

# **ARCHBISHOPS' COUNCIL AUDIT COMMITTEE** **ANNUAL REPORT**

**1<sup>st</sup> May 2021 - 30<sup>th</sup> April 2022**

## **I. Introduction**

- 1.1 This is the Audit Committee's Annual Report for the 12-month period ended 30<sup>th</sup> April 2022. 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. Membership and Meetings**

- 2.1 The Committee met three times during the year, on 1<sup>st</sup> July 2021, 3<sup>rd</sup> November 2021 and 2<sup>nd</sup> March 2022. All meetings during this period were held via Zoom, as a consequence of the ongoing pandemic.
- 2.2 Internal audit sought the Archbishops' Council approval to enable independent and elected members to have a second term. Ian Paul was reappointed as an Archbishops' Council elected member for a period of five years until 31<sup>st</sup> March 2026. Bethany Burrow was reappointed as an independent Committee member for a period of five years until 31<sup>st</sup> March 2027.
- 2.3 Debbie Buggs' appointment as an elected member of the Audit Committee from General Synod ended in March 2022 and she did not seek re-election. The Chair of the Audit Committee thanked Debbie for her service to the Committee. General Synod elections to the Committee took place in March 2022 which resulted in Clive Billenness and Chris Gill being elected to the Committee.
- 2.4 Full details of the membership and attendance at meetings are shown below.

<b>Member</b>	<b>Representing</b>	<b>Membership started</b>	<b>Term of office ends</b>	<b>Committee meetings attended</b>
Maureen Cole (Chair)	Archbishops' Council	01 January 2020	31 December 2024	3
Debbie Buggs	General Synod	01 March 2016	31 March 2022	2

<b>Member</b>	<b>Representing</b>	<b>Membership started</b>	<b>Term of office ends</b>	<b>Committee meetings attended</b>
Dr. Ian Paul	Archbishops' Council	01 March 2019	31 December 2026	2
Bethany Burrow	Independent	01 July 2017	31 March 2027	3
Don McLure	Independent	01 October 2020	30 September 2025	3

### **3. External audit**

- 3.1 At its meeting on the 1<sup>st</sup> July 2021, the Deputy Director of Finance informed the Committee of the Archbishops' Council's approval of the appointment of the external auditors, Crowe UK LLP. The Committee formally acknowledged the approval and noted the comments of General Synod.
- 3.2 At its meeting on the 3<sup>rd</sup> November 2021, representatives of Crowe LLP introduced themselves to the Committee and presented the External Audit Plan for the year ended 31 December 2021, referencing areas of significant accounting risk where their audit work would be focused. The Committee approved the plan.
- 3.3 At its meeting on 2<sup>nd</sup> March 2022, Crowe provided the Committee with an overview of the external audit work undertaken. All transitional work from the previous external auditors BDO was successfully completed, confirming the opening balance positions for the Archbishops' Council, Church of England Central Service (ChECS) and ChECS Trading. Crowe discussed 'significant audit risk areas' for the Council and ChECS Trading, with particular focus on 'Going Concern' risk, which they continued to monitor until the financial statements were finalised and signed. The Audit Committee and Crowe were satisfied with the management responses to the control points raised in the audit. The Committee approved the basis of preparation of the accounts and agreed to recommend the Financial Statements to the Archbishops' Council subject to any errors or significant misstatements being identified by the auditors in the course of finalising their work.

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

- 4.1 The Committee reviewed the draft financial statements for the Archbishops' Council for 2021 and draft annual report. The Committee reviewed the accounting policies and notes to the accounts and were content that there were no significant changes. The Committee requested that changes were made to the sections on Going Concern, Ministry, Grants and Safeguarding 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 21<sup>st</sup> March 2022.
- 4.2 The Committee were informed of the Social Impact Investment Programme, which was established within the Council in 2021 (with up to £16 million of grant funding available from the Church Commissioners) to deploy social investment capital to advance the Church of England's missional objectives.

