

Annual Report of the Connexional Audit Committee

Contact Name and Details	Mr Peter A Mills, Acting Chair of the Audit Committee
Resolutions	<p>33/1. The Council receives the report of the Audit Committee.</p> <p>33/2. The Council authorises the Chair of the Council to sign the Letter of Representation addressed to the external auditors.</p> <p>33/3. The Council appoints RSM UK Audit LLP as external auditors for the connexional year 2016/17 at a fee to be agreed with the Audit Committee.</p>

1.0 Introduction

- 1.1 The Audit Committee is appointed by the Conference to advise the Council on the implications of the audits by the External (RSM UK LLP and Internal (Mazars LLP)) Auditors. The External Auditors deal with the annual financial statements and the Trustees' Annual Report and the Internal Auditors with the internal systems and risks.
- 1.2 The Audit Committee works to a calendar year but reports on the connexional year. This way members of the Council are apprised of the work and views of the Audit Committee concerning the activities of the Finance Office during the connexional year and the Report and Accounts of that year, produced in the autumn after the close of the year.
- 1.3 The Conference appoints the Audit Committee, which should consist of five persons. The Chairman, Mr John Chastney resigned on 31 August 2016. We thank him for the skilful way he guided the Audit Committee over a number of years. The conference appointed a new member, Mr David Stubbs to serve from 1 September 2016. During the year the Audit Committee was one member short as we had been unable to attract a further member, and another member will have served his full appointment at 31 August 2017. We shall seek to put forward five names for the 2017 Conference to appoint upon nomination by the Council.
- 1.4 The Committee met on the following dates:
4 May 2016, 11 October 2016, 7 December 2016. All meetings were quorate. The Committee's next meeting is scheduled for 25 May 2017.
- 1.5 Attendance at meetings of the Audit Committee over the calendar year 2016 has been as follows:
Rodney Betts, appointed September 2010, 2 out of 3
John Chastney, appointed September 2008, and as Chair in 2010, 1 out of 1
Peter Mills, appointed September 2008, reappointed September 2014, 3 out of 3
David Stubbs, appointed September 2016 1 out of 2
Andrew Whitley, appointed September 2009, 3 out of 3
- 1.6 The Connexional Treasurers, Mr Ted Awty and the Revd Tim Swindell, have also attended most meetings but not as members. In addition, members of the Connexional Team have attended, principally Nick Moore (Head of Support Services) and Maureen Sebanakitta (Director of Financial Operations). The Audit Committee has exercised its right to call other members of the Connexional Team to be available to answer questions from the Committee.

2.0 External audit

- 2.1 The external auditors, RSM UK Audit LLP have remained confident in the improvements effected in the connexional finance function and in the preparation for the audit. We recognise that the Church's accounting and reporting is more complex than many much larger commercial organisations.
- 2.2 The Council will note that the accounts of local churches, circuits and districts are not consolidated or reported on in the connexional financial statements. The Charity Commission has agreed to this.
- 2.3 There are several self-accounting entities (SAEs), some of which are separate charities, and these are consolidated into the connexional accounts where the Council has some influence on the decision-making of those entities (see SO 360). The Audit Committee has reviewed whether there may be other SAEs whose results should be consolidated into the accounts of the Church, but has not made any changes this year.
- 2.4 The Methodist Council has been regularly updated on the progress of work with regard to a fraud concerning East Africa. Oversight of the work was delegated to the Audit Committee. As a result of work by External Auditors within the affected country and improved controls and procedures that have been implemented, the Audit Committee has signalled that grant-making can re-commence.
- 2.5 RSM made the following comments at the most recent meeting of the Audit Committee:
 - a. It is noted that the accounts are now prepared in compliance with FRS 102 and Charities SORP (FRS 102). The main impact of this has been in the presentation of the Pension funds, (see b), and a change to the revaluation of Land and Buildings.
 - b. It was originally indicated that the full liability of the Methodist Ministers' Pension Scheme (MMPS) needed to be brought onto the balance sheet. Believing that the liability for this scheme lay not with the Methodist Council, but with the whole connexion, the Connexional Treasurers disputed this. They worked with the Connexional Team to provide a case for its exclusion which was eventually approved by the RSM Technical Review. It was agreed that full details of the scheme would appear as a note to the accounts, and this is accordingly shown in note 30.
 - c. The scheme into which Council employees are auto enrolled, PASLEMC, is included in full in the balance sheet as the Council is the principal employer of this group scheme. The SSLMP scheme was already included.
 - d. RSM had reviewed the work of Mazars (Internal Auditors) where this work reflected on accounting matters, and no issues were noted.
 - e. The valuation of investments was found to be in accordance with Charities SORP (FRS 102).
 - f. There was no cause for concern with any of the SAEs, but it was noted that there is still progress that could be made in accounting matters with some of the SAEs.
- 2.6 A copy of the audit findings from RSM is available to any member of the Council who would like to see it. Members should ask Jane Bates (batesj@methodistchurch.org.uk) for this to be emailed to them.
- 2.7 The Audit Committee met privately with the External Auditors and subsequently with those in the Connexional Team who had worked with the auditors. Neither meeting drew attention to matters that either alarmed or concerned members of the Committee.

3.0 Internal audit

- 3.1 The internal auditors, Mazars LLP, worked on various studies during the year.
- 3.2 Mazars report to The Connexional Secretary, which demonstrates the importance that the Church attaches to internal audit together with risk identification and management.
- 3.3 The Internal Auditors carried out the following reviews in the 2016 year.
 - (i) Recruitment performance and absence management
 - (ii) Investment Management and Income
 - (iii) Insurance
- 3.4 The Audit Committee is satisfied with the planning and implementation of the work done by Mazars and the quality of that firm's reporting. A copy of the annual report from Mazars is available from Jane Bates (batesj@methodistchurch.org.uk).

4.0 Impact on the Connexional Team

- 4.1 The Council should give its appreciation to members of the Connexional Team, especially those in the finance function led by Maureen Sebanakitta, who have, as we understand, had a good relationship with the External Auditors, and who have worked expeditiously to achieve a demanding timetable. The External Auditors' report was made available to the Audit Committee in good time before the December 2016 meeting.
- 4.2 No significant additional fees were paid to or are owed to RSM for non audit work and, as result, RSM can be assumed to have maintained their independence.

5.0 Recommendation

- 5.1 The Audit Committee advises the Council to adopt the financial statements and Trustees' Annual Report as circulated.

*****RESOLUTIONS**

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