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 CAO  
 Manual PAOM -  
 Corporate

## Audit Committee Charter Policy

Document Type	Policy
Organizational/Functional Area	Corporate
FCA Regulation(s)	620.30, 620.31

## Purpose and Objectives

Each standing Committee of the Board has adopted a Charter specifically outlining the Committee's responsibility, membership, meetings and specific duties. Annually, the Chairman of the Board shall appoint Board members to serve on a committee. New Committee appointments will be effective January 1 of each year.

## Role

The Audit Committee is a committee of and reports directly to the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Association, and such other duties as directed by the Board. The Committee's purpose is to oversee the:

- Accounting and financial reporting processes of the Association
- Audits of the Association's financial statements
- Qualifications of the public accounting firm engaged as the Association's independent auditor to prepare or issue an audit report on the financial statements of the Association and annual Internal Controls over Financial Reporting (ICFR) to AgFirst Farm Credit Bank.
- Performance of the Association's independent auditors which is defined as any auditor or reviewer engaged by the association and includes for the purposes of this charter:
  - External independent auditor

- Internal auditor
- Internal credit reviewer
- Internal appraisal reviewer

The Audit Committee is also responsible for review of the Farm Credit Administration (FCA) examination results. Consistent with this function, the Audit Committee encourages continuous improvement of and fosters adherence to the Association's policies, executive directives, and practices at all levels.

## ***Authority***

The Audit Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants for the Committee's use, as it deems appropriate, including sole authority to approve related fees and other retention terms, subject to any regulatory or statutory limitations that may be in effect. A two-thirds majority vote of the full Board is required to deny an Audit Committee request for resources. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have full access to the Association's books, records, facilities, and personnel. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Association, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

## ***Composition***

The Audit Committee shall be comprised of at least three directors as determined by the Board, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Members of the Committee should be knowledgeable in at least one of the following: public or corporate finance, financial reporting and disclosures, or accounting procedures. At least one member of the Committee must be a Board-designated financial expert (see Director Qualifications, Training and Evaluation Policy, "Director Composition Requirements").

The Chairman and members of the Committee shall be appointed by the Chairman of the Board at the annual organizational meeting of the Board and shall typically serve until their successors shall be duly selected and qualified. The Committee will elect the Vice Chairman of the Committee. New Committee appointments will be effective January 1 of each year. Committee members shall abide by all Bylaws, policies, procedures, and FCA regulations regarding membership, attendance, and conduct. Committee members may be removed at any time, with or without cause, by the Board Chair.

## ***Communications***

The Committee is expected to maintain free and open communication with the independent auditors, and management. The Committee will also have full access to all significant communications between the independent auditors and management. In addition, the Committee Chair as well as any Board-designated financial expert(s) shall have free and unhindered access to the Chief Financial Officer and Controller of the Association at all times. Any information obtained in these meetings shall be fully

shared with all members of the Audit Committee.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its role to foster open communication, the Committee shall meet as often as needed, but at least once per year, with management and the independent auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed. The Committee will also, as needed, meet in executive session with committee members only. The Audit and Credit Committees will meet jointly to receive the reports of credit and appraisal reviews, audits, or FCA examinations. The independent auditors will discuss the reports in person or via tele- or video conference. At a minimum, the Credit and Audit Committees will meet jointly at least semi-annually.

The Committee will cause to be kept adequate minutes of its proceedings, and will report on its actions and activities to the full Board of Directors. Minutes shall note any agreement or disagreement with any financial policy, procedure, letter, or report that has been reviewed. Members of the Committee will be furnished with copies of meeting minutes at the next scheduled meeting of the Committee.

The Audit Committee will conduct a self-evaluation annually. Results of this self-evaluation shall be used to determine training needs and opportunities for strengthening the effectiveness of the Committee.

## ***Responsibilities***

The independent auditor reports directly to the Committee, and the Committee is responsible for reviewing the work of the independent auditor. All reports will be provided directly to the Audit Committee by independent auditors. The Audit Committee will then provide such reports, as needed to the Credit Committee in order to carry out their responsibilities.

The Committee has the authority to appoint or replace the independent auditor and to approve the fees and terms under which the independent auditor is engaged for the ensuing fiscal year. The Committee must also pre-approve any audit and non-audit services provided to the Association by the independent auditor. The Committee will evaluate annually the qualifications and independence of the independent auditor. This evaluation will include receipt of a written report (timing and frequency as determined by the Audit Committee) from the independent auditor describing all relationships between the independent auditor and the Association, including all services provided and associated fees.

