

**Principles for Diocesan Finance Councils**  
**Structural Change Working Group Document**  
**May, 2004**

Canon Law requires each diocese to establish a Finance Council. It is to be composed of “at least three of the faithful expert in financial affairs and civil law” and is presided over by the diocesan bishop or his delegate. Canon Law outlines certain of the Finance Council’s responsibilities and, in some instances, requires a bishop to obtain the Finance Council’s consent to take certain actions. Still, Canon Law itself provides few specifics on how a Diocesan Finance Council should function. As a result, inconsistency exists in the approaches individual dioceses take with respect to individual Finance Councils and diocesan financial matters. (For more detail on Canon Law provisions on Finance Councils and diocesan finances, see Canons 492-94, 1291-97, 127, 423, 537, 1254-98, 1305, and 1310.)

These principles are based on the premise that the assets of the Church are trust property for the benefit of its whole community. It is, therefore, only fair that the community should participate in the administration of those assets and be informed about transactions involving those assets.

Canon Law enables Catholic lay persons to use their experience and talent in a meaningful way to help the Church through Diocesan Finance Councils. Given this, VOTF desires ultimately to recommend specific norms that may be adopted or adapted by a diocesan bishop to govern the functioning of individual Diocesan Finance Councils. To begin that process, VOTF is first developing “Principles” that would guide the development of recommended diocesan statutes. On May 22, 2004, the VOTF Council unanimously approved this document and authorized its posting on the VOTF web site.

**Purpose:**

The following Principles for Diocesan-level Finance Councils are intended to

- Provide for transparency and accountability with respect to all diocesan financial matters;
- Provide for substantive and broad lay involvement in diocesan financial affairs; and
- Avoid conflict of interests in diocesan financial matters.

The Principles would apply to all diocesan entities, regardless of whether an entity is a separate juridical person under Canon law. For instance, all diocesan entities would be subject to being audited.

The Principles are intended to be implemented through norms that complement and are consistent with Canon Law and recognize and build on the documents of the U.S. Conference of Catholic Bishops, “Diocesan Finance Issues” (2002).

**The Principles**

1. Responsibilities of a Diocese’s Finance Council Should Be Plainly Defined.

A Diocese should

- Clarify those Finance Council responsibilities mandated by canon law or allocated to the Finance Council by the Diocese, including

- Preparing or approving budgets and financial statements;
  - Supervising diocesan audits and selecting auditors;
  - Reviewing accounting policies and internal controls; and
  - Reviewing and approving material dispositions, acquisitions, leases, borrowings, or encumbrances of diocesan assets
- Define those matters over which a Finance Council is to provide advice and/or consent, including
    - Handling of law suits involving significant financial resources or which may have a material effect on the Diocese
    - Proposed material payments made by third parties (e.g. insurance companies) on behalf of the Diocese; and
    - Engaging investment or other financial advisors.
  - Provide Finance Council members with the right to inspect the financial statements and related records of the Diocese as necessary in furtherance of their responsibilities.
2. Participants on a Diocese's Finance Council Should Be Collectively Representative and Competent.

A Diocese should

- Develop a desired composition of the Finance Council that includes a majority of lay faithful members who are independent of the diocese (i.e., individuals (i) who are not employed by the diocese or (ii) who do not have a material business or professional interest with the diocese) and that meaningfully reflects the professional expertise available to the Diocese as well as the socio-economic, geographic and other characteristics of the Diocese.
- Define minimum requirements and attributes for individual service on the Finance Council, including that any such individual
  - is a practicing Roman Catholic, and
  - has the experience necessary to meaningfully contribute to the Finance Council.
- Establish a means for nominating and replacing members of the Finance Council, which may include a Nominating Committee.

3. Governance Principles and Structures for a Diocese's Finance Council Should Be Established

A Diocese should

- Develop a structure, size and terms of service for the Finance Council that includes staggered groups of members serving over the course of years.
- Define leadership roles and responsibilities for the council, including
  - A Chair (normally the Bishop) to preside over council meetings;
  - An Administrative Director (normally the Chancellor) to set the agenda of council meetings and to provide the agenda and other materials to Finance Council members in advance of meetings; and
  - A Secretary to record the minutes of council meetings.
- Define Finance Council committees to which the Council may delegate certain functions, the qualifications for the make-up of any such committee, and the procedures under which each Committee is expected to operate and communicate its actions. Committees may include an
  - Audit Committee;
  - Budget Committee;

- Investment Committee;
- Nominating Committee; and
- Executive Committee.
- Establish conflict of interest rules and procedures for the Finance Council to follow whenever a possible conflict arises, including
  - Requiring the disclosure of any matter that creates a conflict or that may give rise to the appearance of a conflict;
  - Prohibiting members from participating or being present during the deliberation, consideration or voting on any matter in which a member may have an interest; and
  - Documenting and disclosing council deliberations and decisions regarding conflicts of interest matters.

#### 4. How a Diocese's Finance Council Operates Should Be Defined

A Diocese should

- Provide for regular Council and Council Committee meetings at a frequency that permits issues to be timely, thoroughly and openly discussed in appropriate depth. Also include
  - Administrative support reasonably necessary for Council members to receive and review all matters to be considered sufficiently in advance of any meeting; and
  - A mechanism for calling more frequent meetings when needed.
- Define the means by which the Bishop and other Financial Council members may submit matters for consideration to the Finance Council.
- Define the manner in which Finance Council meetings are to be conducted.

#### 5. Appropriate Disclosure of Diocesan Finance Matters Should Be Made.

A Diocese should

- Regularly externally communicate certain diocesan financial information, including
  - financial statements, including footnotes;
  - audit results; and
  - significant financial events.
- Define procedures for maximizing openness and minimizing secrecy in diocesan financial matters and Finance Council proceedings, including procedures for disclosing externally matters on which the Bishop rejects the advice of the Finance Council.
- Provide that minutes of the Finance Council and its Committees summarize the substance of the matters discussed by it and any actions taken with respect to those matters.
- Provide for a lay liaison between the diocesan Finance and Pastoral Councils by having someone with a membership on both Councils who makes regular reports to each Council on the proceedings of the other.

We recognize and appreciate the work of Joseph F. Finn, Jr., KM, in analyzing Canon Law and diocesan financial principles. His work is the inspiration for these Principles.

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