

ARCHDIOCESE OF ST. LOUIS

INTERNAL AUDIT CHARTER

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MISSION AND SCOPE OF WORK

The Director of Internal Audit assists the Archdiocese in its responsibility to be a good steward of the material resources entrusted to the Church to proclaim the Gospel and make tangible the love of Jesus Christ. The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Archdiocese. The Director of Internal Audit assists the Archdiocese in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit function is to determine whether the network of risk management, accounting control, and governance processes of the Archdiocese is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various agencies and parishes occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the control processes of the Archdiocese.
- Significant legislative or regulatory issues impacting the Archdiocese are recognized and addressed appropriately.

Opportunities for improving financial accounting control, revenue enhancement, cost containment, and the image of the Archdiocese may be identified during audits. These opportunities will be communicated to the appropriate individuals.

ACCOUNTABILITY

The Director of Internal Audit, in discharging the duties of that position, shall be accountable to the Archdiocese and the Audit Committee to:

- Provide annually an assessment of the adequacy and effectiveness of the Archdiocesan processes for controlling financial activities and managing risks in the areas set forth under the mission and scope of work section of this Charter.
- Report significant issues related to the processes for controlling the financial activities of the Archdiocese, agencies, and parishes, including potential improvements to those processes, and provide information or recommendations concerning resolution of such issues.
- Provide periodic information on the status and results of the annual audit plan and the sufficiency of audit resources.
- Coordinate with and provide oversight of other financial control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

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INDEPENDENCE

To provide for the independence of the Internal Audit function, all internal audit personnel report to the Director of Internal Audit, who reports functionally and administratively to the Chief Financial Officer and periodically to the Archbishop, Vicars General, and the Audit Committee in a manner outlined in the above section on Accountability. Reports will include any concerns noted regarding independence issues.

RESPONSIBILITY

The Director of Internal Audit and the internal audit staff have the responsibility to:

- Develop a flexible annual audit plan, using an appropriate risk-based methodology, and submit that plan and periodic updates to the Chief Financial Officer (CFO) and the Audit Committee for review and approval.
- Implement the annual audit plan, including any special tasks or projects requested by the Audit Committee.
- Maintain a professional audit staff, as authorized in the Archdiocesan budget, with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Prepare and distribute reports covering each project and audit they perform. Copies of such reports should be addressed to the entity being audited, with copies to the CFO and the Vicar for Finance and Administration. Others may be included in the report distribution as considered appropriate.
- Issue periodic summary reports to the CFO, the Audit Committee, and, when appropriate, the Archbishop, the Vicars General, and the agency directors summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the CFO and the Audit Committee.
- Assist in the investigation of suspected fraudulent activities within the Archdiocese and notify the CFO, and, when appropriate, the Archbishop, the Vicars General, and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Archdiocese at a reasonable overall cost.

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AUTHORIZATIONS

The Director of Internal Audit and any internal auditing staff are authorized to:

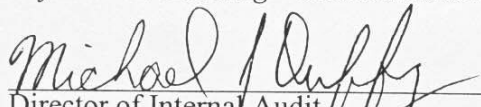
- Generally have unrestricted access to all financial functions, financial records, and such other information as is necessary to perform their duties.
- Direct questions to appropriate persons who have information that is pertinent to performing their work.
- Have appropriate access to the Vicars General and the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in departments, agencies, and parishes of the Archdiocese of St. Louis where they perform audits, as well as other specialized services from within or outside the Archdiocese.

The Director of Internal Audit and the internal audit staff, in order to maintain and strengthen their independence, are not authorized to:

- Perform any operational duties for the Archdiocese or Parishes.
- Initiate or approve accounting transactions external to the Internal Audit function.
- Direct the activities of any Archdiocesan or parish employee not employed by the Internal Auditor, except to the extent such employees have been assigned to auditing teams or to otherwise assist the internal auditors.
- Draft procedures for, design, install, or operate systems.
- Perform any work where a possible conflict of interest exists or where independence would be compromised.

STANDARDS OF AUDIT PRACTICE

The Director of Internal Audit and staff will meet or exceed the “*Standards for the Professional Practice of Internal Auditing*” of the Institute of Internal Auditors.



Director of Internal Audit

5/19/06


Dated



Chief Financial Officer

5/10/06

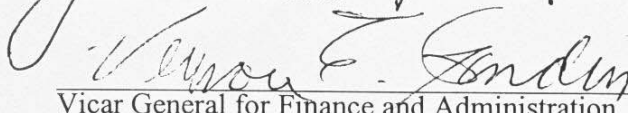
Dated



Audit Committee Chair

5/15/06

Dated



Vicar General for Finance and Administration

5/16/06

Dated