



# London Diocesan Fund

**Fraud incident impact enquiry**

**Final Report**

**May 2023**

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**This report is prepared solely for the use of the Audit and Risk Committee, those charged with governance and senior management of the London Diocesan Fund (LDF). We accept no responsibility for any reliance that any additional third parties may place upon the report. Where this report refers to matters of law, it should not be taken as expressing any formal opinion whatsoever.**

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## Background

1. As per the original terms of reference for the enquiry, in early summer 2021, the London Diocesan Fund (LDF) undertook fact finding activity into the possibility of fraud by the former Operations Manager at the Archdeaconry of London, Martin Sargeant (hereafter referred to as MS). This prompted a report to the Police and a Serious Incident Report (SIR) to the Charity Commission in October 2021. This fact finding continued into spring 2022 and formed the basis of a witness statement provided to the Police as part of a court case. The case was focussed upon fraud from two bank accounts that had been unlawfully controlled for fraudulent purposes. On October 14th, Martin Sargeant pleaded guilty to fraud by abuse of position contrary to sections 1 and 4 of the Fraud Act 2006.
2. The original terms of reference included the following activities to be undertaken:
  - To review financial transactions undertaken by the ex-Operations Manager during his time at the Archdeaconry of London (2007 – 2019), to set out what happened, and how the fraud was achieved.
  - To establish if there are grounds for suspecting that further fraudulent activity has taken place over and above that established through the court process.
  - The scope would include major funding streams from Grant givers, business relationships and transactions with the individual churches in the City of London.
  - To make recommendations on improvements in financial control or changes to corporate culture to reduce the potential for future fraud.
3. Upon appointment, we reviewed the terms of reference and broke this down into a workplan of specific steps to be undertaken. Notwithstanding this, we have had a relatively open remit to the assignment, interviewing a number of current and former staff members and those involved in a voluntary capacity within the Diocese. However, our work has focussed on the key points as set out in paragraph 2. We have not sought to investigate wider safeguarding and pastoral issues which have been referenced in relation to this case, except in so far as they are relevant to the control environment and with a view to reducing potential fraud risk exposure.
4. Of note, and in line with our remit, is that this work has been undertaken from internal audit principles, not a forensic review. As such, our findings should be read in this context.
5. Importantly, it should be recognised that there is a resource limitation to the assignment. The extended timeframe of the fraud and the number of parties and stakeholders involved does mean that there may be other factors which may come to light in the future.
6. We have sought to interview everyone who contacted us and followed up further information provided. However, the interview order has meant that on occasion additional issues were subsequently raised which would have either resulted in additional questions for earlier interviews or have directly contradicted points made by individuals. Given this is not an investigation we have not sought to re-interview and challenge interviews from earlier in the process. There are also limitations, given the extended period of time over which this enquiry covers, in the documentation which is available, either through records no longer being retained or not being prepared in the first instance.

7. In writing this report, given the timeframes and scale of potential activity, we recognise that there will always be more interviews which could take place and additional documentation and situations to review. However, on a cost/ benefit basis, it is now key for the London Diocesan Fund, the Archdeaconry and the wider diocese to consider the lessons highlighted by the incident and how they can be applied going forward. The London Diocesan Fund have provided a management response to our recommendations and these are detailed in Appendix 2.

## Summary of Key Findings

The following section seeks to outline the key findings from each of the main topic areas for this review, which are found in the 'Detailed Findings,' section one through to four of this report.

8. **We have reviewed financial transactions undertaken by Martin Sargeant (the ex-Operations Manager, hereafter referred to as MS) during his time at the Archdeaconry of London (2007 – 2019) to seek to understand how the fraud took place.** We have also interviewed a number of current and former church and Archdeaconry representatives to seek to understand their engagement with the ex-Operations Manager and factors which gave rise to the fraud. An overview timeline has been included at Appendix 1.
9. **The fraud committed by MS broadly occurred in the following ways:**
  - **Diversion of payments allocated to city churches from the CCGC and paid into bank accounts controlled by MS. There was a lack of transparency regarding CCGC activities regarding the City Churches and MS was able to control the flow of monies and information from the CCGC to the Churches.**
  - **Diversion of S106 and Right to Light payments owed by Developers to City Churches and paid into bank accounts controlled by MS. MS controlled the relationships with the Developers and did not allow other Church Representatives to be involved.**
  - **The setup of a series of bank accounts (for churches and the Archdeaconry) that were largely controlled by MS. The lack of a structured and complete handover between Archdeacons and MS and MS's successor allowed a bank account (Lloyds Archdeaconry Account) to be fully controlled by MS and for the bank account to not be known to and controlled/ monitored by the Archdeaconry.**
10. An analysis of inflows and sources into church and archdeaconry bank accounts controlled by MS is summarised in Section 4.
11. **The fraud built over an extended period of time, over which MS exploited a series of control gaps and changes in personnel to put himself in a position to have control over financial transactions and information flows between a number of parties.** Examples of this included working with developers to negotiate payments direct and

