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Owner Adam McKenery:
Chief Audit
Officer
Area Board Policy

Audit Committee Charter

PURPOSE:

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 purpose of the Committee is to provide a structured, systematic oversight of the Association's governance, risks, and internal controls practices. Consistent with this function, the Committee encourages continuous improvement of and fosters adherence to the Association's policies, procedures, and practices at all levels. The Committee assists the Board and management by providing advice and guidance on the adequacy of the Association's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial Statements and reporting.

In broad terms, the Audit Committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices. 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.

OBJECTIVES:

The primary objective of the Audit Committee Charter is to clearly define the responsibility and oversight role of the Audit Committee. This includes ensuring the integrity of the Association's financial statements, monitoring internal controls, reviewing the performance of the independent auditor, and overseeing the internal audit activity and overseeing compliance with relevant laws and regulations, and assisting the Board in fulfilling its fiduciary duties.

AUTHORITY:

This Audit Committee Charter establishes the authority necessary for the Audit Committee to carry out their Board establishes responsibilities. The Audit Committee shall have the resources and authority necessary to discharge its duties and responsibilities. In discharging its responsibilities, the Audit Committee will have:

- Unrestricted access to members of management, employees, and relevant information it considers necessary.
- Unrestricted access to books, records, data, reports, facilities and personnel. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or the Chief Audit Officer will request Board approval for resolution of the matter.

The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Association's management and staff should cooperate with Audit Committee requests.

The Audit 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 (2/3) majority vote of the full Board of Directors is required to deny an Audit Committee's request for resources.

The Audit Committee is empowered to:

- Appoint, compensate, retain, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the Association.
- Resolve any disagreement between management and the external auditor regarding financial reporting and other matters.
- Approve all auditing and non-audit services performed by auditors.
- Investigate any matter brought to its attention.

AUDIT COMMITTEE:

Composition:

The Committee will consist of at least four members of the full Board of Directors, as determined by the Board that meet the independence requirements of FCA regulation 620.30(b). 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 designate a Chairman and a Vice Chairman. The members should collectively possess sufficient knowledge of audit, public or corporate finance, financial reporting and disclosure, accounting procedures, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging trends. The Committee should identify training opportunities that are appropriate for its members to develop their skills in the areas listed above.

Terms of Office:

Committee members will serve one-year terms as appointed by the Board.

Quorum:

The quorum for the Audit Committee will be a majority of the members. No action shall be taken without a quorum present at any meeting.

Responsibilities:

It is the responsibility of the Audit Committee to:

- Review the Audit Committee's performance on an annual basis.
- Administer the internal audit activity to include audit planning, risk assessment of the audit universe and corrective action tracking.
- Provide input for the development and scope of the annual internal audit plan.
- Review and approve the annual internal audit plan.
- Review a summary of major findings by the internal auditors and management's action plans for addressing these.
- Review regulatory reports submitted to the Association and monitor management's responses to them.
- Administer a program to conduct a Quality Assurance Review (QAR) of the internal audit activity every five years as recommended by the Institute of Internal Auditors.

OPERATIONAL PRINCIPLES:

Communications:

The Audit Committee expects that all communications with management and staff of the Association, as well as with any external assurance providers, will be direct, open and complete. The Audit Committee desires all communications and/or information be provided to members of the Audit Committee at least one week prior to each Audit Committee meeting.

Work Plan:

The Audit Committee Chair will collaborate with the Chief Audit Officer (CAO) to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and carried out.

Meeting Agenda:

The Chief Audit Officer will collaborate with the Audit Committee Chair to establish meeting agendas for Audit Committee meetings.

Executive Sessions:

The Audit Committee will schedule, and hold executive sessions with the Chief Audit Officer (COA) as necessary. The Audit Committee may request executive sessions with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and/or other members of senior management and/or external assurance providers as necessary.

Conflict(s) of Interest:

Audit Committee members should adhere to the Association's Code of Ethics and any values established by the Association. It is the responsibility of Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.

Meetings:

The Audit Committee will meet at least four times annually or more frequently as circumstances dictate or the Committee deems necessary. The time frame between Audit Committee meetings should not exceed four months. Meetings may be held in person, by telephone 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 CAO, and any other independent assurance provider as often as needed to discuss any matters the Committee, or any of these groups, believe should be discussed. All meetings and other actions of the Committee shall be held or otherwise taken pursuant to the Association's bylaws.

Minutes:

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure and/or other applicable requirements. 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 designee 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 designee shall be available to answer any questions the Board may have regarding the matters considered and actions taken by the Committee. Meeting minutes will be prepared in draft format as soon as practical after each Audit Committee meeting.

OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY AND OTHER ASSURANCE PROVIDERS:

Internal Audit Activity:

To obtain reasonable assurance with respect to work of the internal audit activity, the Audit Committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with mandatory guidance of the IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in financial, risk management, and governance processes of the Association and reflects developments in the professional practice of internal auditing.
- Review the responsibilities, staffing, organizational structure, and performance of the internal audit activity. The CAO will report directly to the Board and Committee and be authorized to contract with external parties to perform any contract audits according to the audit plan or special request.
- Review and approve increases and/or decreases to staffing resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

Chief Audit Officer

- Determine CAO qualifications for recruitment, appointment, and removal of the CAO.
- Employ, evaluate, set compensation and supervise the CAO. The Committee may seek input from the CEO and others as appropriate, and may assign administrative oversight of the CAO to the CEO.

- Provide input to management related to evaluating the performance of the CAO.
- Recommend to management or the governing body the appropriate compensation of the CAO.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures and outcomes.
- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.
- Review any changes to the approved internal audit plan as well as significant change to the scope of audits.
- Review reports and findings resulting from internal audit's independent evaluation of systems of internal controls and operations and monitor management's corrective action plans to any noted deficiencies.

Internal Audit Engagements and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the CAO whether any internal audit engagements or non-audit engagements have been completed but not reported to the Committee; if so, inquire whether any matters of significance arose from such work.
- Inquire of the CAO whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Standards of Conformance

- Inquire of the CAO about steps taken to ensure that the internal audit activity is working towards conformance with the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the Board about any recommendations for the continuous improvement of the internal audit activity.

External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagement and recommendations for management.

The Audit Committee will:

- Appoint, compensate and retain external auditors issuing audit reports of the Association.
- Review the external auditors' proposed audit scope and approach, including the coordination of audit efforts with the internal audit activity.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Obtain statements from the external auditors about their relationships with the Association, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings (executive sessions) with external auditors to discuss any sensitive matters.
- Review any significant recommendations and monitor management's progress on corrective action plans.
- Review the external auditor's work.
- Ensure the external auditor reports directly to the Audit Committee.
- Approve any non-audit services except those services specifically prohibited by FCA Regulation 621.31.
- Ensure the external auditor complies with the auditor independence provisions of FCA Regulation 621, Subpart E. and 620.30(d)(2)(iv).

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

Financial Statements and Reporting

The Audit Committee is responsible for oversight of the independent audit of the Association's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance and ethics.

The Audit Committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant auditing, accounting and reporting developments and issues, including complex or unusual transactions and highly judgmental areas, and recent professional and

regulatory pronouncements, and understand their impact on the financial statements.

- Review the quarterly and annual financial statements, FCA Call Reports, and any other reports or other significant financial information, to consider whether they are complete, consistent with information known to the committee members, and reflect appropriate accounting principles.
- Review sections of the quarterly and annual reports, FCA Call Reports, and any other regulatory filings to consider the accuracy and completeness of the information before it is issued.
- Review any certification, report, opinion, or review rendered by the external auditors.
- Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Review interim financial reports with management and external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Meeting minutes will record agreement or disagreement with any financial report or policy under review by the Audit Committee.

Other Responsibilities

In addition, the Audit Committee will:

- Perform other activities related to this charter as requested by the governing body.
- Institute and oversee special investigations as needed.
- Regularly evaluate its performance and that of its individual members.
- Review the adequacy of this charter annually and report to the Board on its appropriateness and any recommended changes.
- Obtain education and/or training on relevant topics to enhance Committee member's understanding of topics brought before the Audit Committee.
- Review annually the Association's Standards of Conduct Policy and Code of Ethics to ensure management has established a system of enforcement.
- Review matters that may have a material impact of the financial statements, policies or procedures.
- Meet with the CFO to discuss the system of internal controls and the quality of credit.
- Receive and investigate complaints from employees and others regarding questionable accounting, internal controls, unethical dealings, corporate waste, illegal activities or fraud. Establish and maintain procedures for the confidential, anonymous submission of such complaint (i.e., whistle-blower program)
- Review 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.

- 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 bylaws and governing laws, as the Committee or Board deems necessary or appropriate.

Reporting on Audit Committee Performance

The Audit Committee will report to the Board periodically, summarizing the Committee's activities and recommendations. The report may be derived during an Audit Committee meeting attended by the Board or during a regularly scheduled meeting of the Board.

The report should include:

- A summary of the work the Audit Committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of managements risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the Association.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The Committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

REFERENCES

FCA Regulation 620.30 – Audit Committees

FCA Regulation 621 – Accounting and Reporting Requirements

FCA Regulation 618.8430 – Internal Controls

Audit Committee Review/Approval: 12-12-2024

Governance Committee Review and Board Approval: 2-27-2025

Approval Signatures

Step Description	Approver	Date
Corporate Secretary Approval	Melissa Driver: Corporate Secretary	03/2025
	Adam McKenery: Chief Audit Officer	03/2025