

**AUDIT COMMITTEE****Basic Information**

<b>Contact Name and Details</b>	Norman Mann c/o Methodist Church House 020 7486 5502 Nick Moore, Methodist Church House, mooren@methodistchurch.org.uk
<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision
<b>Draft Resolution</b>	The Methodist Council receives the report
<b>Alternative Options to Consider, if Any</b>	n/a

**Summary of Content**

<b>Subject and Aims</b>	Annual Report on the Committee's responsibilities on behalf of the Council and the Conference to oversee the financial reporting process and review the effectiveness of the internal controls and risk management procedures
<b>Main Points</b>	Key issues identified are: (1) the need for control weaknesses to be addressed; Finance Review recommendations to be implemented; and adequate personnel resources given to the Finance department (2) clarifying what accounts are to be consolidated (3) following through the implications of Charity registration (4) the need to create an Internal Audit process to complement the External Audit
<b>Background Context and Relevant Documents (with function)</b>	Annual report as required by SO 213A
<b>Consultations</b>	

**Summary of Impact**

<b>Standing Orders</b>	
<b>Faith and Order</b>	
<b>Financial</b>	Need for review of remuneration of staff dealing with Finance.
<b>Personnel</b>	
<b>Legal</b>	
<b>Wider Connexional</b>	
<b>External (e.g. ecumenical)</b>	
<b>Risk</b>	Important advice about an action plan to manage control issues.

**THE CONNEXIONAL AUDIT COMMITTEE  
REPORT TO METHODIST COUNCIL 10 -12 APRIL 2010**

**1) Introduction**

The key responsibilities of the Audit Committee on behalf of Council and Conference are to:

- Oversee the financial reporting process in order to ensure the integrity of the published accounts.
- Review the effectiveness of the internal controls and the risk management procedures, in order to safeguard the assets under the control of the Council.

The more detailed responsibilities are described in Standing Order 213A of CPD

**2) Work programme 2009.**

**a) Key Issues**

i) Resources

The Interim Director of Financial Operations was appointed in October 2009 on a fixed term contract (now completed), and his report to the Audit Committee, supported by the Audit Findings Report 2008/9 produced by Baker Tilly, highlighted a number of key financial control weaknesses. Each of these has been reviewed at two separate Audit Committee meetings; a plan to address the issues is being prepared prior to further a review at the meeting in May. Responsibility for, and timing of implementation will be agreed and progress towards full implementation will be regularly monitored.

The Audit Committee is clear that many of these issues are the result of insufficient resource within the Finance Department. This is not a new problem; for at least the last two years, the department has been unable to attract and retain staff with the appropriate qualifications and experience. In their report on the 2007/8 Audit, Baker Tilly highlighted that “....the Finance team was overstretched and considerably under-resourced....”

Management have shared with the Audit Committee the plans for recruitment, and also the provision of additional high level resource in the short term. The new Director of Financial Operations is due to start in May, and the Interim Director has agreed to extend his contract by five months in order to facilitate the handover. Audit Committee has received assurances that appropriate plans are in place to facilitate this. However, it is recognised that in order to attract and retain staff, then the salaries offered, need to be competitive. This issue was discussed at SRC on 17 February 2010, and Audit Committee fully supports the need for a review of salaries in the Finance Department, taking account of market comparisons.

If the control weaknesses are to be addressed and additionally, the recommendations from the Finance Review implemented, then the Finance Department resource issue needs to be addressed as a priority.

ii) Consolidation

The Audit Committee will continue to work with Management to identify those entities which report to Council. The Consolidated Accounts should reflect all the entities over which Council exercises control, and the outputs of the Governance Scrutiny Process will provide a much clearer understanding.

### iii) Charity Commission Registration

In February 2010, the Audit Committee met with the Assistant Secretary of the Conference, Ken Howcroft, regarding the impact on the Consolidated Accounts of the Charity Commission registration. This is very much “work-in-progress”, and Ken has agreed to facilitate a meeting of all the interested parties. This matter may need to be considered by Council when the implications are clearer.

## **b) Regular agenda items**

In addition to beginning to address the issues outlined above, the Committee:

- Reviewed, in conjunction with the Finance Director, the auditors’ Final Audit Findings on the 2007/8 Report and Financial Statements and management’s responses. The Committee regularly reviewed progress towards full implementation of the agreed recommendations.
- Agreed the Audit Strategy for the 2008/9 Accounts.
- Reviewed the Audit Committee Charter (Terms of Reference).
- Received the Finance Director’s annual report.
- Met with the auditors without management.
- Received regular updates on progress towards embedding Risk Management in the organisation.
- Reviewed the policy and received the report on the operation of the Whistle blowing policy.
- Reviewed the list of entities to be included in the consolidated accounts.
- Provided input to the reviews of Committees and Scrutiny Groups.

## **3) Work programme 2010**

The main focus of the Committee’s work in 2010 will be to regularly monitor the action plan for addressing the control issues highlighted above, as well as progress towards achieving the agreed staffing levels. The Committee supports in principle, the view that the External Audit resource should be supplemented by an additional Internal Audit resource. The case for the additional expenditure has to be made, prior to a recommendation being submitted to SRC.

In addition, the Committee will:

- Oversee the audit process.
- Continue to monitor the Risk Management process, and the key risks, as the basis for the annual Audit Strategy.
- Review and update the Policies and Procedures Manual.
  - Review the Audit Committee Charter.
  - Make use of the information made available by the Scrutiny process.
  - Receive the report on the operation of the Whistle blowing policy.
  - Review the performance of Baker Tilley.
  - Review the performance of the Audit Committee.

## **4) Meetings**

The Committee met three times during the year and again in February and March 2010. In addition, the Chair met with the Finance Director, the Head of Support Services, and with the auditors.

## **5) Membership**

The Committee consists of five members including the Chair. The following served on the Committee during the year:

John Chastney  
Iain Farquhar  
Norman Mann (Chair)  
Peter Mills  
Malcolm Pearson  
Dzifa Tay  
David Teckoe

Having reached the end of their term, Iain Farquhar and Malcolm Pearson stood down. David Teckoe resigned from the Committee and was replaced by Andrew Whitley.

The Committee benefited from the attendance on a regular basis of the Connexional Treasurers, the Head of Support Services and the Finance Director.

On behalf of the Committee,  
Norman Mann  
Chair  
22/3/10