

ARCHDIOCESE OF ST. LOUIS



Internal Audit Charter

I. INTRODUCTION

The Internal Audit Charter defines the purpose, authority, and responsibility of the Internal Audit Department and provides a basis for evaluating the performance of the Internal Audit Department by the Audit Committee of the Archdiocese of St. Louis (the Archdiocese) and by Archdiocesan management under the leadership of the Archbishop. The Internal Audit Department was established by the Archdiocese, and its responsibilities are defined by this Charter, under the guidance of the Charter of the Audit Committee of the Archdiocese, as part of its oversight role.

II. MISSION AND SCOPE OF WORK

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Archdiocese. The mission of the Internal Audit department includes supporting the Archdiocese in its responsibility to be a good steward of the material resources entrusted to it by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the Archdiocese's risk management, internal controls, and governance processes.

The scope of the work of the Internal Audit Department encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes. The Internal Audit Department's assessments will be prioritized and scheduled in consideration of the Archdiocese's needs and departmental resources, and may include evaluating whether:

- A. Risks are appropriately identified and managed.
- B. Interaction with various governance groups occurs as needed.
- C. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- D. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- E. Resources are acquired economically, used efficiently, and protected adequately.
- F. Programs, plans, and objectives are achieved.
- G. Quality and continuous improvement are fostered in the Archdiocese's control processes.

- H. Significant legislative or regulatory compliance issues affecting the Archdiocese are recognized and addressed appropriately.

The Internal Audit Department may provide consulting and advisory services to the management of the Archdiocese or its affiliated entities as appropriate. The nature and scope of these services, which are agreed upon by management, are intended to add value and improve the Archdiocese's risk management, control, and governance processes without the Internal Audit Department assuming management responsibility.

III. ACCOUNTABILITY

The Director of Internal Audit, discharging the duties of that position, reports functionally and administratively to the Chief Financial Officer, and is accountable to the Audit Committee of the Archdiocese, the Archdiocesan leadership team, and the Archbishop, and should be available to meet periodically or as necessary to provide information regarding the following:

- A. Significant issues related to the processes for managing risk and controlling the activities of the Archdiocese and its affiliated organizations, including potential improvements to those processes and recommended resolution of issues identified.
- B. Proposed annual audit plan, including discussion of the sufficiency of departmental resources.
- C. Status and results of the approved annual audit plan.
- D. Utilization of the Internal Audit Department's resources.
- E. Follow-up processes to track and monitor the effective implementation of management actions related to important issues and recommendations.

IV. INDEPENDENCE AND OBJECTIVITY

To maintain the necessary independent and objective professional attitude, the Internal Audit department shall remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content.

Internal auditors may have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

With the presentation of each annual internal audit plan, the Director of Internal Audit will confirm to the Audit Committee the organizational independence of the internal audit activity.

The Director of Internal Audit shall have direct access to the Audit Committee, the Chief Financial Officer, and other Archdiocesan leaders in any instances deemed necessary to fulfill the stated mission of the Internal Audit Department.

The appointment or removal of the Director of Internal Audit requires the concurrence of the Audit Committee of the Archdiocese of St. Louis as well as the Chief Financial Officer and other Archdiocesan leaders.

V. RESPONSIBILITY

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

- A. Maintain a competent professional staff with sufficient knowledge, skills, and experience, collectively, perform any assessments undertaken, and to communicate to the Audit Committee the impact of any resource limitations.
- B. Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management. The plan should be updated at least annually and submitted to the Chief Financial Officer and the Audit Committee for review and approval. Both assurance and consulting engagements should be included in the audit plan, and, if requested by the Audit Committee, the plan should delineate the percentage of time the auditors plan to spend on audits and projects in each area.
- C. Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by the Audit Committee and the Chief Financial Officer.
- D. Prioritize the use of departmental resources, in consideration of risks, and disclose to the Chief Financial Officer and the Audit Committee any items assessed as significantly high-risk which are not included in the audit plan, and keep the Audit Committee informed regarding any new, emerging risks and trends identified.
- E. Disclose to the Audit Committee any significant risk and control issues, including fraud risk, governance issues, cyber risks, and other matters that require the attention of senior management and/or the Audit Committee, including when such issues are identified during non-audit engagements.
- F. As appropriate, communicate to the Audit Committee any instances in which management accepts a level of risk that may be unacceptable to the Archdiocese or its affiliated organizations.
- G. To the extent requested by the Chief Financial Officer and other Archdiocesan leaders, evaluate and assess important merging/consolidating functions and new or changing services, business units, processes, systems, operations, and controls coincident with their development, implementation, and/or expansion.
- H. Inform management and the Audit Committee, at each Audit Committee meeting, summarized results of audit activities and progress as compared to the approved audit plan.
- I. Assist in the investigation of suspected fraudulent activities within the Archdiocesan organizations and notify management and the Audit Committee of the results, including any allegations of fraudulent activity by Archdiocesan leadership.
- J. Consider the scope of the work of external auditors and regulators, as appropriate, for the purpose of providing optimum audit coverage to the Archdiocese and its affiliated organizations at a reasonable overall cost.

- K. As appropriate, provide consulting services to management that add value and improve the Archdiocese's risk management, control, and governance processes without the internal auditor assuming management responsibility.
- L. Periodically review this *Charter*, recommend changes required by *Professional Standards*, and present proposed revisions to the Audit Committee for approval.
- M. As appropriate, disclose any interference in determining the scope of internal auditing, performing work, and communicating results, as well as the implication of that interference.
- N. Discuss with the Audit Committee the need for external assessment of the activity, such as a Quality Assurance Review (QAR), and the qualifications and independence of the external assessors.
- O. Execute a quality assurance and improvement program by which the Director of Internal Audit assures effective operation of internal audit activities. This includes communicating the results of the program, including the scope and frequency of internal and external assessments, if any, as well as conclusions of assessors, and corrective action plans.
- P. As appropriate, disclose any nonconformance with the Code of Ethics or *Professional Standards* which could impact the overall scope or operation of the internal audit activity, and action plans to address any significant conformance issues.
- Q. Develop and disseminate to the Audit Committee, a matrix of the Committee's duties and responsibilities enumerated in Section V. of the Audit Committee Charter to facilitate the Committee's periodic self-assessments. Revise the matrix as necessary when revisions to the Audit Committee Charter are approved.

VI. AUTHORITY

It is understood that certain items are confidential in nature and special arrangements will be made by the Director of Internal Audit when examining and reporting upon such items. The Director of Internal Audit and the staff of the Internal Audit Department are authorized to:

- A. Have unrestricted access to all functions, records, property, and personnel relevant to the area under review to the extent permitted by law. Unless advised otherwise by Archdiocesan Legal Counsel, no source of information is to be closed to the auditors.
- B. Have full and free access to the Audit Committee and Vicars General.
- C. Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques required to accomplish audit objectives.
- D. Obtain the necessary assistance of personnel in units of the Archdiocesan organizations in which audits are performed, as well as other specialized services from within or outside those organizations.
- E. Provide consulting and advisory services to management and all affiliated entities, as deemed appropriate by the Director of Internal Audit in consultation with the Chief Financial Officer.

VII. STANDARDS OF PRACTICE

The Internal Audit Department's activities will be conducted in compliance with the Archdiocese of St. Louis's policies and procedures, and Canon Law of the Roman Catholic Church, and will be informed by the *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* promulgated by the Institute of Internal Auditors.

Approved by resolution this 14th day of October, 2021.