- restricting access to third parties, avoiding or side-lining members of staff/ volunteers in churches with financial experience and oversight of the City Churches Grants Committee.
12. The CCGC allocates on average approximately £1.4 million to city churches each year. There was a lack of effective governance and independent audit of funds administered, with reporting on City Churches Grant Committee expenditure not being in place. This meant that MS had the opportunity and access to considerable funds over a number of years.
  13. MS also cultivated an environment of poor financial governance and “unofficial” systems, where individuals would be told to roll forward unspent monies to the next project rather than return them centrally or proposing complicated financial transactions such as Church A receiving monies for Church B expenditure or projects to then be paid to Church B.
  14. Another example of poor financial governance included opening of bank accounts at the Archdeaconry and several churches without appropriate signatories or transparency (in particular the Archdeaconry Lloyds Bank Account and a bank account related to Parish A) by MS.
  15. **From a financial perspective, we have not identified any substantive additional potential monetary fraud to that which has already been subject to criminal sanction.** There are questionable low level financial payments made in circa 2004/05 onwards which were made to MS – these appeared to relate to his role as a consultant where he was engaged by churches but did not deliver any services. Pressure was then applied by parties connected to MS to then ensure payments were made.
  16. **A fraud of this nature is relatively exceptional – given the duration of time and that it appears to be the actions of one individual (MS) without direct collusion with a number of parties.** The fact that other parties were not directly involved also most likely contributed to the fraud continuing. From those interviewed MS did not portray any explicit outward signs of unexplained wealth although reference was made to occasions such as MS’s wedding and the potential cost of the venue.
  17. **However, there were opportunities to recognise and address the behaviours which would have prevented the scale of the fraud perpetuated, before MS had a wider remit as Head of Operations.**
  18. MS appeared to credentialise himself through working with one church (initially in 2003/04 as a consultant) with his role then increasing as he took on additional work with other churches, eventually resulting in the adoption of the Head of Operations role. At each point in his progression and engagement we have not been able to evidence independent checks as to his experience and references. In addition, we have not been able to evidence challenges from those in an oversight role as to the behaviours MS exhibited, although it was clear that the situation changed when Bishop Sarah was appointed in 2018.

19. The financial scale of the fraud increased considerably as MS was involved in direct negotiation with developers, including Section 106 and Right to Light payments. The lack of segregation and independent oversight, aligned to MS being in control of specific bank accounts created the opportunity for funds to be diverted.
20. There were a number of cultural and control environment factors which have allowed the fraud to take place. Whilst aspects of these are structural, such as the churches operating independently and on a siloed basis, a lack of transparency of financial information and decision making and an absence of independent reporting and audit, these are underpinned by cultural factors which led to MS being able to exploit gaps in the control environment without challenge. Where issues were raised, these appear to have not been recognised for their potential significance and investigated/ actioned.
21. There was a consistent perception across interviewees that when taking on the role of Operations Manager the scale and scope for fraud increased substantively and MS operated from that point (until Bishop Sarah was appointed) with the “authority of the Bishop.” There was also reference to MS undertaking pastoral work and decisions, which were outside of his remit.

## Recommendations

The recommendations raised relate to actions and issues identified as part of this review. A number are known to management and have been subject to action or are in train at the time of reporting:

- To help address the gaps in financial management we recommend that the LDF should develop a set of working templates and procedures for the churches to adapt to financial and operational management. This should consider the opportunity for churches with effective systems in place to provide a mentoring support function and sponsorship, which will also facilitate the breaking down of silo working.
- In addition, the lessons from this incident, and fraud issues more generally, should form part of a set of fraud awareness materials and guidance for new priests, Treasurers and PCC members. Whilst not the primary aspect of their role, an understanding of potential fraud risks, how to recognise and address will be of benefit in prevention of future incidents.
- The Whistleblowing Policy should be reviewed, including how issues are reported, triaged and investigated. There is a policy in place but this is not always clear as to what a disclosure is and how this would be investigated. There also needs to be independence in the reporting process where concerns are not being addressed.
- Going forwards, the lack of segregation in respect of negotiations with developers should be addressed. Whilst recognising the independence of churches, the LDF and the Archdeaconry should establish a working group which can compare good practice and a set of benchmarks for negotiations, including tracking the invoicing and receipt of monies.
- CCGC processes regarding the grants process be documented and easily available to Churches including application processes, criteria, approval and reporting processes. This should be included in the Archdeaconry’s plans to improve controls in relation to the CCGC.
- End of project financial audits are completed. This should include validation of the project; project completion reports and adherence to procurement procedures. This should be included in the Archdeaconry’s plans to improve controls in relation to the CCGC.

- The minutes (subject to redaction of personal information), key decisions and reporting on completion of works for churches should be published, including expenditure summaries. There has been work completed by the Archdeaconry to improve the clarity in relation to the CCGC minutes but they should also consider these additional measures to improve transparency.
- Whilst we understand that all bank accounts have been identified to which MS had access, we recommend that the LDF confirms the schedule of bank accounts with the churches, including signatories. Following this, all payments should only be made to the known schedule of bank accounts. These can also be used as a reference point for handover to new roles, either at the Priest or Archdeacon level.
- As part of the development of templates and training and awareness materials we recommend that a basic set of financial training should also be provided. This should focus on key income and expenditure terms and approaches, as well as provision of contact points should queries arise.
- More generally, there should be a handover template developed for the Archdeacon role and for the Churches to be applied, covering key financial processes, projects in progress and expected monetary flows.
- As part of the process templates, an approach to the billing and recording of income for church rates should be completed (recognising that this is not mandatory to apply and for businesses to pay for. Whilst this would be at a church level, we recommend that an auditable trail should be maintained. There should be a co-ordinated follow up of church rates collected, with the churches comparing what could have been collected to actuals to ascertain if there are any additional fraudulent amounts due to the church which have been paid to one of the two bank accounts maintained by MS.

