



# Archbishops' Council Audit & Risk Committee Annual Report 2023/24

**Date of Report:** 7<sup>th</sup> June 2024

**Date of Meeting:**

- Archbishops' Council Audit & Risk Committee meeting on 25<sup>th</sup> June 2024
- General Synod on 5<sup>th</sup> to 9<sup>th</sup> July 2024

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## 1. Background

### 1.1 The Role of Archbishops' Council Audit & Risk Committee

1.1.1 The role of the Archbishops' Council Audit & Risk 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 external audit of its annual report and financial statements (as set out in the appropriate statements of external 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 (revised in November 2023 – refer to **Appendix A**). The Committee reports to the Archbishops' Council with recommendations as appropriate and publishes a full report each year which is laid before the July Group of Sessions of General Synod.

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

1.2.1 On an annual basis the Chair of the Archbishops' Council Audit & Risk Committee is required to prepare a review of the Audit & Risk Committee's work. This is the Audit & Risk Committee's Annual Report for the year 1<sup>st</sup> May to 30<sup>th</sup> April 2024. 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 note the Archbishops' Council Audit & Risk Committee Annual Report 2023/24 to General Synod.

## 2. Membership of the Committee

2.1 The Committee met three times in the last 12 months; 27<sup>th</sup> June 2023 (which was a hybrid of in person and over Zoom), 7<sup>th</sup> November 2023 and 5<sup>th</sup> March 2024 (both 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 <sup>st</sup> January 2020	31 <sup>st</sup> December 2024	3
Bethany Burrow (Deputy Chair)	Independent	1 <sup>st</sup> July 2017	31 <sup>st</sup> March 2027	2
Dr Ian Paul	Archbishops' Council	1 <sup>st</sup> March 2019	31 <sup>st</sup> December 2026	2
Don McLure	Independent	1st September 2020	Resigned 14th March 2024	3
Clive Billenness	General Synod	1 <sup>st</sup> June 2022	31 <sup>st</sup> May 2027	3
Chris Gill	General Synod	1 <sup>st</sup> June 2022	31 <sup>st</sup> May 2027	3

## 3. Discussion Topics

### 3.1 General

3.1.1 The Committee considered and reviewed the following topics:

- Progress of the Finance Transformation Programme and the Governance Review Project by the relevant lead Directors;
- Financial Statements and Annual Report for the year ended 31 December 2023 (including accounting policies, material judgements and the basis of going concern);
- External Audit Management Report for the year ended 31 December 2023 and Letter of Representation;
- External Audit Planning for the accounting year ended 31 December 2023;
- Archbishops' Council's Risk Management arrangements;
- Internal Audit Planning and Performance for the year ended 31 December 2023;
- Follow up of previous internal audit recommendations;
- ChECS Trading Financial Statements and Annual Report for the accounting year ended 31 December 2023;
- Continued pilot use of BoardVantage software as a committee system for Audit & Risk Committee appointments, agendas, minutes and reports, in line with good practice in place in other National Church Institutions. This has been broadly well received and improved the governance of the meetings, although some concerns were raised including the reliance on a good internet/wi-fi connection to have availability of the committee reports.
- Recruitment of a Senior Internal Audit Manager; and
- Appointment of an Interim Finance Director on a 3 year term whilst the substantive post holder is seconded to lead the Finance Transformation Project.

3.1.2 In addition, the Committee is aware of the outcomes of the Wilkinson and Jay reports and is considering them in relation to the responsibilities of the ARC.

### 3.2 Annual Financial Statements and Trustees' Report

3.2.1 The Committee reviewed the draft Financial Statements format for Archbishops' Council for 2023 along with the draft Annual Report of the Trustees. The main updates on the draft accounts reflect the inclusion of the new funding streams for the 2023-25 triennium. The most material of these being the Diocesan Investment Programme. In addition, a concessionary loan to a large new church in Manchester was highlighted due to the fact that it was being treated as a repayable grant but accounted for as a concessionary loan.

3.2.2 It was also noted that Archbishops' Council income increased by nearly 20% with the corresponding expenditure increase. This mainly related to the grant funding increase from the Church Commissioners and associated administration. At its meeting of 5<sup>th</sup> March 2024, 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 2023 External Audit (EA) Plan. The Plan outlined the key areas of EA work, with focus on significant risks and judgements. The EA fees for Crowe in 2023 increased to incorporate an inflationary rise of 5% and the EA Plan, Engagement Letter and Terms and Conditions were all approved. At its meeting on 5<sup>th</sup> March 2024, 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. It was noted that there have been generally no control deficiencies identified.

