

THE BELLSOUTH CORPORATION INTERNAL AUDIT CHARTER

Purpose

Among the key responsibilities of BellSouth management to its shareholders are to increase the value of the business and safeguard both the assets and the integrity of the Corporation. This is accomplished through a system of internal control, which helps assure achievement of business goals and objectives. Internal Audit is an integral component of this system. As a service to management and the Board of Directors, Internal Audit acts as an independent appraisal function by examining and evaluating the adequacy and effectiveness of the Corporation's system of internal control and quality of performance. This control assurance function systematically evaluates and improves the effectiveness of the risk management, control, and governance processes, which enables management to be more effective in meeting its business objectives and in fulfilling its obligations to BellSouth shareholders.

Authority

Internal Audit activities for BellSouth are the responsibility of the Chief Corporate Auditor, who reports functionally to the Audit Committee of the BellSouth Board of Directors and administratively to the Senior Vice President – Corporate Compliance and Corporate Secretary. The reporting relationships of the Chief Corporate Auditor enhance departmental independence, promote comprehensive audit coverage and encourage adequate consideration of audit reports and recommendations. The Chief Corporate Auditor provides reports to the Audit Committee of the Board of Directors and meets privately with the Audit Committee, without members of management or the independent accounting firm present.

Responsibilities

The BellSouth Internal Audit staff is responsible for evaluating the control structure for BellSouth Corporation, its subsidiaries, and other business relationships. Internal Audit validates the system of internal control at three levels: goal alignment, control design, and control effectiveness.

A corporate risk assessment is performed to prioritize the areas for control evaluation. In performing the risk assessment, consideration is given to a number of factors, including Board strategic plan, corporate goals, management input, planned system changes, previous audit results, and subject area coverage (over a five-year period). External factors, such as current industry, political, technological, and economic conditions, are also prime considerations. Based on the results of the risk assessment, audit plans are developed annually to identify the specific subject areas and business processes for evaluation.

In order to validate controls, Internal Audit has full and complete access to all necessary records, properties and personnel. The Internal Audit staff handles all documents and information in a confidential and secure manner in accordance with corporate retention policies. Internal Audit has no operating responsibility or authority over the departmental operations that it audits.

All audit results are reported to management, who is responsible for determining and implementing the corrective action necessary to eliminate deficiencies in the system of internal control. Internal Audit conducts follow-up procedures to verify that the corrective action implemented by management is effective in strengthening internal controls.

Significant internal control issues and management's corrective action are provided to and discussed with the Audit Committee of the BellSouth Board of Directors as well as senior management of the Company.

BellSouth is committed to the professional practice of internal auditing. Internal audits are conducted in conformance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*. Audit work is conducted by a staff of auditors who possess a high level of technical knowledge and experience in auditing techniques, broad business knowledge, and the necessary information technology and telecommunication industry expertise to carry out the audit plan for BellSouth. Internal Audit is committed to the professional development of all auditors and to maintaining a progressive and qualified force.

BellSouth is committed to compliance with the provisions set forth in the Sarbanes-Oxley Act of 2002, and Internal Audit has a key role in this compliance. Internal Audit participates in the identification of key processes supporting financial reporting and in training process owners to identify, document, and test effective financial controls. In support of the management internal control assessment statement required by Section 404 of the Sarbanes-Oxley Act, Internal Audit work plans include annual testing of key financial reporting controls in identified financial systems and processes.

The Corporation's system of internal control is designed to ensure the achievement of business objectives in operations, financial reporting integrity and compliance with applicable laws and regulations. The scope of Internal Audit includes any activity necessary to provide an overall assessment of the system of internal control. It does not include consulting services. The assurance activities include:

- reviewing the reliability and integrity of financial and operating information and how it is identified, measured, classified, and reported;
- reviewing the systems established to ensure compliance with laws and regulations;
- reviewing the systems established to safeguard assets and, when appropriate, verifying the existence of assets;

- appraising the economical and efficient use of resources;
- evaluating governance activity to ascertain the existence and alignment of objectives both vertically and horizontally across the Corporation;
- identifying significant risks to the ability of the Corporation to meet its business objectives, communicating them to management and ensuring that management has taken appropriate action to guard against those risks;
- evaluating the effectiveness of controls supporting the operations of the Corporation and providing recommendations as to how those controls could be improved;
- performing early entry engagements to assist management in incorporating an adequate control structure in new systems and processes; and
- performing due diligence activities associated with the acquisition of business operations or selection of business partners.