## Acknowledgement

The Crowe team would like to acknowledge the support and co-operation of the current and former staff as well as a number of volunteers who provided their valuable time, perspectives and information during this assignment.

**Crowe U.K. LLP**

**May 2023**

## Detailed Findings

### 1. Background to the fraud

- 1.1 One framework or lens for considering fraud is the “Fraud Triangle<sup>1</sup>” which lists three conditions that need to be present for fraud to occur (Motivation/Pressure, Opportunity and Rationalisation). These are viewed as the conditions for fraud to take place and consider both the personal motivations of individuals alongside the wider control environment.
- 1.2 This report focusses on the second aspect, specifically the perception of opportunity and how this can be addressed going forwards. In respect of pressure, news reports have referenced Martin Sergeant’s (MS’s) gambling and other areas of “lavish” expenditure<sup>2</sup> (e.g. Motivation/Pressure) but no reports viewed refer to rationalisation. Interviewees did not generally reference MS undertaking expenditure which was outside of his salary although a limited number of examples were given with the application of hindsight.
- 1.3 What is evident is that there was a clear opportunity viewed by MS in order to commit fraud over an extended period. **An overview timeline has been included in Appendix 1.**
- 1.4 External reports have referenced this has taking place in the period from 2009-2019. The actual recruitment of MS is relatively unclear, with a number of interviewees referencing a lack of knowledge as to how this was undertaken. From the interviews conducted we understand that upon MS being appointed as Head of Operations the opportunity, level and scale of fraud increased, but there are examples provided to us significantly earlier of gaps in control and culture being exploited by MS.
- 1.5 From the interviews conducted, we understand that MS was engaged as a consultant at Parish N in 2003/04, as part of which he was provided with a property to live. External reports have referenced the prior convictions of MS being known upon appointment, but this has not been verified during any interviews conducted. It is also not been verified as to whom originally engaged MS and on what basis, due to lack of available documentation, although reference has been made to various parties. As MS was not treated as an employee, he was not subject to onboarding and reference checks.
- 1.6 It was reported to us that when MS first started “he came in a breath of fresh air - he had a lot of ideas and wanted to spend money to do surveys so they knew what needed to be done and to prioritise funding for the churches for repairs and expanding their finances (food stalls, cafes etc)”. However, it was reported over time that MS came to dominate the City Churches Grants Committee (CCGC), which became a “rubber stamp” with the decisions officially approved by Bishop Richard, but it was not known if the Bishop ever disagreed with a CCGC decision.

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<sup>1</sup> [Fraud 101: What is Fraud? \(acfe.com\)](https://www.acfe.com/what-is-fraud/)

<sup>2</sup> [Official who defrauded Church of England out of £5.2m jailed for five years | Evening Standard](https://www.eveningstandard.com/news/official-who-defrauded-church-of-england-out-of-5.2m-jailed-for-five-years)



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**Case Study – MS activities prior to 2014**

- 1.7 In circa 2004/05 the then Archdeacon, Peter Delaney (PD) recommended that MS be engaged by Parish B as a consultant to support the collection of church rates at a rate of £10 per hour. The volunteers in place were keen for the support for this administrative task given the time spent on this. In addition, it was stated that given challenges within the congregation, that there were only the Parochial Church Council (PCC) members in attendance at the church (although the timeline of this is not clearly evident).
- 1.8 We were informed that subsequently it was recommended that MS be engaged as an administrator on a self-employed basis for the church. The fee was £150 per month, although the amounts charged increased and the then member of the PCC stated they were concerned that work was not being completed for the fee, without any clear responses being provided.
- 1.9 Following a period of time, the PCC agreed not to pay for MS until it had been discussed at a meeting, at which point the Treasurer requested the services to be itemised before payment was made. At this point the PCC member was pressurized to authorise the payment.
- 1.10 It was stated that in circa 2006, that the PCC members were voted out after a substantive number of new members were added to the electoral roll. These members were from a group which used the church but were not members of the congregation. As such, the group, who had used the church as tenants but were not members in effect took charge of the assets of the church. It was stated that members to be on the electoral roll have to be regular members of the congregation for six months, but this was not the case. It was stated that a complaint was raised to PD but this was not acknowledged or acted upon.
- 1.11 It was stated that issues were also raised with the Area Dean at the time but had not been addressed, following which it would be escalated to the Archdeacon and then the Bishop, with it being stated that it would be very unusual for a matter to be escalated to the Bishop. It was further stated that there was no one else to report concerns to in respect of MS.
- 1.12 The above incident has been used as a case study to demonstrate how this appears to create an environment in which MS was able to exploit gaps, both with changing staff members and PCCs. Whilst a relatively small sum initially, this increased the apparent influence of MS. In addition, given concerns were raised and not acted upon, further demonstrated a wider opportunity for the fraud to be completed.