3.3.2 The Director of Finance presented an assessment of the 'Going Concern' as part of the annual financial statements. It was noted that there was a reasonable expectation that the

Council can continue to meet its obligations. A final version of the accounts was agreed to be distributed once all comments from members were received and the work was complete.

### 3.4 Risk Management

- 3.4.1 At its June 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.
- 3.4.2 The Committee agreed to the Director of Risk & Assurance's request to update the Risk Policy. A revised risk scoring methodology amongst other changes were accepted following considerations made by a pan-NCI working group consisting of the Director of Risk & Assurance, the Risk Manager and a participant from each of the three Audit and Risk Committees. The process allowed for a broad exchange of opinions and experiences that were assessed in line with recognised good practices and relevant standards.
- 3.4.3 It was agreed by the Committee that the risks related to 'People' and 'Technology' were to be removed from the strategic risk register. These risk were already identified on ChECS strategic risk register and would be reported to the Committee as part of the twice per year risk update.
- 3.4.4 Following the disbanding of the Independent Safety Board and the subsequent impact, the Committee agreed with management's recommendation to increase the residual risk score in relation to 'Safeguarding' (ref para 3.1.2) The Committee also accepted that the difficult financial climate and cost of living crisis have negatively impacted parishes and dioceses. This has led to the increase in the residual score for the risk 'Financial Pressures'.

### 3.5 Internal Audit

- 3.5.1 The Committee monitored the progress made against the 2023 Internal Audit Plan and noted that the plan was fully completed by 7<sup>th</sup> February 2024. During the year Committee has received reports on the following areas:

#### Archbishops' Council:

IA Ref.	IA Review Title	Type/Assurance Level
23/15	Social Impact Investments	ADVISORY
23/14	Grant Management	ADVISORY
23/19	Safeguarding: Interim Support Scheme	REASONABLE
23/21	Ministry Portal System Project	ADVISORY

#### ChECS:

IA Ref.	IA Review Title	Type/Assurance Level
23/03	Accounts Payable	LIMITED
23/01	Corporate Anti-Fraud & Anti-Corruption	LIMITED
23/05	Finance Transformation Programme (Phase 1)	LIMITED
23/04	Corporate Anti-Money Laundering	LIMITED
23/10	Information/Data Governance Project	NO
23/16	Governance Project (Phase 1)	ADVISORY

- 3.5.2 The Committee continued to scrutinise the level of service provided by Internal Audit (IA), including the co-source provider (BDO). The outsourced arrangements with BDO have

continued to work well and complement the capacity of the in-house team by providing additional capacity and specialist technical experience and knowledge.

- 3.5.3 The Committee noted that IA provided **LIMITED** assurance that the overall system of internal control that was in place at Archbishops' Council (including ChECS) for the 2023 audit year accords with proper practice.
- 3.5.4 As would be expected, some of the audits raised recommendations to improve governance, risk management and the internal control environment. Where weaknesses were identified, suitable action plans have been agreed with management and these are monitored by IA.
- 3.5.5 The Safeguarding Interim Support Scheme (ISS) review received **REASONABLE** assurance over the key risks to the achievement of objectives for the ISS. A lot of positive progress has been made by the Safeguarding team but the IA review highlighted some further improvements are still required in specific areas to continue to strengthen the overall effectiveness of governance, risk management and internal controls. As part of this review, IA raised three **MEDIUM** risk recommendations to which management have proposed position actions, which will be followed-up by IA later this year.
- 3.5.6 The Director of Risk & Assurance continues to introduce new approaches to strengthen the effectiveness of the function, one of which being the automation of the internal audit recommendations follow-up process utilising a module of the risk management software system (Rhiza).
- 3.5.7 Following the External Quality Assessment (**EQA**) in 2021, the Risk & Assurance team continued to work on service improvements, which have increased the quality and efficiency of both IA and risk management. However, the Risk & Assurance team continues to be stretched, mainly due to the challenge of ensuring that resources provided through the ChECS budget remain at a level acceptable to the AC.
- 3.5.8 The Risk & Assurance team capacity is shared across the Archbishops' Council, Church Commissioners and Pensions Board and there is finite resource. As a consequence, the team is taking a strategic 3-5 year risk based approach to IA coverage to ensure that strategic risks are covered along with breadth of coverage in relation to key financial systems.
- 3.5.9 In January 2024, the new Global IA Standards were released and will be effective from January 2025. Whilst this will provide a great opportunity to review and further transform the IA function, it is likely to introduce further resourcing challenges for the team.
- 3.5.10 There were no issues with IA independence and the function carried out their responsibilities in an unbiased manner during the reported period.