In addition, the Committee has other specific responsibilities in carrying out its oversight role which are delineated in the Audit Committee Responsibilities Calendar. The Responsibilities Calendar will be reviewed and updated at least annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. The most recently approved Responsibilities Calendar will serve as an addendum to this Charter.

It is not the duty of the Committee to plan or conduct audits, to determine that the Association's financial statements are complete and accurate and in accordance with generally accepted accounting principles, to establish satisfactory internal controls or to perform any other responsibility of Association management. The Committee oversees the work of others to assure compliance with laws and regulations or the Association's standards of business conduct, code of ethics, internal policies, procedures, and controls.

# Authorities Retained for Board Approval or Action

Amendments and modifications to this policy must be approved by the Board.

Item	Responsibilities	Frequency	Due	Completed
<b>General</b>				
1	Review and update the Audit Committee Charter and Responsibilities Calendar annually and obtain Board approval for revisions	Annual	1st Quarter	
2	Complete an annual evaluation of the Committee's performance and present the results.	Annual	4th Quarter	
3	Confirm that the Board of Directors has designated a financial expert as defined under FCA guidelines and that said expert is a member of the Audit Committee.	Annual	1st Quarter	
4	Committee members to Certify compliance with 620.30 (a) (b) for Knowledge and Independence for committee appointment.	Annually	1st Quarter	
5	Administer the audit and review program to include audit planning, risk assessments using the audit universe, and corrective actions tracking.	Ongoing	Quarterly	
6	Monitor the appropriate standards adopted as a Code of Ethics for the Association.	As needed	1st Quarter	
7	Develop, review and oversee procedures for the receipt, retention and treatment of complaints received through the Association's Hotline/ Whistleblower program regarding accounting, finance, auditing, corporate waste, legal, regulatory and unethical dealing matters. Ensure periodic testing of Hotline system functionality and periodic assessments of employees' awareness of the system and its appropriate use.	As needed	—	
8	Review of management's methodology for establishing the Allowance for Loan Loss consistent with FCA regulations, accounting principles generally accepted in the U.S., and Association policies and procedures.	Annual	4th Quarter	

9	Ensure receipt of a report on the status on IT Security Standards by the Association's internal auditor.	Annual	1st Quarter	
10	The agenda for Committee meetings will be prepared by the Corporate Secretary and Chief Financial Officer in consultation with the Committee Chair and provided to the members of the Committee in advance of each Committee meeting.	As needed		
11	Confirm annually that all responsibilities outline in this charter have been carried out.	Annually	1st Quarter following year end	
12	Obtain education on relevant topics to enhance Committee members' understanding of technical areas and current developments.	As needed	----	
<b>Independent External Auditor</b>				
13	Appoint or replace the Association's independent auditor and approve the terms on which the independent auditor is engaged for the ensuing fiscal year.	Annual	2nd Quarter	
14	At least annually, evaluate the independent auditor's qualifications, performance and independence, including that of the lead partner.	Annual	2nd Quarter	
15	Resolve any disagreements between management and the independent auditor about financial reporting.	As needed	—	
16	Establish and oversee a policy designating permissible services that the independent auditor may perform for the Association, providing for pre-approval of these services by the Committee subject to any exceptions prompted by legal, regulatory or policy constraints.	As needed	—	

17	Ensure receipt from the independent auditor of a formal written statement delineating all relationships between the auditor and the Association, consistent with Independence Standards Board Standard No. 1. Actively engage in a dialogue with the independent auditor about any disclosed relationships or services that might impact the objectivity of the auditor, and take appropriate action to oversee the independence of the independent auditor.	Annual	1st Quarter	
18	Meet with the independent auditor in executive session to discuss any matters the Committee or the independent auditor believes should be discussed privately with the Committee.	As needed	—	
19	Ensure receipt from the independent auditor of a status report that will include the following:	As needed	—	
	<ul style="list-style-type: none"> <li>• Issues identified during fieldwork that should be brought to the Committee's attention, and</li> <li>• An alert regarding known or anticipated overages that could impact agreed-upon audit fees.</li> </ul>			
<b>Internal Auditor (IA, ICR, Appraisal)</b>				
20	Review and approve the annual audit plan, budget and performance of the Association's Internal Audit Services. This includes ICFR, IT, Credit Review, Appraisal, and all other internal auditable areas for the Association. ICR and Appraisal will be reviewed with input from Credit Committee.	Annual	2nd Quarter	
21	Review and approve the appointment or discharge of the Internal Audit Services. This includes Internal Audit, Internal Credit Review, and Appraisal review services. Input from Credit Committee will be obtained for ICR and Appraisal services.	As needed	—	