## 2. Causal Factors – Control Environment

### City Churches Grant Committee

- 2.1 The City Churches Grants Committee (CCGC) is a committee set up to allocate grants to City Churches for projects such as repairs and maintenance or upgrades to the church. The source of the funds is the City Church Fund which is managed by the Trust for London. The CCGC is chaired by the Archdeacon of London.
- 2.2 The CCGC allocates approximately £1.1 million to £2 million per year. The average amount allocated is approximately £1.4 million.
- 2.3 MS was clerk to the CCGC from 2014 to 2019 as part of his position as Head of Operations. Requests were made by MS to the Trust for London (TfL) and the monies were paid. Whilst the CCGC was the decision-making body and approved the grants for churches for restoration works there was a lack of transparency and documented processes relating to how CCGC made the decisions in relation to grants, with the information regarding decisions not easily accessible to the Churches. In addition, there was no effective and independent reporting back through to the CCGC upon the expenditure made. We recommend that CCGC processes regarding the grants process be documented and easily available to Churches including application processes, criteria, approval and reporting processes.
- 2.4 The minutes of the CCGC provided by MS were narrative heavy and it was difficult to track the decisions being made. The new Head of Operations appointed in 2019 has introduced greater clarity regarding sign offs of decisions.
- 2.5 There was no independent audit process to validate the CCGC monies were being spent in accordance with the terms and conditions of the award. The TfL had no follow up function to ensure grants were spent as intended. As such, this has also resulted in a lack of scrutiny and challenge on the procedures in place.
- 2.6 New procedures to address these issues have been, or are being introduced, including reporting and auditing on funds. In addition, the Archdeaconry have introduced a new position in 2022 (Grants Officer) to improve the visibility of grants to churches. There had been a reported reluctance to publish the decisions of the CCGC and the grants being made but that has now been addressed through the introduction of an audited annual report.
- 2.7 **However, in the interests of transparency (and as this information could be identifiable through review of published accounts) we would recommend that the minutes (subject to redaction of personal information), key decisions and reporting on completion of works for churches should be published, including expenditure summaries.**

## Bank Accounts

- 2.8 There was a lack of control in respect of bank accounts across the Churches, specifically for those that did not have financial resources or a priest/ lay volunteer with financial experience. MS had on occasions intervened to provide financial support. As individuals changed role, such as with the Archdeacon, MS was then able to change the bank accounts to be single signatory without the new Archdeacon being aware of the account or how it was opened. In addition, MS was the recipient of the bank statements, so there was no knowledge of the payments/ withdrawals being made. These changes prompted no checks from Lloyds, the bank involved.
- 2.9 Whilst we understand that all bank accounts have been identified to which MS had access, we recommend that the LDF confirms the schedule of bank accounts with the churches, including signatories. Following this, all payments should only be made to the known schedule of bank accounts. These can also be used as a reference point for handover to new roles, either at the Priest or Archdeacon level.**
- 2.10 In addition, there were a series of financial transactions which were overly complicated, another red flag in terms of potential fraud. MS also utilised unnecessary (and incorrect) financial terminology to seek to confuse issues. For example, Parish C reported communications with MS in respect of £80k held to underwrite a contingent liability in 2017. MS stated that he was holding this as payment to the parish as the payment “was rejected by our lawyers as we are only meant to transfer funds to a PCC in settlement of an invoice of paid expenditure”.
- 2.11 As part of the development of templates and training and awareness referenced at 3.7-3.8, we recommend that a basic set of financial training should also be provided. This should focus on key income and expenditure terms and approaches, as well as provision of contact points should queries arise.**
- 2.12 More generally, there should be a handover template developed for the Archdeacon role and for the Churches to be applied, covering key financial processes, projects in progress and expected monetary flows.**

## Development Payments including Section 106/ Right to Light Payments

- 2.13 Given the scale of the activities and breadth of the Church of England there is a need to ensure that all parties are aware of significant ongoing activities. It has been reported that there are considerable processes leading up to a decision but limited oversight of the implementation process, securing payment and receipt. The significant payment from a developer to Parish A of £550k should have been tracked closely and was not. Only after a considerable delay was the money missed and the diversion identified. The lack of controls

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meant this took longer than it should have done. We have raised recommendations regarding the oversight of the process at section 2.

- 2.14 There is also an opportunity for a more effective working partnership with the City of London Corporation who have a staff member responsible for all church buildings in London whereas the Churches interact individually.

