



### **Mission Statement**

The Board of Directors (“Board”) of Farm Credit East, ACA (“FCE” or “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 set forth herein.

### **Membership**

The Committee shall consist of a minimum of three (3) Board members appointed by the Board Chair, who will also appoint the Chair of the Committee. The appointments made by the Board Chair will subsequently be ratified by the Board.

The Committee will include that member of the Board designated as the Financial Expert. The qualifications of the Financial Expert, as well as all Committee members will be in accordance with the Association Director Qualifications Policy. Furthermore, each Committee member shall be knowledgeable in at least one of the following areas: public and corporate finance, accounting procedures, and/or financial reporting and disclosure. The qualifications of the Committee member will be consistent with the Committee’s duties, responsibilities and activities and be representative of the Director’s knowledge and expertise.

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, interfere with the exercise of independent judgment as a Committee member or be construed as a conflict of interest.

The Association CEO shall appoint member(s) of the Association executive management team to act as liaison to the Committee.

### **Meetings**

The Committee will meet at least four (4) times per year with additional meetings scheduled as appropriate. A majority of Committee members present at a meeting will constitute a quorum.

Committee member voting will be on a one member, one vote basis. Directors who are not members of the Committee may attend meetings of the Committee but will not be authorized to vote.

The meeting agenda will be prepared and provided in advance of the meeting to Committee members, along with related meeting materials.

The Committee will meet with other Board committees, as appropriate and/or necessary to fulfill their specific duties and responsibilities.

Each meeting of the Committee will include an opportunity, during a meeting or in Executive Session, to meet with any member of the Association’s executive management team or other employee, as may be required. 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 Committee.

## **Minutes**

All actions taken and a summary of issues discussed at each Committee meeting will be reported to the Board no later than the next scheduled Board meeting. The Committee Chair shall appoint a secretary for the purpose of keeping minutes and submitting such minutes to the Committee for review and approval. Meeting minutes shall include a list of the members attending and a description of the items discussed, and actions taken. To ensure that the entire Board is engaged and aware of the Association 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. Meeting minutes, including attendance, shall be kept as permanent records for at least three (3) years.

## **Specific Duties and Responsibilities**

The primary goal of the Committee is 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, quality assurance function and external auditors. The Committee must report only to the Farm Credit East Board of Directors. The Committee shall:

- Review and approve the appointment or discharge of the independent (external) auditor based upon the Committee's judgment of the independence of the auditors and the quality of their work (see the Charter Addendum on the determination of auditor independence). Impacting and addressed as part of this appointment or discharge will be System concerns regarding capacity and consistency. This will include the review and prior approval of a list of all non-audit services performed by the Association's independent or other qualified accountant. Non-audit services are those allowed by FCA regulation and must be disclosed in the Association's Annual Report.
- The independent auditor must report directly to the Committee.
- The Committee will determine the compensation of the independent auditor engagement taking into consideration any prior approved non-audit services being performed by the independent auditor.
- 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 internal audit program, as well as other related programs necessary to assure the accurate representation of Association financial statements and internal controls.
- Review actions taken by management to address weaknesses identified through internal audit, quality assurance reports, external audits, and examinations by regulatory bodies. Significant concerns shall be reported to the full Board.
- Review management's responses to external reports of examination and monitor compliance with those responses.
- Meet at least quarterly with the Chief Audit Executive ("CAE"), the Chief Financial Officer ("CFO"), and the Treasurer to review their assessment of the adequacy and effectiveness of the Association's system of internal controls, compliance with laws, regulations, ethics, policies, and rules regarding conflict of interest.

