

Archbishops' Council Audit Committee Annual Report 2022/23

Date of Report: 15th June 2023

Date of Meeting:

- Archbishops' Council Audit Committee meeting on 27th June 2023
- General Synod on 7th to 11th July 2023

Contents

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1. Background

1.1 The Role of Archbishops' Council Audit Committee

1.1.1 The role of the Archbishops' Council Audit Committee ("the Committee") is to provide independent assurance to the Archbishops' Council and key stakeholders, on the effectiveness of management and controls, and on the veracity and completeness of financial and other statements. 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.

1.1.2 The Committee's functions are set out in the National Institutions Measure 1998 and its Terms of Reference. The Committee reports to the Archbishops' Council with recommendations as appropriate and publishes a full report each year which is laid before the Archbishops' Council at the July Group of Sessions of General Synod.

1.2 The Purpose of the Archbishops' Council Audit Committee Annual Report

1.2.1 On an annual basis the Chair of the Archbishops' Council Audit Committee is required to prepare a review of the Audit Committee's work. This is the Audit Committee's Annual Report for the year 1st May to 30th April 2023. 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.

1.3 Recommendation

1.3.1 Synod is invited to:

- To note the Archbishops' Council Audit Committee Annual Report 2022/23 to General Synod.

2. Membership of the Committee

2.1 The Committee met three times in the last 12 months; 5th July and 3rd November 2022 (over Zoom) and 2nd March 2023 was a hybrid of in person and over Zoom.

2.2 Details of Membership and attendance of the Committee during the year was as follows:

Member	Representing	Membership started	Term of office ends	Committee Meetings Attended
Maureen Cole (Chair)	Archbishops' Council	1 st January 2020	31 st December 2024	3
Bethany Burrow (Deputy Chair wef November 2022)	Independent	1 st July 2017	31 st March 2027	3
Dr. Ian Paul	Archbishops' Council	1 st March 2019	31 st December 2026	3
Don McLure	Independent	1 st September 2020	31 st August 2025	2
Clive Billenness	General Synod	1 st June 2022	31 st May 2027	3
Chris Gill	General Synod	1 st June 2022	31 st May 2027	3

3. Discussion Topics

3.1 General

3.1.1 The Committee considered and reviewed the following topics:

- Recruitment of two new members from General Synod and AC approved the Re-appointment of one independent member for a further 5-year term;
- Progress of the Governance Review Project;
- Financial Statements and Annual Report for the year ended 31 December 2022 (including accounting policies, material judgements and the basis of going concern);
- External Audit Management Report for the year ended 31 December 2022 and Letter of Representation;
- External Audit Planning for the accounting year ended 31 December 2022;
- Archbishops' Council' Risk Management arrangements;
- Internal Audit Planning and Performance for the year ended 31 December 2022;
- Follow up of internal audit actions;
- ChECS Trading Financial Statements and Annual Report;
- Pilot use of Boardvantage software as a committee system for Audit Committee appointments, agendas, minutes and reports, in line with improved governance and good practice in place in other National Church Institutions (NCIs); and
- Recruitment of a Director of Risk & Assurance and a Risk & Insurance Manager.

3.2 Annual Financial Statements and Trustees' Report

3.2.1 The Committee reviewed the draft Financial Statements format for the Archbishops' Council for 2022 along with the draft Annual Report of the Trustees. Due to the changes in the Vision and Strategy, new charitable objectives were set and expenditure was reclassified under those new objectives. The main changes were that there was a one off energy grant of £15m and a one off hardship fund for clergy of £3m. At its meeting of 2nd March 2023, the Committee agreed, subject to some minor changes, to recommend acceptance of the annual report and accounts to the Archbishops' Council.

3.3 External Audit

3.3.1 The Committee reviewed and approved Crowe's 2022 External Audit (**EA**) Plan. The Plan outlined the key areas of EA work, with focus on significant risks and judgements. An increase in EA fees for Crowe in 2022 was noted as partially due to inflation and also to reflect the additional EA work arising from the enhanced EA requirements of ISA315. The EA Plan, Engagement Letter and Terms and Conditions were all approved.

3.3.2 At its meeting on 2nd March 2023, Crowe provided the Committee with an overview of the EA work undertaken for the Archbishops' Council, Church of England Central Services (ChECS) and ChECS Trading. Crowe discussed 'significant EA risk areas' for the Council and ChECS Trading, with particular focus on 'Going Concern' risk, which they would continue to monitor until the accounts are signed. A final version of the accounts was agreed to be distributed once the work was complete.