### **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.

- 5.2 The Committee plays an important role in supporting and encouraging the Council's understanding of risk. Review of the principal risks was facilitated at each of the Committee's meetings in July 2021, November 2021 and March 2022. At the July 2021 meeting, there was discussion on the rationalisation of the strategic risk register and how useful that was. At the November 2021 meeting, there was a detailed review of the strategic risk register's contents, including the concept of risk appetite. The Director of Risk & Assurance attended the Archbishops' Council meeting in December 2021 and the Council had welcomed the changes to the strategic risk register, including the development of a risk appetite framework. At the Committee's March 2022 meeting, there was a focused conversation on risk culture. It was noted there was a lack of spiritual context, therefore a risk in relation to spiritual renewal was added to the strategic risk register and this was discussed by the Archbishops' Council later in the month.
- 5.3 An update of the ChECS Strategic risk register was also provided at the meeting in November 2021. Throughout the year, there have been updates on HR and IT Security, demonstrating an interest in wider National Church Institution (NCIs) issues.
- 5.4 At its March 2022 meeting, the Committee was informed that Archbishops' Council risk register had been presented to the Archbishops' Council meeting in December 2021. The Committee also approved the 2021 Risk Management Statement.
- 5.5 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, reflected the issues faced as at March 2022 and that appropriate updates will be made to reflect emerging risks such as Net Zero and the availability of funding in the next triennium.
- 5.6 The Church of England Strategic Risk Register has undergone a number of iterations and evolutions. The overlapping responsibilities in different departments and even NCIs made it challenging for a sole Risk Owner to be named for many of the risks considered to be strategic to the Church of England. Strategic risks will instead continue to be monitored via NCI-specific risk registers, at the respective Audit Committees and other sub-committees. Operational risks will continue to be updated on a six-monthly basis with Heads of Department.

## **6. Internal Audit**

- 6.1 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.
- 6.2 In the past year, the Committee has received reports on the following audits within the Archbishops' Council plan: Strategic Development Funding, Strategic Ministry Funding, Resourcing Ministerial Formation, the Interim Support Scheme, National Safeguarding Team Governance, the Major Works Grant Programme, the Follow-Up to the Interim Support Scheme review and a review of the Triennium Funding Governance Arrangements. These reports identified areas where significant operational risks were being managed and/or where Audit Committee members expressed concerns.

- 6.3 As would be expected, some of the audits made recommendations to improve governance, risk management and the internal control environment (Resourcing Ministerial Formation and the Interim Support Scheme). 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.
- 6.4 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: Belonging & Inclusion, Accounts Receivable, IT Governance & Controls and a gap analysis on Business Continuity. Again, a number of these reviews identified control weaknesses, but appropriate actions have been put in place by management.
- 6.5 Management actions from previous audits are scrutinised at each Committee meeting to obtain assurance regarding the progress and timely completion of those actions.
- 6.6 An External Quality Assessment (EQA) of the internal audit function was undertaken by PwC in Q3 2021. Support was provided by Don McLure during the procurement process and by the whole Committee during the EQA itself. PwC assessed where the Risk & Internal Audit team were in terms of conformance to the Institute of Internal Audit Standards and found they were largely in line with the self-assessments undertaken by the Director of Risk & Assurance and the Risk & Internal Audit Manager. There were improvements to be made in terms of resources, clarity over limitations to the scope of audits and use of data analytics. The EQA report was presented at the November 2021 Audit Committee.
- 6.7 The Committee approved the 2022 internal audit plan following discussion at its November 2021 meeting. The Committee has again aimed to ensure that the focus will be on areas of significant risk and significant planned change. The in-house audit function will be supported by BDO, our new co-sourcing partner, to complete the 2022 plan.
- 6.8 Procurement of the co-sourcing partner went through a competitive tender process where six organisations submitted tender proposals. The Risk & Internal Audit team reviewed the proposals and scored them on a number of areas, including understanding of the NCIs' values, relevant sector experience and depth of team & relevant experience. Three organisations were selected to present and Ian Paul was on the panel to interview them.
- 6.9 The Internal Audit Charter and Terms of Reference were also reviewed and approved by the Committee at its November 2021 meeting.
- 6.10 There were no issues with audit independence and internal audit carried out their responsibilities in an unbiased manner during the reported period.

## **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 4<sup>th</sup> October 2021. The Chief Officers of the Church Commissioners and Pensions Board and the Chief Operating Officer also attended this meeting. The meeting topics included PwC's EQA report, arrangements regarding the new co-sourcing arrangement and the Church of England Risk Register.
- 7.2 The Governance Review and Audit Committee structure was also discussed at the Audit Committee Chairs meeting.
- 7.3 This meeting is not intended to substitute for the business of the individual Audit Committees but provides a valuable forum to review the Church of England strategic risks and the quality assessment of internal audit.

## 8. Other matters

- 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.
- 8.3 The NCI's Whistleblowing Policy was reviewed and updated in the Summer of 2021, and a 'Speak up' webinar is available to all staff on the intranet, Gateway.
- 8.4 There were updates on the Governance Review Group provided in all three Audit Committee meetings where indications were leading towards the formation of a Church of England National Services Board. The NCI Audit Committee Chairs were all consulted on the report published in September 2021. As of March 2022, a Project Board had been established and the Director of Risk & Assurance has been appointed as the new Governance Project Director. An interim Head of Internal Audit & Risk is being recruited, with the Director of Risk & Assurance having continued strategic oversight of the department.
- 8.5 Updates on the NCI's People System project were provided to the Committee in all three meetings.

Church House  
London  
XX June 2022

(Signed) Maureen Cole  
Chair of the Audit Committee