### **Church rates**

- 2.15 Church rates fluctuate widely and there is a need to make better use of spreadsheets produced that sets out what churches are entitled to. There is a risk of smaller levels of fraud (up to £100k at the most - estimated) for church rates due to its nature.
- 2.16 As part of the process templates, an approach to the billing and recording of income for church rates should be completed recognising that this is not mandatory to apply and for businesses to pay for. Whilst this would be at a church level, we recommend that an auditable trail should be maintained by the Archdeaconry. There should be a co-ordinated follow up of church rates collected, with the churches comparing what could have been collected to actuals. This would safeguard against any future diversion of these monies.**

### 3. Causal Factors – Culture

#### Summary

- 3.1 There is a lot of change for City Churches and the Archdeaconry in terms of congregation and church officials. This means that maintaining paper trails is key. There was a long history (starting with minor incidents) in relation to MS which can be traced back to circa 2004 (as per section 1 and Appendix 1).
- 3.2 There appear to be two causes to why action was not taken (people not recognizing red flags at the time and people identifying red flags and reporting but not getting appropriate action taken). Consistent behavioural issues included controlling access to data and records, overly aggressive responses to reasonable questions, managing meetings and directing people, owning key financial relationships and restricting access to third parties (e.g. where MS was reported to be furious if anyone else engaged with a major developer). These would all be considered “red flags” in respect of fraud risk and were not recognized.
- 3.3 The negotiation of development payments with the developer referred to in para 2.13 appears to have been a trigger for MS to be appointed as Head of Operations. The anecdotal feedback given to us was that MS was so well regarded by the developer during the negotiations that they were to appoint him to oversee their Foundation. The former Bishop of London commented that his main point for MS was to make sure he was remunerated properly to ensure that he remained with the Diocese. However, no one interviewed has been given this feedback directly from the developer, this was all based on information provided by MS.
- 3.4 In general, a number of interviewees have commented on how “good” MS was at his job, particularly at getting things done. There were examples where MS also made sure that different projects/ initiatives were delivered which further created an impression of a highly effective individual. This appears to have contributed to the lack of challenge and scrutiny of activities.
- 3.5 There was sympathy for his personal circumstances, this again contributed to a lack of scrutiny and independent challenge. A number of individuals cited have provided examples where they challenged MS – these were generally individuals with a financial and/or management background. Following challenge, the individuals were often left alone by MS/ side-lined or no longer engaged with.
- 3.6 The current Bishop of London raised a number of questions regarding MS, including regarding working practices and were advised that the Diocese would not run without him. She however took steps to improve transparency and he left soon afterwards. In many aspects the work of the Diocese supports what are in effect, independent businesses/ charities, with the support functions provided by volunteers. Those in the role of a priest have not always had management or financial training and do not see this as their primary activity. There are a number of Churches with well-structured financial and operational support in place which can be used as a basis for establishing effective governance arrangements.

- 3.7 To help address the gaps in financial management we recommend that the LDF should develop a set of working templates and procedures for the churches to adapt to financial and operational management. This should consider the opportunity for churches with effective systems in place to provide a mentoring support function and sponsorship, which will also facilitate the breaking down of silo working.
- 3.8 In addition, the lessons from this incident, and fraud issues more generally, should form part of a set of fraud awareness materials and guidance for new priests, Treasurers and PCC members. Whilst not the primary aspect of their role, an understanding of potential fraud risks, how to recognise and address will be of benefit in prevention of future incidents.
- 3.9 Whilst outside the remit of our review, there appears to be a need to address cultural issues in recognizing the differences in negative behaviour and theological positions. There appears to be a level of distrust of governance and process, when in actuality, effective and efficient governance will support the churches in their operation.
- 3.10 The former Bishop of London has expressed his complete shock and surprise at the scale of the activity that MS was able to undertake, as did PD. MS was regarded as highly valued in role and he did do a number of activities which were cited as being positive (including church rates, siting coffee vans on church grounds for additional income and specific negotiation regarding S106 and payments due from developers and surrounding properties when works were taking place).
- 3.11 There was a consistent perception across interviewees that when taking on the role of Operations Manager the scale and scope for fraud increased substantively and MS operated from that point) with the “authority of Bishop Richard.” There have been references to MS creating an environment of patronage and “doing favours”. Anecdotal examples referred to MS, upon the conclusion of a CCGC funded project with an underspend, setting out that the church could roll the funds to the next project. This in effect contributed to an informal system of operations and controls, where individuals then felt a degree of debt to MS which they were uncomfortable with. These are also examples where MS exceeded their role and did not apply good financial practice. This all contributed to a wider lack of transparency and challenge.
- 3.12 In addition, the focus on pastoral rather than financial aspects within the Diocese contributed to MS operating without effective oversight. It has been described to us that previous working practices (including appointment of staff without open application processes, a lack of involvement in the detail of the Diocese and a lack of willingness from staff to convey bad news) all appear to have contributed to a lack of accountability regarding the Head of Operations Position. This allowed MS to define his own role and not be accountable to a superior or line manager for his activities.
- 3.13 **The Whistleblowing Policy should be reviewed, including how issues are reported, triaged and investigated. There is a policy in place but this is not always clear as to**

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what a disclosure is and how this would be investigated. There also needs to be independence in the reporting process where concerns are not being addressed.

- 3.14** Going forwards, the lack of segregation in respect of negotiations with developers should be addressed. Whilst recognising the independence of churches, the LDF and the Archdeaconry should establish a working group which can compare good practice and a set of benchmarks for negotiations, including tracking the invoicing and receipt of monies.
- 3.15** In line with the reporting at 2.7 for the CCGC, we recommend that end of project financial audits are completed. This should include validation of the project; project completion reports and adherence to procurement procedures.

