

# **FARM CREDIT EAST, ACA**

## **Audit Committee Scope of Responsibility**

The Board of Directors (Board) of Farm Credit East, ACA (Association) has created a committee of directors to be known as the Audit Committee (committee) with its goals and objectives, authorities, composition and duties and responsibilities, as follows:

### **Goals and Objectives**

The primary goal of the committee will be to assist the Board in fulfilling its oversight responsibilities for internal controls over financial reporting (ICFR), the integrity of the Association's financial statements, the Association's compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of the Association's internal audit function, risk management function and external auditors.

- Oversee the adequacy of the Association's internal controls and evaluate adherence to them;
- Oversee the Association's Risk Management function including the internal audit, credit review, appraisal review and tax review;
- Maintain, by scheduling regular meetings, open lines of communications among the board, the independent auditor and federal regulator to exchange views and information;
- Ratify the respective authority and responsibilities of the internal auditor and independent accountants;
- Maintain records of meetings, including attendance, for at least 3 fiscal years;

### **Authority**

The committee has authority to conduct or authorize investigations into matters within its scope of responsibility. The committee is empowered to:

- Retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation;
- Seek any information it requires from Association employees or external parties;
- Meet with Association management, independent auditor or outside counsel, as necessary;

### **Composition**

The committee shall consist of members as appointed by the Board Chair who will also appoint the Chair of the committee. The committee shall include that member of the Board designated as the Financial Expert. Each committee member shall be knowledgeable in finance, accounting and financial reporting and disclosure. Directors who serve on the committee must be independent of senior management and free from any relationships, which might, in the opinion of the board, be construed as a conflict of interest.

### **Duties and Responsibilities**

The committee will carry out the following responsibilities:

- Review and approve the appointment or discharge of the independent auditor based upon the committee's judgment of the independence of the auditors and the quality of their work. Impacting and addressed as part of this appointment or discharge will be System concerns regarding capacity and consistency. This will include the review of a list of all non-audit services performed by the Association's independent accountants.
- The independent auditor must report directly to the audit committee.
- Review the independent auditor's audit plan, the Association's ICFR Plan, the results of the audit, management letters, the Association annual report, and the opinion that the auditors propose to render on the financial statements. Hold an executive session with the independent auditor at least annually.

- Provide input to and approve the annual Risk Management Plan regarding review, internal audit and portfolio management activities as prepared by the Chief Risk Officer.
- Review actions taken by management to address weaknesses identified through internal audit, risk management reports, external audits, and examinations by regulatory bodies. Significant concerns about the actions shall be reported to the Board.
- Review management's responses to reports of examination and monitor compliance with those responses.
- Meet at least quarterly with the Chief Risk Officer, the CFO, and the Treasurer to review their assessment of the adequacy and effectiveness of the ACA's system of internal controls, compliance with laws, regulations, ethics, policies, and rules regarding conflict of interest.
- Evaluate management's identification of fraud risks, implementation of antifraud measures, and creation of appropriate "tone at the top".
- Review significant accounting policies and implementation of any new accounting policy decisions and understand their impact on the financial statements.
- Oversee the financial reporting process; review and approve all financial statements including the Annual and Quarterly reports prior to release. Suggestions and comments are discussed with management and incorporated as appropriate.
- Review current or pending litigation or regulatory proceedings relating to noncompliance with laws and/or regulations, unethical behavior, or employee conflict of interest and/or fraud as it pertains to the Association's financial statements.
- Meet at least annually, or as needed with the CEO to discuss and provide input on the effectiveness of the ACA's system of internal controls and other matters as appropriate.
- Ensure the unrestricted access of the Chief Risk Officer, the CFO, and the Treasurer to the committee and to all Association properties, records, transactions, activities and personnel relevant and necessary to fulfillment of their responsibilities.
- Review the Chief Risk Officer's annual performance appraisal completed by the CEO.
- Oversee the Association's Whistleblower policy by which all confidential, anonymous complaints are submitted to the committee with respect to questionable Association accounting or auditing matters.
- Complete an annual self-assessment.

Each meeting of the committee will include an opportunity for a private session with the Chief Risk Officer and other key members of management. Accordingly, an executive session will routinely be listed on the committee meeting agenda. Executive sessions will be used primarily to focus on sensitive and confidential matters within the scope of responsibilities assigned to the Audit Committee.

Note: The audit committee will report on its meetings at the next regular meeting of the board. Audit Committee meeting minutes will be kept. To ensure that the entire board is engaged and aware of the ACA system of internal and external controls, audit and review reports will be shared with the entire board as appropriate, with the Audit Committee summarizing as necessary to emphasize needed points of interest.

Members:

John P. Knopf, Chair  
 Tim C. Chan  
 Henry Huntington  
 Douglas W. Shelmidine  
 Peter H. Triandafillou

Approved by Board of Directors July 17, 2018