#### 4. Other Matters

- 4.1 The Chairs of the three main NCIs' Audit & Risk Committees met on 29<sup>th</sup> November 2023, to review the 2024 Consolidated Internal Audit Plan and to discuss the working principles of the Risk & Assurance Department. 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-NCI/Church of England strategic risks. It also covered other areas such as the workload and capacity of Internal Audit, along with the structure and working practices of the three Audit & Risk Committees. This is a useful practice as it supports a more cross NCI approach which is consistent with managing the risks noted above in section 3.4.
- 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 & Risk Committee**

7<sup>th</sup> June 2024

**TERMS OF REFERENCE****AUDIT & RISK COMMITTEE  
OF THE ARCHBISHOPS' COUNCIL****1 Title and status**

- (a) The name of the Committee shall be 'The Audit & Risk Committee of the Archbishops' Council', hereinafter referred to in this constitution by its short title 'The Audit & Risk Committee'.
- (b) The Audit & Risk Committee shall be a committee of the Archbishops' Council and, for the purposes of Standing Order 119 of the General Synod, a body answerable to the Synod through the Archbishops' Council.

**2 Authority**

- (a) The Audit & Risk Committee is authorised by the Archbishops' Council to investigate any activity within the scope of its functions as described in clause 3 of this constitution. It is authorised to seek any information and explanations it requires from any member of staff, the members of the Archbishops' Council, and members of its Boards, Councils and Committees, who shall co-operate fully with any request made by the Audit & Risk Committee in pursuance of its duties and supply such information and explanations in that respect as the Audit & Risk Committee may require.
- (b) The management of the Archbishops' Council has an obligation to ensure the Audit & Risk Committee is kept properly informed about matters within the scope of its functions as described in clause 3 of this constitution and should take the initiative in supplying information rather than waiting to be asked.
- (c) The Audit & Risk Committee shall notify the Archbishops' Council if in discharging its duties it wishes to obtain outside legal or other independent professional advice; and if it does so the reasonable cost of such advice shall be borne by the Archbishops' Council.

**3 Functions**

The functions of the Audit & Risk Committee shall be:

- (a) 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 and to report to the Archbishops' Council thereon (normally by the submission of an annual report) with recommendations as appropriate.
- (b) In relation to the external auditor, to consider the appointment, the audit fee and any questions of rotation, resignation or dismissal, and to make recommendations to the Archbishops' Council as appropriate.
- (c) To discuss with the external auditors before the audit begins the nature and scope of the audit, to review their arrangements for assuring independence and objectivity and the effectiveness of the audit process.



- (d) To review the annual financial statements and trustees' report with particular reference to:
  - (i) significant accounting policies, any changes to them and any significant estimates and judgements;
  - (ii) the significant financial reporting issues and judgements made in connection with the preparation of the financial statements;
  - (iii) the clarity and completeness of disclosures in the financial statements and consideration of whether the disclosures are set properly in context;
  - (iv) any significant adjustments resulting from the audit;
  - (v) compliance with accounting standards;
  - (vi) compliance with legal requirements;and to make recommendations on their adoption to the Archbishops' Council as appropriate.
- (e) To keep under review the effectiveness of governance, risk management internal control systems and in particular:
  - (i) to review the external auditor's recommendations and the management response;
  - (ii) to review internal audit reports and the management response; and
  - (iii) to review the risk management process.
- (f) To monitor the internal audit function and in particular agree with the internal auditors their strategic approach to the provision of independent assurance and their annual plans.
- (g) To consider representations which may be made to the Audit & Risk Committee by members of the Archbishops' Council, members of the Archbishops' Council's staff, General Synod members or other persons.
- (h) To liaise from time to time with the Audit & Risk Committees of the Church Commissioners and the Church of England Pensions Board to discuss issues of mutual concern.
- (i) To consider cross-National Church Institution governance, risk management and internal control issues.
- (j) To consider such other matters as either the Audit & Risk Committee or the Archbishops' Council may from time to time consider appropriate.
- (k) To publish each year a report on the discharge of its functions which shall be laid before the Archbishops' Council and the July Group of Sessions of General Synod.