## 4. Analysis of Inflows into Accounts controlled by MS

4.1 The following table summarises the inflows into the main Archdeaconry account that was controlled by MS. This formed the basis of the fraud case and financial value.

Bank Account	Money Source						Total
	Trust for London	City of London	Developers	Parish D	Parish E	Other/Unknown	
Lloyds Archdeacon of London Account	£689,775	-	£550,000	£2,168,436	£675,700	£1,081,000	£5,164,911

Source: Chris Harris Witness Statement, provided to the Police as part of their investigation.

4.2 The following table summarises inflows into two church bank accounts and an archdeaconry bank account that were controlled by MS.

Bank Account	Money Source						Total
	Trust for London	City of London	Developers	Parish D	Parish E	Other/Unknown	
Lloyds Parish A	£86,645	-	-	-	-	£567,120	£653,765
CAF Bank Parish D	£2,170,000	£26,000	£139,000	-	-	£10,000	£2,345,000
Lloyds AD London Cheapside	-	-	-	-	-	583,801	583,801

Source: Chris Harris Witness Statement provided to the Police as part of their investigation.

4.3 The majority of the inflows into the church or archdeaconry accounts that were controlled by MS came from Trust for London. This totalled between approximately £2.9 million and £3.6 million. From work completed by the London Diocesan Fund staff as part of the witness statement compilation, it is thought the source of the £675,000 from Parish E bank account was ultimately the Trust for London as the church was closed and did not have a vicar or PCC.



- 4.4 There was a transfer of approximately £2.17 million from a bank account set up for Parish D to the Lloyds Archdeacon of London Account. The source for this money was ultimately Trust for London. This is highlighted in orange in the tables above.
- 4.5 Money sources included within the other category (approximately £2.2million) include unnamed sources (for example cheque deposits or unnamed bank accounts), local businesses (including church rates) or other transactions due to churches but not paid to them.
- 4.6 The large amount of money sourced from the Trust for London reflects the lack of oversight of MS's role as Head of Operations, how money allocated to churches through the CCGC was spent and access by MS to large amounts of money allocated to churches by the CCGC (approximately £1.4 million on average per year).

## 5. Church Responses Summary

### Summary

5.1 The following table summarises a reconciliation of the information provided to us by Churches against monies recorded as being provided by Trust for London. This does not include all City Churches as not all City Churches responded to our request for information.

	Amounts received from the Trust for London (TFL) as per the Parish and TFL													
	2013		2014		2015		2016		2017		2018		2019	
Parish	Parish	TFL	Parish	TFL	Parish	TFL	Parish	TFL	Parish	TFL	Parish	TFL	Parish	TFL
F	10,000								8,500		15,000	15,000		
G											145,000	145,000		
H		30,000											15,000	15,000
I	86,878	9,500	23,297	10,884	1,125		12,000	12,000						
J Grant			50,000	50,000										10,958
J Unrestricted	906	-	906	-	2,406	-	1,226	-	906	-	906	-	8,739	-
K			12,000	26,074	45,000	123,926	10,000	10,150	130,496	250,583	87,733	87,733	825,000	825,000
L	0	0	0	0	0	0	0	0	0	0	0	0	0	0
M	0	0	0	10,000	0	0	0	9,300	0	0	0	0	0	0
N	45,670	25,000	110,000	110,000	95,840	111,807	120,000	120,000	88,193	88,193	0	0	8,000	43,000
O			12,233	5,000	15,057	4,810	7,044	-	14,096	5,000	8,763	633	3,890	-
P		33,099	22,383	57,213	6,200	130,170	-	45,752	-	54,248	-	93,567	-	51,433
Q											33,300	76,574	106,000	90,000
R	50,964	67,997	2,988											
S	141,925	30,000	3,062	15,194	10,000				10,000	-	9,000	-	30,000	30,000

Key	
	Figures from TFL and the Church agree
	Church reporting higher amounts received from the TFL than the TFL reported as provided
	Church reporting lower amounts received from the TFL than the TFL reported as provided
	No data provided/available for this period from the Church