22	Consider and review with management:			
	a. Significant findings resulting from internal audits and management's responses to Audit Services recommendations.	As needed	—	
	b. Any difficulties that Audit Services might have encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.	As needed	—	
	c. Any changes to the approved audit plan or the scope of audits.	As needed	—	
23	Meet with the Association's Internal Auditors in executive session to discuss any matters the Committee or the Internal Auditors believe should be discussed privately with the Committee.	As needed	—	
24	Meet at least semi-annually with the Credit Committee in joint session (see Credit Committee Charter "Responsibilities") for input into the scope of Internal Credit Reviews and appraisal reviews and related joint exit conferences.	Semi-Annual	4th Quarter	
<b>Management</b>				
25	Inquire of the Association's Chief Executive Officer, the Chief Financial Officer, other ELT members (as needed), and the independent auditor about significant risks or exposures, review the Association's policies for risk assessment and risk management, and assess the steps that management has taken to control risk to the Association.	As needed	—	
26	Review with the Chief Financial Officer and the independent auditor at least annually the Association's critical accounting policies.	As needed	—	
27	Inquire of the Association's ELT members concerning legal and regulatory matters that may have a material impact on the financial statements, related Association compliance policies, and programs and reports received from regulators.	As needed	—	



28	Meet with the Association's Chief Executive Officer, Chief Financial Officer, and Chief Credit Officer to review and discuss the Association's system of internal controls and the quality of credit.	Ongoing	Quarterly	
29	Review and discuss the status of the Association's ICFR program.	Ongoing	Quarterly	
30	Meet with the Association's Chief Financial Officer and Controller to review and discuss accounting developments.	As needed	—	
<b>Financial Reports &amp; Audit Coverage</b>				
31	Provide a Report of the Audit Committee in the Association's Annual Report to recommend for or against inclusion of the audited financial statements in the Association's Annual Report.	Annual	1st Quarter	
32	Review with the independent auditor and the Chief Financial Officer the audit scope and plan and coordination of audit efforts to ensure completeness of coverage, reduction of redundant efforts, effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Association.	As needed	2nd Quarter	
33	Consider and review with the Chief Executive Officer, Chief Financial Officer, and the independent auditor:			
	a. The Association's annual Report on Internal Control over Financial Reporting (ICFR) and the independent auditor's comments and noted deficiencies related to ICFR in its official communications.	Annual	1st Quarter	
	b. The adequacy of the Association's internal controls and the Annual Report to the Audit Committee on Internal Controls.	Annual	1st Quarter	
	c. Any related significant findings and recommendations of the independent auditor and Audit Services, together with management's responses.	As needed	—	



34	Review with the Chief Financial Officer, the Controller and the independent auditor at the completion of the annual audit:			
	a. The Association's annual financial statements and related footnotes.	Annual	1st Quarter	
	b. The independent auditor's audit of the financial statements and its report thereon.	Annual	1st Quarter	
	c. Any significant changes required in the independent auditor's audit plan.	Annual	1st Quarter	
	d. Any serious difficulties or disputes with management encountered during the course of the annual audit and management's response.	Annual	1st Quarter	
	e. Other matters related to the conduct of the annual audit that should be communicated to the Audit Committee under generally accepted auditing standards.	Annual	1st Quarter	
35	Meet with the Chief Financial Officer and the Controller to review and discuss quarterly financial statements for the Association.	Quarterly	Each Quarter End	
36	In connection with the Association's Annual Report, review:			
	a. The Report of Management.	Annual	1st Quarter	
	b. Disclosures required under Farm Credit Administration regulations.	Annual	1st Quarter	

## Approval Signatures

Step Description	Approver	Date
Board of Directors	Sarah Jackson: CAO	03/2022
	Brad Fjestad: CFO	03/2022
	Sarah Jackson: CAO	02/2022