#### **4 Membership**

The Audit & Risk Committee shall consist of a Chair and five other members:

- (a) The Chair shall be appointed by the Archbishops' Council from amongst its membership. Members of the Archbishops' Council's Boards, Councils or Committees, or of the Church Commissioners or any of their Committees or the Church of England Pensions Board or any of its Committees are not eligible for appointment as Chair of the Audit & Risk Committee.
- (b) The other members of the Audit & Risk Committee shall consist of:

- (i) Two persons, who need not be members of the Archbishops' Council or the General Synod, appointed by the Appointments Committee.
  - (ii) One person appointed by the Archbishops' Council from amongst the membership of the Archbishops' Council.
  - (iii) Two General Synod members elected by the General Synod who shall not be members of the Archbishops' Council or its Finance Committee.
- (c) The Audit & Risk Committee shall have no power of co-option to the Audit & Risk Committee.
  - (d) The Audit & Risk Committee shall elect a Vice-Chair from amongst its number.

## 5 Term of office

- (a) The Chair of the Audit & Risk Committee shall hold office for a term determined by the Archbishops' Council not exceeding five years, provided that the Archbishops' Council may, on the expiry of such term, determine that the Chair may serve for one further term not exceeding five years.
- (b) The persons appointed under clause 4(b)(i) shall serve for a term to be determined by the Archbishops' Council after consultation with the Audit & Risk Committee. Such term shall not exceed five years.
  - (i) The person appointed under clause 4(b)(i) shall not serve for more than two full successive terms.
- (c) The person appointed under clause 4(b)(ii) shall serve for a term not exceeding five years.
  - (i) The person appointed under clause 4(b)(ii) shall not serve for more than two full successive terms.
- (d) The persons appointed under clause 4(b)(iii):
  - (i) shall hold office until the appointment or election of their successors;
  - (ii) if required under the terms of this Constitution to be a member of the General Synod when appointed, shall cease to hold office on ceasing to be a member of the Synod, save that:
    - (1) such a member of the Audit & Risk Committee may continue to act as such notwithstanding the dissolution of the Synod; but
    - (2) if he or she is an elected member of the General Synod, he or she shall cease to be a member of the Audit & Risk Committee if he or she does not stand for re-election or is not re-elected, with effect from the date on which the election of his or her successor is announced by the presiding officer;
  - (iii) shall not serve for more than two full successive terms.

## 6 Observers, consultants and assessors

The Audit & Risk Committee may invite such other observers, consultants or assessors as it considers appropriate to its meetings from time to time. Such persons shall have the right to speak but not to vote.

## **7 Business and procedure**

- (a) The quorum shall be not less than three of the members of the Audit & Risk Committee, one of whom shall be the Chair or the Vice-Chair, and no business shall be transacted in the absence of a quorum. Subject thereto the Audit & Risk Committee may transact business notwithstanding any vacancies in its membership.
- (b) The Audit & Risk Committee may appoint:
  - (i) such decision-making committees as the Archbishops' Council may from time to time authorise (on such terms as to membership, appointment, functions and reporting back or otherwise as the Archbishops' Council may determine);
  - (ii) such other committees as it shall from time to time determineAny such committee may include persons who are not members of the Audit & Risk Committee.
- (c) The Audit & Risk Committee shall report to the Archbishops' Council in writing as the Secretary General directs.
- (d) No meetings of the Audit & Risk Committee shall be held during any group of sessions of the General Synod except with the agreement of the Clerk to the Synod.
- (e) Subject as aforesaid, the Audit & Risk Committee shall have power to regulate its own business and procedure. In the absence of such regulation, paragraphs (f) and (g) below shall apply.
- (f) The Chair shall determine all questions of order and procedure. He or she may move motions or amendments and, in the case of an equality of votes, shall have a second or casting vote.
- (g) Decisions shall be made by majority vote of those present at a physical meeting or participating in simultaneous discussion by means of a video conference, an internet video facility (or similar electronic method allowing simultaneous visual and audio participation) or telephone conferencing. Voting shall take place without discrimination in respect of Houses.

## **8 Code of Conduct**

Members of the Audit & Risk Committee must comply with the Archbishops' Council's Code of Conduct.

**Approved by the Archbishops' Council's Audit & Risk Committee**

**7<sup>th</sup> November 2023**