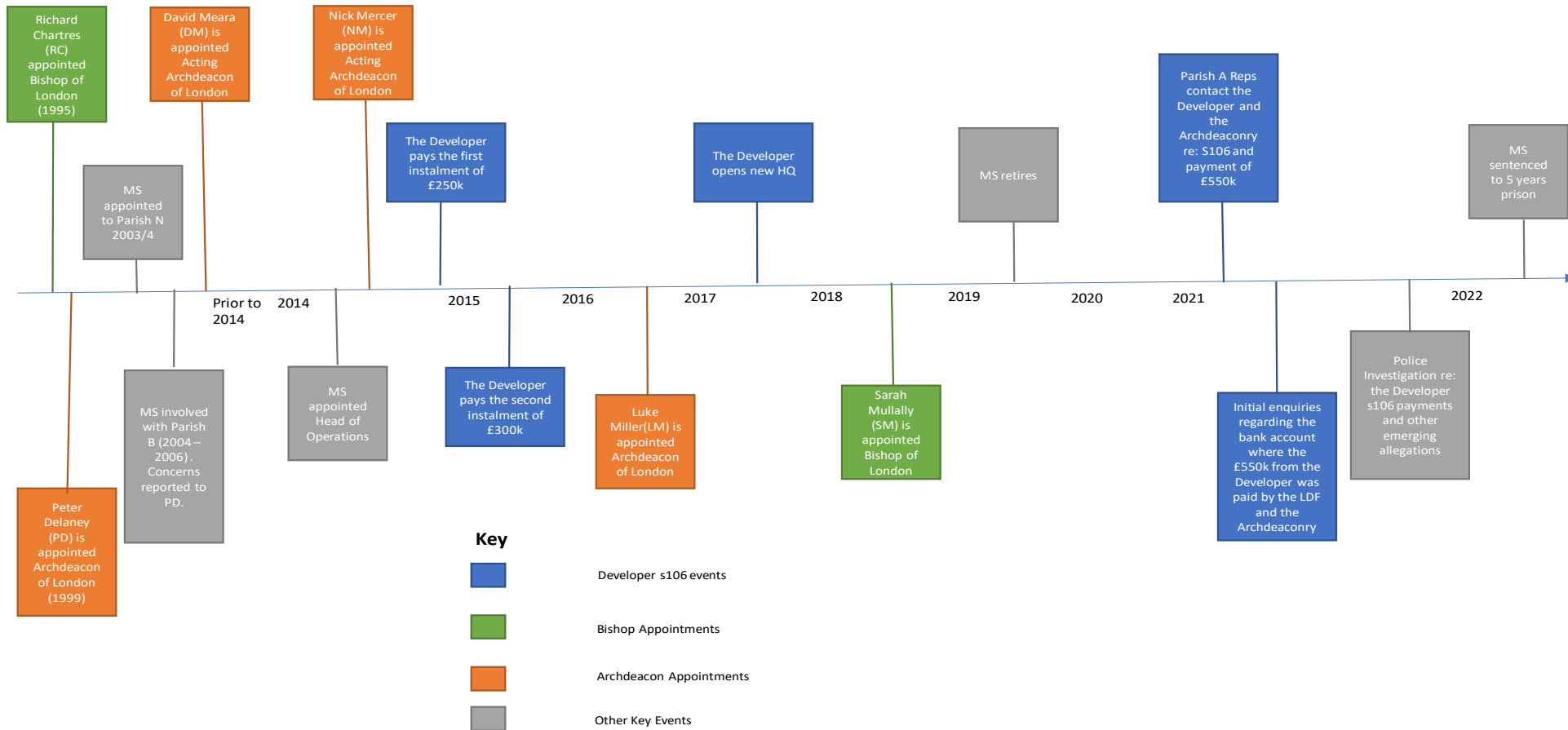
5.2 For amounts where the churches reported less than the TfL, this may indicate where MS redirected the funds to other bank accounts rather than the Church. A particular example was claims made by MS on behalf of Parish P, without their knowledge. MS had asked Parish P to set him up as an employee promising that they would be reimbursed.

5.3 For amounts where the churches reported more than the LDF, this may indicate payments made by MS from a discretionary fund or other source of funds to the Church without the need for CCGC involvement.

5.4 The following table summarises additional sums reported by churches from who we received a response as not being received, withheld or transferred to MS.

Parish	Year							Comments
	2013	2014	2015	2016	2017	2018	2019	
C					£80,000			Parish C reported communications with MS in respect of £80k held to underwrite a contingent liability in 2017. This was held back by MS
K			£17,300					Right to Light payment in relation to a particular development that was not received by the parish
L					£4,500			Church Wardens were asked to write a cheque for £4,500 to MS in order to transfer an account to a 3 <sup>rd</sup> party. The cheque was written out to the Archdeacon of London.

## Appendix One: Summary timeline



Source: Chris Harris Witness Statement and associated evidence, interviews with Church and Archdeaconry Representatives and supporting documentation provided by church representatives.

## Appendix Two: Recommendation Schedule and Management Response

The following table summarises the recommendations raised as part of this review.

Paragraph Reference	Recommendation	Agreed / partially / rejected	Management response	Implementation date
2.7	In the interests of transparency (and as this information could be identifiable through review of published accounts) we would recommend that the minutes (subject to redaction of personal information), key decisions and reporting on completion of works for churches should be published, including expenditure summaries.	Agreed	As noted in paragraph 2.6 an annual report will be published each year that will contain information about use of funds and works undertaken for churches. The minutes are not currently published but the CCGC will consider how best to report on current activity in addition to the annual report.	Q3 2023
2.9	Whilst we understand that all bank accounts have been identified to which MS had access, we recommend that the LDF confirms the schedule of bank accounts with the churches, including signatories. Following this, all payments should only be made to the known schedule of bank accounts. These can also be used as a reference point for handover to new roles, either at the Priest or Archdeacon level.	Agreed	The grants officer has a record of City church bank accounts for CCGC payments and proof of their veracity is included as part of the new grant payment controls	Already implemented

