

Congregational Audit Committee Model Charter

A resource provided by the Audit Committee of the North Carolina Synod. Last Updated: November, 2021

PURPOSE: The congregational audit committee shall be responsible for assisting the Congregation Council in fulfilling its general oversight of the congregation's accounting, financial reporting and internal control systems.

AUTHORITY: Subject to the approval of the Congregation Council, the audit committee shall have the authority to retain special legal, accounting or other consultants to advise the committee. The audit committee shall have the authority to request any officer or employee of the congregation, its outside counsel or independent auditor to attend a meeting of the committee, or to meet with members of the committee.

MEMBERSHIP: Per provision C13.03 of this congregation's constitution, the "Audit Committee of three voting members shall be elected by the Congregation Council. Audit Committee members shall not be members of the Congregation Council. Term of office shall be three years, with one member elected each year. Members shall be eligible for re-election."

The chair of the committee shall be appointed by the council. Members of the committee will have no relationship to congregation management or have a business relationship with the congregation that may interfere with the exercise of the member's independence. All members of the audit committee shall be financially literate and at least one member shall possess financial expertise in accounting or related financial management.

To provide for an effective committee, attendance at the audit committee meeting is required of all members. Upon two successive absences that have not been approved by the committee, a member's position shall be declared vacant by the chair.

MEETINGS: The audit committee will meet at least one time per year, and may meet more frequently as circumstances require. Meeting agendas and minutes will be documented, approved by the committee and maintained as part of the records of the congregation.

DUTIES AND RESPONSIBILITIES: The audit committee shall have the following duties and responsibilities with respect to:

Financial Statements:

- The Congregation Council is responsible for preparing financial statements, maintaining a system of internal controls and complying with appropriate laws and regulations. An independent auditor is responsible for performing an independent audit as a basis for providing an opinion that the congregation's financial statements are fairly presented. The audit committee is responsible for

reviewing significant accounting and reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements.

- An audit or review of this congregation's financial statements should be performed on an annual basis.
- *In circumstances when an external auditor is engaged:* Inquire of the independent auditors (or person conducting the annual audit) and congregational management as to the acceptability and appropriateness of financial accounting practices and disclosures used or proposed.
- Review the congregation's audited, reviewed or compiled financial statements and related footnote disclosures and consider whether they are complete and consistent based on information known to committee members.
- Review with the independent auditors (or person conducting the annual audit) any matters related to the conduct of the audit which are required to be communicated to the committee under generally accepted auditing standards, including, but not limited to, any significant changes required in the original audit plan or any serious difficulties or disputes with congregation management during the course of the audit.
- *In circumstances when the audit committee conducts the audit:* Inquire of congregational management as to the acceptability and appropriateness of financial accounting practices and disclosures used or prepared.
- Conduct audit testing procedures sufficient to obtain reasonable assurance that the financial records are accurate, financial controls are designed and operating effectively, and that applicable laws and regulations have been complied with.
- Review the congregation's financial statements and evaluate whether they accurately reflect the congregation's financial position.
- Upon completion of the audit, provide a written audit report (including the results of the audit and any recommendations) to the Congregation Council.

External Audit (if applicable):

- Recommend to the Congregation Council the engagement, retention or discharge of the independent auditors (or person conducting the annual audit) and consider the appropriateness of rotating independent auditors on a regular basis.

- Evaluate the performance of the independent auditors (or person conducting the annual audit).
- Review and approve the independent auditors' audit fees and the proposed audit plan.
- Review and confirm the independence of the external auditors (or person conducting the annual audit) by monitoring fees paid to the auditors for consulting or other non-audit services and reviewing any relationships that may impact the objectivity or independence of the auditor (or person conducting the annual audit).

Internal Control:

- *In circumstances when an external auditor is conducting the audit:* Review any internal control comments and recommendations in the independent auditor's (or person conducting the annual audit) management letter that are classified as best practices, deficiencies, significant deficiencies or material weaknesses as well as management's response to these comments and recommendations.
- *In circumstances when the audit committee conducts the audit:* Evaluate whether audit findings are the result of deficiencies or weaknesses in internal controls. Provide recommendations to align controls with best practices and correct deficiencies or weaknesses, as appropriate.

Communication and Reporting:

- *In circumstances when an external auditor is conducting the audit:* Meet, in separate executive sessions, as necessary, with the independent auditor, person conducting the annual audit or congregational management to discuss any matters that the audit committee believes should be discussed privately.
- Provide for an open avenue of communications between the independent auditor or person conducting the annual audit and the congregational audit committee chair.
- Review and assess the adequacy of this Charter annually and submit proposed changes to the congregation council for their review.
- Report the committee's performance of the duties and responsibilities defined in this charter, including audit conclusions and any recommendations the committee deems appropriate, to the Congregation Council.

The effective Date of this charter: November 1, 2021