3.4 Risk Management

3.4.1 During the year, the Committee considered and agreed a change of format in risk reporting introduced by the Director of Risk & Assurance. This change included reviewing the Archbishops' Council Strategic Risk Register biannually (in June and November). Further, over the course of the year the Committee has considered a range of risk-related topics including IT and Cyber Security, the Governance Review and Safeguarding.

- 3.4.2 The Committee considered and agreed with management's recommendation to increase the residual risk score in relation to 'Technology' due to the increase in cyber warfare during the Russia/Ukraine conflict. The Committee also considered and agreed with management's recommendation to increase the residual risk score in relation to General Data Protection Regulation (**GDPR**). This related to an anticipated increase in Subject Access Requests and/or Freedom of Information Requests following the release of the Independent Inquiry into Child Sexual Abuse (**IICSA**) report and other Safeguarding matters. A new risk, 'Spiritual Renewal' was added onto the Strategic Risk Register and has continued to be developed with the Director for Ecumenical Affairs and Theology throughout the year.
- 3.4.3 At its March 2023 meeting, the Committee approved the 2022 Risk Management Statement. The Committee is content that current risk management arrangements generally follow good practice guidance and continue to mature and become more embedded for both management and trustees.

3.5 Internal Audit

- 3.5.1 The Committee monitored the progress made against the 2022 Internal Audit Plan and noted that the plan was fully completed by 31st January 2023. During the year Committee has received reports on the following areas within the Archbishops' Council Internal Audit Plan including several Pan NCI (ChECS) audits; Redress Scheme Project, Diocesan Financial Monitoring, Resourcing Ministerial Formation, Transforming Effectiveness, the follow-up to the Interim Support Scheme review, an update on the Triennium Funding Governance review and Cyber Security and IT Infrastructure. The Committee continued to scrutinise the level of service provided by Internal Audit, including the co-source provider (BDO) who have successfully completed their first year of work as the co-source.
- 3.5.2 As would be expected, some of the audits made recommendations to improve governance, risk management and the internal control environment. Where weaknesses were identified, suitable action plans have been agreed with relevant managers and these are monitored and reported to the Committee twice per year. The Committee was satisfied that overall, the Archbishops' Council's audits demonstrated that adequate internal control arrangements were in place. One area for improvement noted was the timely implementation of agreed management actions in response to recommendations raised. Some Internal Audit recommendations were not being implemented on a timely basis leaving the Archbishops' Council exposed to unmitigated risks. Management has taken positive action to address this issue during 2023.
- 3.5.3 Following the External Quality Assessment (**EQA**) in 2021 a number of Internal Audit areas were highlighted as requiring improvement. Work is ongoing to address these areas, although good progress has been made in strengthening Internal Audit resource and the risk based approach to coverage. In terms of Internal Audit capacity, it is noted that it is shared across the Archbishops' Council, Church Commissioners and Pensions Board and there is finite resource. As a consequence, Internal Audit is taking a strategic 3-5 year risk based approach to ensure that strategic risks are covered along with breadth of coverage in relation to key financial systems.
- 3.5.4 There were no issues with Internal Audit independence and the function carried out their responsibilities in an unbiased manner during the reported period. In November 2022, the Committee reviewed and approved the risk based Consolidated Internal Audit Plan for 2023 and noted the audits which could not be covered due to Internal Audit resourcing constraints. The Committee were pleased to note the plan focus will be on the areas of significant risk and significant planned change, including assurance reviews of Grant Management and the Pan NCI Counter Fraud arrangements, amongst others.
- 3.5.5 Further to this, some members of the Committee submitted via the Chair a request to the Archbishops' Council in Autumn 2022, that an internal audit review be conducted into the formation and governance of the Independent Safeguarding Board. However, the Archbishops' Council did not agree to this request.

4. Other Matters

- 4.1 The Chairs of the three main NCIs' Audit & Risk Committees held an informal meeting in November 2022, to review the 2023 Consolidated Internal Audit Plan and to discuss the working principles of the Risk & Assurance Department moving forward. The Chief Officers of the Archbishops' Council, Church Commissioners and Pensions Board as well as the ChECS Chief Operating Officer also attended this meeting.
- 4.2 The purpose of this meeting was not intended to substitute for the business of the individual Audit & Risk Committees, but provided a valuable forum to consider the Pan Church of England strategic risks. It also covered other areas such as the workload and capacity of Internal Audit, along with the Governance Review and the structure and working practices of the three Audit & Risk Committees.
- 4.3 During the year, the Committee Chair attended all Archbishops' Council meetings, which serves as a useful link to assist the Committee in carrying out its responsibilities, without compromising its independence, and enables the Chair to reflect any Committee views that may be relevant for Archbishops' Council discussions.

Maureen Cole

Chair of the Archbishops' Council Audit Committee

15th June 2023