Paragraph Reference	Recommendation	Agreed / partially / rejected	Management response	Implementation date
2.11	As part of the development of templates and training and awareness referenced at 3.7-3.8, we recommend that a basic set of financial training should also be provided. This should focus on key income and expenditure terms and approaches, as well as provision of contact points should queries arise.	Partially agreed	Financial training is provided to new PCC Members annually by the Area Finance Adviser, although this post has been vacant since Oct 2022. Once a new adviser is recruited, setting up regular financial training will be an early priority	Q3 2023
2.12	More generally, there should be a handover template developed for the Archdeacon role and for the Churches to be applied, covering key financial processes, projects in progress and expected monetary flows.	Agreed	Since 2016 there has been two archdeacons working across the Two Cities area, with an Area Administrator integrated into the team. However, the issue will be considered further by the Archdeacons and Operations Manager.	Q4 2023
2.16	As part of the process templates, an approach to the billing and recording of income for church rates should be completed (recognising that this is not mandatory to apply and for businesses to pay for). Whilst this would be at a church level, we recommend that an auditable trail should be maintained. There should be a co-ordinated follow up of church rates collected, with the churches comparing what could have been collected to actuals to ascertain if there is any additional fraudulent	Agreed	The collection of Church rates has not been co-ordinated by the City deanery as decisions about how to collect rates are at a parish level. The Area Finance Committee will work with PCCs to check that local systems already in place are	Q4 2023

Paragraph Reference	Recommendation	Agreed / partially / rejected	Management response	Implementation date
	amounts due to the church which have been paid to one of the two bank accounts maintained by MS.		robust, and that support is given to deal with any weaknesses. This may take time as it is not something which is currently part of the work of the Area.	
3.7	To help address the gaps in financial management we recommend that the LDF should develop a set of working templates and procedures for the churches to adapt to financial and operational management. This should consider the opportunity for churches with effective systems in place to provide a mentoring support function and sponsorship, which will also facilitate the breaking down of silo working.	Partially agreed	The LDF has Area Finance Advisers (AFAs) that provide support to parishes. They have existing resources that help churches develop their systems. The AFAs will review the resources and recommend any updates or changes needed.	Q3 2023
3.8	In addition, the lessons from this incident, and fraud issues more generally, should form part of a set of fraud awareness materials and guidance for new priests, Treasurers and PCC members. Whilst not the primary aspect of their role, an understanding of potential fraud risks, how to recognise and address will be of benefit in prevention of future incidents.	Agreed	Fraud awareness should form part of regular induction and training for priests and lay members that have responsibility for money. The LDF will review existing training opportunities and introduce fraud awareness as appropriate	Q3 2023

Paragraph Reference	Recommendation	Agreed / partially / rejected	Management response	Implementation date
3.13	The Whistleblowing Policy should be reviewed, including how issues are reported, triaged and investigated. There is a policy in place but this is not always clear as to what a disclosure is and how this would be investigated. There also needs to be independence in the reporting process where concerns are not being addressed.	Agreed	The whistleblowing policy has been introduced within the past five years and needs to be reviewed to ensure concerns are properly addressed and whistleblowers are protected	Q4 2023
3.14	Going forwards, the lack of segregation in respect of negotiations with developers should be addressed. Whilst recognising the independence of churches, the LDF and the Archdeaconry should establish a working group which can compare good practice and a set of benchmarks for negotiations, including tracking the invoicing and receipt of monies.	Agreed	While the culture has changed since MS was involved the need for more consistent good practice across our churches is recognised. A working group will be established as suggested with the aim of making recommendations later in 2023.	Q4 2023
3.15	In line with the reporting at 2.7 for the CCGC, we recommend that end of project financial audits are completed. This should include validation of the project; project completion reports and adherence to procurement procedures.	Agreed	The revised financial controls introduced for CCGC include these measures. They need to become operational during 2023.	Q4 2023



## Appendix Three: Persons interviewed or approached for interview

### We would like to thank the following interviewed as part of our work

The Rt Revd and Rt Hon Dame Sarah Mullally, Bishop of London (from 2018 to date)

The Ven Luke Miller, Archdeacon of London (from 2016 to date)

The Rt Revd and Rt Hon Richard Chartres, former Bishop of London (from 1996 to 2017)

The Ven Peter Delaney, former Archdeacon of London (from 2000 to 2009)

The Ven William Jacobs, former Archdeacon of Charing Cross (from 1996 to 2015)

The Revd George Bush, Rector of St Mary-le-Bow

The Revd Paul Kennedy, Rector of St Vedast-alias-Foster and Priest in Charge of St Mary, Aldermary

The Revd Laura Jorgensen, Rector of St Botolph without Aldgate

Mr Martin Woods, Churchwarden & Electoral Roll Officer at St Andrew by the Wardrobe

Mr John Seagrim, Churchwarden at St Stephen, Walbrook

Mr David Atterbury-Thomas, Churchwarden & Treasurer at St Stephen, Walbrook

Miss Georgina Graham, Operations Manager, The Archdeaconry of London

Mr Chris Harris, Director of Finance and Operations

Mr James Irving, Stewardship Recorder at St Bride, Fleet Street

Mr Keith Robinson, former General Secretary of London Diocese (from 2000 to 2009)

### Persons approached for interview

Mr Graham Mundy, City Deanery Treasurer; Churchwarden & other roles at St Olave Hart Street



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