve increased focus on going concern due to revisions made to auditing standards and the ongoing legacy of Covid-19. The Committee agreed the annual audit fees.
- 2.3 In March 2021, the Committee considered the external auditors' report on the 2020 financial statements and reviewed the management response. The audit went smoothly and no significant deficiencies in internal control were identified. The auditors recommended making an additional disclosure in relation to the payment of Lowest Income Communities (LInC) grants, to provide greater clarity in terms of the Council's commitment to Dioceses. The Council's senior management team confirmed that the additional disclosure had been made and 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 The tender for the provision of External Audit Services was completed during the year. The Council's current auditor, BDO, decided not to retender for the work. Initial tenders were received in late April 2021 and on the 10th May 2021, following excellent presentations from three Accounting Practices, the Audit Committee recommended that Crowe LLP UK, should be appointed as the Council's External Auditors. The Council agreed with this recommendation and, subject to General Synod's approval (see separate paper), the appointment will be made.

3. Annual financial statements and trustees' report

- 3.1 The Committee agreed that the format of the Council's 2020 financial statements should be similar to that of the 2019 financial statements but should include additional disclosures in relation to going concern and LInC grants.
- 3.2 The Committee reviewed the draft financial statements for the Archbishops' Council for 2020 and draft annual report. The Committee requested that changes were made to the Ministry Section of the Annual Report ahead of their approval. Subject to these changes, the Committee agreed to recommend acceptance of the annual report and accounts to the Archbishops' Council at its meeting of 22nd March.

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 During the year, an independent review of the NCIs' Risk Management processes was undertaken which made recommendations as to how processes could be improved. A roadmap has been put in place to implement these recommendations and progress will be reviewed regularly by the inhouse team and the Audit Committees.
- 4.3 The Committee plays an important role in supporting and encouraging the Council's understanding of risk and facilitated an interactive review of the principal risks at the Archbishops' Council's meeting in December 2020. At the meeting, the Council discussed the following areas of risk, safeguarding, declining congregations, failure to develop a diverse ministry, reductions in traditional income streams and the failure to prioritise children and young people and how they might impact its work in both the short and longer-term.
- 4.4 The Church of England Strategic risk register was also reviewed at the Archbishops' Council meeting in December 2020 and following the meeting it was agreed that the register should be reviewed to ensure that the potential consequences of the pandemic were more clearly articulated within the register.
- 4.5 At its March 2021 meeting, the Committee completed a detailed review of the Archbishops' Council risk register, with discussions in relation to safeguarding, ministry and the impact of Covid-19 on the wider Church. The Committee also approved the 2020 Risk Management Statement.
- 4.6 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 2021 and that appropriate updates will be made to both registers to reflect the Covid-19 risk landscape.

5. Internal Audit

- 5.1 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.
- 5.2 In the past year, the Committee has received reports on the following audits within the Archbishops' Council plan, a Governance Review of Covid-19 Financial Decisions, arrangements for planning and supporting Groups of Sessions of the General Synod, and of the Safeguarding Casework Management System Project. These areas were identified as areas of significant change and/or where significant operational risks were being managed.
- 5.3 As would be expected, some of the audits made recommendations to improve governance, risk management and the internal control environment (General Synod Planning Processes, the Safeguarding Casework Management System Project). 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.
- 5.4 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 Procurement Follow Up, Accounts Payable, IT Disaster Recovery, Project Management and the People and Data Systems Programme. Again, a number of these reviews identified control weaknesses, but appropriate actions have been put in place by management.
- 5.5 Management actions from previous audits are scrutinised at each Committee meeting to obtain assurance regarding the progress and timely completion of those actions.
- 5.6 The Committee approved the 2021 internal audit plan following discussion at its November 2020 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, our co-sourcing partner, to complete the 2021 plan.
- 5.7 In March 2021, the Archbishop of Canterbury asked the Audit & Risk Committee to complete a governance review of how the Resourcing Ministerial Formation proposals had been communicated to the Archbishops' Council. The Charity Code of Governance was used as a measure of governance best practice. The review made a number of general recommendations about how governance arrangements and the effectiveness of the Archbishops' Council could be improved.

6. Membership and Meetings

- 6.1 The Committee met three times during the year, on 7th July 2020, 6th November 2020 and 4th March 2021. All meetings during this period were held via Zoom, as a consequence of the pandemic.
- 6.2 During the past year, Don McLure was appointed to the Committee as an independent member. Don was appointed following a full recruitment and interview process. Don joined the Committee in October 2020 for a five-year term.
- 6.3 Stephen Hogg, who had served as the Committee's Vice Chair, resigned in the spring of 2021. The Committee and the Archbishops' Council would like to thank Stephen for his contribution to its work over the past five years. The post will be elected to in early 2022, as part of the elections to Committees by General Synod.
- 6.3 Full details of the membership and attendance at meetings are shown below.

Member	Details of appointment	Committee meetings attended
Maureen Cole	Chair appointed by the Archbishops' Council (appointed January 2020)	3
Stephen Hogg	Vice Chair (resigned March 2021). 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. See 6.4	2
Dr Ian Paul	Archbishops' Council member and appointed by them until 31 May 2021.	2
Bethany Burrow	Independent. Appointed by the Archbishops' Council from 1 st July 2017 to 30 th June 2022.	3
Don McLure	Independent. Appointed by the Archbishops' Council from 1 st October 2020 to 30 th September 2025.	2

- 6.4 Due to the pandemic, the life of the current General Synod was extended until July 2021. This means that the member 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 for the Council, Church Commissioners and Church of England Pensions Board was held on 16th October 2020. The meeting focused on how the 2021 Internal Audit plan had been developed and how resource was shared across each of the NCIs.
- 7.2 The Audit Strategy and Roadmap was also reviewed and the need to conduct an independent external quality assessment of internal audit performance in accordance with best practice.
- 7.2 These meetings are not intended to substitute for the business of the individual Audit Committees but 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 NCI's 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
7th June 2021

(Signed) Maureen Cole
Chair of the Audit Committee