



**Federal Land Bank Association  
of Kingsburg, FLCA**

---

***AUDIT COMMITTEE CHARTER***

**PURPOSE**

The Board of Directors (Board) of the Federal Land Bank Association of Kingsburg, FLCA (Association) has created a committee of directors to be known as the Audit Committee (Committee) for the purpose of assisting the Board in fulfilling its fiduciary and oversight responsibilities for the financial reporting process, the systems of internal control, the audit process, and the Association's process for monitoring compliance with laws, regulations, policies, the standards of conduct, and public responsibilities. To this end, the Committee will:

- Oversee and appraise the quality of the audit effort of the Association's internal audit function and those of its independent accountants;
- Maintain, by scheduling regular meetings, open lines of communications among the Board, its internal audit function and its independent accountants to exchange views and information as well as confirm their respective authority and responsibilities;
- Serve as an independent and objective party to review the financial information presented by management to stockholders, regulators, and the general public; and
- Determine the adequacy of the Association's administrative, operating, and internal accounting controls and evaluate adherence thereto.

**COMPOSITION**

The Committee will consist of at least three members, and will generally include the entire Board. Annually, the Board will elect all Committee members and will designate the Committee Chairman and Vice Chairman. The Committee Chairman will normally not be the Board Chairman.

**AUTHORITY**

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

- Approve the Association's annual audit plan.
- Pre-approve all auditing services.
- Appoint, compensate, and oversee the work of a registered public accounting firm employed by the organization.
- Meet with Association officers, external auditors, or outside counsel, as necessary.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.

## **MEETINGS**

The Committee will meet at least two times a year, with authority to convene additional meetings, as circumstances require. Meetings can be in person or conference calls. All attendees can participate in person or via telephone or videoconference. Meetings can be called by the Chairman of the Board, the Chairman of the Committee, the Chief Executive Officer, or Internal Auditors. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors, and management in executive sessions as needed. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

## **RESPONSIBILITIES**

The Committee is responsible for the following activities. These responsibilities will be discharged through the assistance of credit or fiscal internal auditors, external auditors and appropriate Association management.

### **Financial Statements**

- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review significant accounting and reporting changes 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 and other sections of the annual report before release, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Statements will be provided prior to release to each Committee member. Committee members will have a specified and reasonable period of time to raise questions or call for a meeting prior to certification by the Chairman and release of these reports.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.

### **Internal Control**

- Consider the effectiveness of the Association's internal control environment related to annual and interim financial reporting, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Evaluate the adequacy of internal control systems by reviewing written reports from the internal and external auditors and regulators along with management's response and actions to correct any noted deficiencies.
- Identify and direct any special projects or investigations deemed necessary.

## **Internal Audit**

- Review and approve the annual audit plans developed and recommended by credit or fiscal internal auditors.
- Ensure there are no unjustified restrictions or limitations on the internal audit function.
- Ensure that internal auditors utilize adequate scopes of work and have full access to all information needed.
- Prior approve the appointment, replacement, dismissal, performance standards, and compensation of the credit or fiscal internal auditor. The credit or fiscal internal auditor will report directly to the Board and Committee.
- Review all reports and findings resulting from the internal audit function's independent evaluation of the systems of internal control and continuing operations.
- Meet separately with the credit or fiscal internal auditor to discuss any matters that the Committee or internal audit believes should be discussed in an executive session.

## **External Audit**

- Ensure that an annual external audit is conducted in compliance with statutory requirements.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval of the compensation, appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Association, including non-audit services, and discussing the relationships with the auditors. Prior approval of all non-audit services provided by the external auditors.
- Ensure there are no unjustified restrictions or limitations on the external audit.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review any management letters issued by the external auditors. Meet with external auditors as circumstances warrant.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

## **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

- Review the process for communicating the standards of conduct to Association personnel, and for monitoring compliance therewith.

### **Reporting Responsibilities**

- The Committee Chairman will report on the activities of the Committee to the full Board.
- Minutes of the Committee will be provided to the full Board.
- The Committee will facilitate an open avenue of communication between internal audit, the external auditors, and the Board.