- Hold an Executive Session with the CAE at least annually.
- Evaluate management’s identification of fraud risks, implementation of antifraud measures, and creation of appropriate “tone at the top”.
- Review significant accounting and auditing policies or developments, whether internal or externally based e.g., generally accepted accounting principles (GAAP), and determine the implementation of any new accounting policy decisions and understand their impact on the financial statements. After the Committee reviews a financial policy, procedure, or report, it must report in the meeting minutes its agreement or disagreement with the item(s) under review.
- 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.
- Oversee the adequacy of the Association’s internal controls and evaluate adherence to them.
- Oversee the Association’s Quality Assurance function including the internal audit, credit review, and appraisal review with direct reporting lines between the Audit Committee Chair and the CAE. The Audit Committee will conduct an annual risk assessment and approve the annual Quality Assurance Plan and any subsequent changes. Any co-sourcing, outsourcing, or contracting should be described within the annual plan and detailed within the annual budget. Any unplanned or emergency requests must be approved by Audit Committee.
- Ratify the respective authority and responsibilities of the internal auditor and independent accountants.
- 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 Association’s system of internal controls and other matters as appropriate.
- Ensure the unrestricted access of the CAE, the CFO, the Treasurer and/or Director of Internal Audit to the Committee and to all Association properties, records, transactions, activities and personnel relevant and necessary to fulfillment of their responsibilities.
- Provide input to and approve the CAE’s annual performance appraisal.
- 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.
- Evaluate Committee training needs and opportunities in alignment with the Board Director Training Policy.
- Complete an annual self-assessment.

**Authority**

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

- Utilize or request information from Association employees or external outside professional resources (outside counsel, accountants or others) as required to effectively carry out its duties and/or to advise the Committee or assist in the conduct of an investigation.
- Meet with the CEO, any Association management or others to perform its duties. These meetings may be in Executive Session, as determined by the Committee Chair.
- Meet with the Association's independent auditor, federal regulator or outside counsel, as necessary.
- Schedule regular meetings to keep open lines of communication among the Board, Board Committees, and others, as appropriate.

A two-thirds majority vote of the Board is required to deny an audit committee's request for resources under this section.

### **Charter Review**

The Committee will conduct a review of this Charter at least annually and recommend any changes to the Board for ratification.

Approved by the Audit Committee: July 20, 2023

Ratified by the Board of Directors: July 24, 2023

### **REFERENCE**

Farm Credit East, ACA Bylaws

FCA Regulations §§ 611.210, 618.8430, 620.30, 621.30 and 621.31

FCA Informational Memorandum dated July 9, 2015 (Whistleblower)

# FARM CREDIT EAST, ACA

## Audit Committee Scope of Responsibility

### Addendum: Auditor Independence

#### Overview

The Board of Directors (Board) Audit Committee (Committee) will ensure the independence of all qualified accountants conducting the Association's audit. This addendum will govern the engagement of an independent auditor to perform the external audit of the Association or other non-audit services.

#### Determination of Independence

The Committee will require the independence of a qualified accountant conducting the Association's external audit. This will be addressed and documented in one or more of the following: the audit engagement letter, the audit plan and/or the audit report.

The independence of the qualified accountant conducting the Association's external audit will also take into consideration conflicts of interest and non-audit services, as described below.

#### Conflicts of Interest:

- The Committee will not engage a qualified public account to conduct the independent audit of the Association if the accountant uses a partner, concurring partner or lead member as part of the engagement team who was a director, officer or employee of the Association within the past year.
- The lead and reviewing audit partners of the independent audit engagement may not conduct the audit for more than five consecutive years. The Committee will then require that the lead and/or reviewing partners rotate out of the audit team for five years. At the end of the five years, the Association, at its discretion, may again engage the audit services of those that were previously the lead or reviewing partners.
- The Committee will require assurances from the qualified public accountant performing the Association's external audit that no conflicts of interest exist, and this will be contained as part of the statement of independence from the external auditor, as described above.
- In addition, the Association will not employ a previous audit engagement partner, concurring partner, or lead member during the audit, or within one year of the conclusion of the engagement.

#### Non-Audit Services:

Non-audit services are any professional services provided by a qualified accountant during the period of the external audit engagement which are not connected to an audit or review of the Association's financial statements. The independent auditor conducting the Association audit may not perform the following non-audit services:

- Bookkeeping
- Financial information systems design
- Appraisal and valuation services
- Actuarial services
- Internal audit outsourcing services
- Management or human resources functions
- Legal and expert services unrelated to the audit or review
- Advocating for the Association's interest in litigation, regulatory or administrative investigations and proceedings unrelated to external audit work

The external auditor's statement of independence to the Association, as described above, will take these measures into consideration and demonstrate compliance.