



## Internal Audit Mandate

### A. Rationale

Responsibility for internal audit is vested in the Archbishop. Canon Law gives the Archbishop (or his delegate) access to all departmental records and systems in order to fulfill his responsibilities. All administrators are subject to periodical visitation by diocesan authorities or their auditors.

### B. General Information

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve parish operations. A parish audit is an independent evaluation of its financial reports, records and internal controls by a qualified person for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded and whether there is compliance with secular law, Canon law, parochial and Archdiocesan policies and procedures.

The internal audit activity is concerned primarily with:

- a. Assessing the extent of effective and efficient use of physical and financial resources;
- b. Reviewing and evaluating programs, activities and financial management systems; and
- c. Providing special financial review and investigative services.

The internal audit function is an important element of the accountability process as it provides the Pastor and, by extension, the Archbishop, with an independent review of the parish operations and specific recommendations for improvement.

### C. Internal Control

Internal control is a process used by Archdiocesan and parish management to provide reasonable assurance that financial reporting is reliable, assets are safeguarded from loss, theft or misuse and that government laws and Archdiocesan regulations are followed.

Pastors, with the support of their Parish Finance Councils, are responsible for implementing and maintaining an effective system of internal controls.

The most important internal control in an organization is the segregation of duties. This means that by separating accounting tasks and having different people perform each one, the work of one individual naturally verifies the work of another.

Parishes are exposed to the risk of fraud because of their limited office staff, rendering the segregation of duties difficult to implement. Other factors increasing the risk of fraud include: heavy reliance on volunteers, possible lack of management expertise, a high level of trust and a low level of outside scrutiny. To reduce the risk, financial oversight by the Pastor and the Parish Finance Council is especially important.



## **D. Audit Process**

Each parish in the Archdiocese will be subject to an internal audit and a follow-up at least once every five years, performed by the Archdiocesan Internal Auditor. The auditor will evaluate and test the accounting procedures and internal controls to determine whether they are adequate to meet the objectives stated below. In addition to conducting audits, the auditor assists with the training and continuing education of parish financial staff and provides the Pastor and his councils accounting and technical support.

## **E. Objectives**

1. To determine whether parish accounting procedures provide reasonable assurance that parish liquid assets have been properly safeguarded.
2. To determine whether parish accounting procedures provide reasonable assurance that its financial activities have been properly recorded and summarized and reported to its parishioners and the Archdiocese.
3. To determine whether parish accounting procedures provide reasonable assurance that the parish is complying with all civil and Archdiocesan regulations.
4. To offer assistance and guidance in establishing sound administrative and accounting practices.

## **F. Results**

As a result of the audit, strengths and weaknesses in accounting procedures and internal controls will be identified and a report containing recommendations to address weaknesses in procedures and controls issued to the Pastor.