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Owner Dewey Brown:
Chief Audit
Officer
Area Board Policy

Audit Committee Charter

PURPOSE AND OBJECTIVES

The Farm Credit of the Virginias, ACA (the "Association") Audit Committee (the "Committee") is established by and reports to the Association Board of Directors. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities relating to the quality of financial reporting and internal controls. Consistent with this function, the Committee encourages continuous improvement of and fosters adherence to the Association's policies, procedures, and practices at all levels.

While the Committee has the powers set forth in 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 are in accordance with generally accepted accounting principles, or to maintain adequate internal controls. These duties are the responsibility of management, the external auditors, and internal auditors.

STRUCTURE

The Committee shall consist of at least four 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 areas: public or corporate finance; financial reporting and disclosure; and/or accounting procedures.

Committee members will serve one-year terms as appointed by the Board. The director designated by the Board as a financial expert under FCA Regulation 611.210(a)(2) shall serve on the Committee. The Committee shall select a Chairman and a Vice Chairman.

MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate.

Meetings may be held in-person, telephonically or by video conference, and shall be at such times and places as the Committee shall determine. As part of its job to foster open communication, the Committee shall meet with members of management, the chief internal auditor, and the independent accountant as often as needed to discuss any matters that the Committee or any of these groups believe should be discussed. The Committee will also hold executive sessions as necessary. A majority of the members of the Committee shall constitute a quorum. No action shall be taken without a quorum present at the meeting. All meetings and other actions of the Committee shall be held or otherwise taken pursuant to the Association's bylaws.

Minutes of the meetings shall be prepared and distributed to the Committee and the Board. Such records of meetings, including attendance, shall be maintained for at least three fiscal years. Reports of meetings and actions taken at meetings or by consent by the Committee since the most recent Board meeting shall be made by the Committee chairman or his/her delegate to the Board at its next regularly scheduled meeting following the Committee meeting or action and shall be accompanied by any recommendations from the Committee to the Board. In addition, the Committee chairman or his/her delegate shall be available to answer any questions the Board members may have regarding the matters considered and actions taken by the Committee.

DUTIES AND RESPONSIBILITIES

To fulfill its responsibilities and duties, the Committee shall, with assistance from management and internal auditors as the Committee deems appropriate, have the following specific responsibilities and authorities.

Documents/Reports Review

1. Review the adequacy of this charter on an annual basis and, if appropriate, recommend changes to the Board. A review of the Committee's performance will be completed annually.
2. Review the Association's quarterly and annual financial statements, FCA Call Report and any reports or other significant financial information prior to issuance. Also review any certification, report, opinion, or review rendered by the external auditors.
3. Administer the internal audit program to include audit planning, risk assessments using the audit universe, and corrective actions tracking. Provide input to the chief internal auditor for the development and scope of the annual internal audit plan. Review and approve the annual internal audit plan.
4. On a regular basis, review a summary of major findings by the internal auditors and management's response for addressing the conditions reported.
5. Review regulatory reports submitted to the Association and monitor management's response to them.
6. After the Committee reviews a financial policy, procedure, or report, it must record in its minutes its agreement or disagreement with the item(s) under review.

7. Administer a program to conduct a Quality Assurance review of the internal audit program every five years as recommended by the Institute of Internal Auditors.

External Auditors

8. Determine the selection and engagement terms of the external auditors considering independence and effectiveness, review the planning and staffing for the annual audit, and pre-approve any non-audit services provided by the external auditors not prohibited by FCA Regulations. Once selected, the external auditors will report directly to the Committee.

9. On an annual basis, the Committee should obtain and review a formal written statement from the external auditors that discusses all significant relationships the accountants have with the Association to determine the accountants' independence.

10. Review the performance of the external auditors and approve any replacement of the external auditors when circumstances warrant.

11. Periodically consult with the external auditors in executive session to discuss internal controls and the completeness and accuracy of the Association's financial statements and any matters the Committee or the external auditors believe should be discussed privately with the Committee, including any problems or difficulties encountered during the audit or any disagreements with management or internal auditors.

12. Review any significant recommendations in the management letter (if provided) by the external auditors and the Association's response to the letter.

Internal Auditors

13. Review the responsibilities, staffing, organizational structure, and performance of the internal audit function. The chief internal auditor will report directly to the Board and Committee and be authorized to contract with external parties to perform any contract audits according to the internal audit plan or special request.

14. Employ, evaluate, set compensation and supervise the chief internal auditor. The Committee may seek input from the CEO and others as appropriate, and may assign administrative oversight of the chief internal auditor to the CEO.

15. Review reports and findings resulting from the internal audit function's independent evaluation of the systems of internal control and continuing operations and monitor management's response and actions to correct any noted deficiencies.

16. 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.

17. Review with the chief internal auditor any changes to the approved audit plan or to the scope of audits.

Financial Reporting Processes

18. In consultation with the external auditors and the internal auditors, review the integrity of the Association's financial reporting processes, both internal and external. Oversee controls relating to the Association's compliance with applicable laws and regulations or related to the preparation of each quarterly or annual report.
19. Periodically review the adequacy and effectiveness of disclosure controls and procedures and the association's internal control over financial reporting, including any significant deficiencies or material weaknesses and significant changes in internal controls.
20. Discuss with the external auditors their judgments about the quality and appropriateness of the Association's accounting principles as applied in its financial reporting.
21. Consider and approve, if appropriate, major changes to the Association's auditing and accounting principles and practices as suggested by the external auditors, management, or the internal auditors.
22. If deemed appropriate after review and discussion, recommend to the Board that the financial statements be included in the Association's annual report.

Process Improvement

23. Following completion of the annual audit, review separately with management, the external auditors and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
24. Review with the external auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

Ethical, Legal Compliance and Risk Management

25. Review annually the Association's Standards of Conduct Policy and Code of Ethics to ensure that management has established a system to enforce this policy.
26. Review with the Association's Compliance Officer or other appropriate parties, legal compliance matters that may have a material impact on the financial statements, the Association's compliance policies, and any material reports or inquiries received from regulators or governmental agencies.
27. Meet at least annually with the Chief Financial Officer and or others as appropriate to review and discuss the Association's system of internal controls and the quality of credit.
28. Review risk assessment and risk management processes.
29. Receive and investigate complaints from employees and others regarding questionable

accounting, internal controls, unethical dealing, corporate waste, illegal activities or fraud. Establish and maintain procedures for the confidential, anonymous submission of such complaints – i.e., whistleblower program.

Other Responsibilities

30. Review the appointment and replacement of a competent tax professional to provide tax services for the Association. The Committee shall assess the experience and qualifications of the tax professional prior to making the selection.

31. Obtain education on relevant topics to enhance Committee members' understanding of technical areas and current developments and perform any other activities consistent with this Charter, the Association's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

The Committee may at times handle duties and responsibilities of the Committee at Board meetings with the full Board.

Authority and Additional Resources

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities. The Committee has authority to retain and terminate outside counsel or other experts or consultants for the Committee's use, as it deems appropriate, including 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 of directors is required to deny an audit committee's 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.

REFERENCES

FCA Regulation 620.30 – Audit Committees

FCA Regulation 621 – Accounting and Reporting Requirements

FCA Regulation 618.8430 – Internal Controls

Audit Committee Approval/Review: 12-15-2022

Governance Committee Review and Board Approval: 02-23-2023

Approval Signatures

Step Description

Approver

Date

Corporate Secretary Approval

Melissa Driver: Corporate
Secretary

02/2023

Dewey Brown: Chief Audit
Officer

02/2023