ARCHDIOCESE OF ST. LOUIS
AUDIT COMMITTEE CHARTER
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AUDIT COMMITTEE CHARTER

I. PURPOSE

The audit committee is established for the primary purpose of assisting the Finance Council in:

- Overseeing the integrity of the Archdiocesan financial statements
- Overseeing the Archdiocese's compliance with legal and regulatory requirements
- Overseeing the independent auditor’s qualifications and independence
- Overseeing the performance of the Archdiocese’s independent auditor and internal audit function
- Overseeing the Archdiocese’s systems of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Archdiocese.
- Assisting the parishes to insure accurate financial reporting (to the pastor and parishioners) and a good system of internal controls

Consistent with this function, the audit committee should encourage continuous improvement of, and should foster adherence to, Archdiocesan policies, procedures, and practices at all levels. The audit committee should also provide for open communication among the independent auditor, financial and senior management, the internal auditing function, and the Finance Council.

The audit committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Archdiocese will provide appropriate funding, as determined by the audit committee, for compensation to the independent auditor, to any advisors that the audit committee recommends engaging, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The audit committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this charter. The audit committee will report regularly to the Finance Council regarding the execution of its duties and responsibilities.

II. COMPOSITION AND MEETINGS

The audit committee will consist of five or more members as determined by the Statutes of the Finance Council. Each audit committee member will have no material relationship with the Archdiocese or any entity of which the Archdiocese is a Member. Each audit committee member will be a person other than an employee of the Archdiocese or its related entities or any other individual having a relationship which, in the opinion of the Finance Council, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a member of the committee.
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The members of the committee will be appointed by the Archbishop annually to serve until their successors are appointed. The committee will meet at least four (4) times annually, or more frequently as circumstances dictate. Each regularly scheduled meeting will conclude with an executive session of the committee absent members of management. As part of its responsibility to foster open communication, the committee will meet periodically with management and the independent auditor in separate executive sessions. In addition, the committee will meet with the independent auditor and management to discuss the annual audited financial statements, including the Archdiocese’s disclosures in its annual report to the Archdiocese.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the audit committee will:

Documents/Reports/Accounting Information Review

1. Review this charter periodically, at least annually, and recommend to the Finance Council any necessary amendments.

2. Review and discuss with management and the independent auditor the Archdiocesan annual financial statements and all internal controls reports (or summaries thereof).

3. Review a summary of the regular internal reports to management prepared by the internal auditing department, as well as management’s responses.

Independent Auditor

4. Recommend appointment and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditor and recommend removal of the independent auditor if circumstances warrant. The independent auditor will report directly to the audit committee and the audit committee will oversee the resolution of disagreements between management and the independent auditor if any arise. Consider whether the auditor’s performance of permissible nonaudit services is compatible with the auditor’s independence. Discuss with the independent auditor the matters required to be discussed under Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 84 and SAS No. 90.

5. Review with the independent auditor any problems or difficulties and management’s response; review the independent auditor’s management letter derived from the annual audit, and hold timely discussions with the independent auditor regarding the following:

- All critical accounting policies and practices
- All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
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- Other material written communications between the independent auditor and management, including, but not limited to the engagement letter, the management letter and schedule of unadjusted differences.

6. At least annually, obtain and review a report by the independent auditor describing:

- The firm’s internal quality-control procedures
- Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm, and any steps taken to deal with any such issues
- All relationships between the independent auditor and the Archdiocese.

This report should be used to evaluate the independent auditor’s qualifications, performance, and independence. Further, the committee will review the experience and qualifications of the lead partner and other senior members of the independent audit team each year.

7. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take, or recommend that the Finance Council take appropriate actions to oversee the independence of the outside auditor.

8. Review and pre-approve (which may be pursuant to pre-approval policies and procedures) both audit and nonaudit services to be provided by the independent auditor. The authority to grant pre-approvals may be delegated to one or more designated members of the audit committee whose decisions will be presented to the full audit committee at its next regularly scheduled meeting.

Financial Reporting Processes, Accounting Policies, and Internal Control Structure

9. In consultation with the independent auditor and the internal auditor, review the integrity of the organization’s financial reporting processes (both internal and external) and the internal control structure (including disclosure controls and procedures and internal control over financial reporting).

10. Receive and review any opinions or certifications issued by the Archdiocese’s CEO or CFO made in connection with the Archdiocese’s annual reports, all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Archdiocese’s ability to record, process, summarize, and report financial data; and any fraud, whether or not material, that involves management or other employees who have a significant role in the Archdiocese’s internal controls.

11. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Archdiocese’s selection or application of accounting principles; major issues as to the adequacy of the Archdiocese’s internal controls; and any special audit steps adopted in light of material control deficiencies.

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12. Review analyses prepared by management (and the independent auditor as noted in item 5 above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

13. Review the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures, on the financial statements of the Archdiocese.

Internal Audit


15. Review the results of any periodic evaluations of the internal audit function by the independent auditor or other qualified third party. Make suggestions, as necessary, as a result of such review.

16. Review activities, organizational structure, and qualifications of the internal audit function.

17. Annually, review and recommend changes (if any) to the internal audit charter.

18. Periodically review with the internal audit director any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function’s work.

Ethical Compliance, Legal Compliance, and Risk Management

19. Periodically review and update a code of conduct and ethics and determine whether management has established a system to enforce this code. Determine whether the code is in compliance with all applicable rules and regulations.

20. Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Archdiocese’s major financial risk exposures and the steps management has undertaken to control them.

Other Responsibilities

21. Review with the independent auditor, the internal auditing department, and management the extent to which changes or improvements in financial or accounting practices have been implemented.

22. Conduct an annual performance assessment relative to the audit committee’s purpose, duties, and responsibilities outlined herein.
23. Perform any other activities consistent with this charter, canon law, and governing law, as the Finance Council deems necessary or appropriate.

Audit Committee Chair

[Signature]

Dated
8/30/06

Finance Council Chair

[Signature]

Dated
8/30/06

Vicar General for Finance and Administration

[Signature]

Dated
8/30/06