

# **LOUISIANA LAND BANK, ACA**

## **AUDIT COMMITTEE CHARTER**

### **I. PURPOSE**

The Audit Committee is a committee of the Board of Directors. The primary function of the Audit Committee is to fulfill its oversight responsibilities relating to the quality of financial reporting and internal controls. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Association's policies, procedures and practices at all levels.

### **II. AUTHORITY**

While the Audit Committee has the powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Association's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditor. However, it is the responsibility of the Audit Committee to ensure reasonable steps are taken by management to ensure the accuracy of financial reporting and that strong, independent internal controls which are essential to safe and sound operations are in place. Internal audit, appraisal review and credit review programs are critical components of an institution's internal control environment.

To enable the Audit Committee's ability to fulfill its purpose, the following authorities have been specifically assigned by the board and/or are required by regulation:

- Determine the appointment, compensation, and retention of the external auditor retained to prepare the financial audit reports. Give prior approval for any non-audit services performed by the external auditor, in compliance with FCA regulation and auditor independence provisions. The external auditor shall report directly to and be supervised by the Audit Committee.
- Serve as an independent and objective party to review the financial information and internal controls assertion presented by management to the shareholder, regulators and the general public.
- Review and appraise the audit efforts of the Association's external auditors and internal auditing function.
- Monitor the Association's compliance with legal and regulatory requirements.
- Monitor the activities of the internal audit function.
- Provide an open avenue of communication among the external auditors, internal credit reviewers, appraisal reviewers, financial and senior management, the internal auditing function, and the Board of Directors.
- Oversee the Association's systems of internal control related to the preparation of financial reports, including control of the institution to ensure compliance with laws and regulations.

The Audit Committee will fulfill these responsibilities by carrying out the activities and processes enumerated in the following sections of this Charter. In doing so, the Committee has full access to all books, records, facilities, and personnel of the Association and the power to retain outside counsel or other experts considered necessary in discharging its oversight role including retaining services for training on industry best practices. A two-thirds majority vote of the Board of Directors is required to deny request for resources.

### **III. COMPOSITION**

The Audit Committee shall be comprised of at least three 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: public and corporate finance, financial reporting and disclosure or accounting procedures.

The Chairman and members of the Committee shall be appointed by the Chairman of the Board at the board meeting following the reorganization meeting of the Board and shall serve until their successors shall be duly selected and qualified. The director designated as the financial expert shall serve on the Audit Committee. Audit Committee Members will attest annually that they meet the independence requirements as stated in 620.30.

The Audit Committee reports directly to the Board of Directors.

### **IV. MEETINGS**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet as often as needed, but at least once per year, with management, the internal audit firm, internal credit reviewers, appraisal reviewers and the external auditors in separate executive sessions, as deemed necessary by the Audit Committee Chairman, to discuss any matters that the Committee or any of these groups believe should be discussed.

On a regular basis, the Audit Committee meets in executive session to discuss fraud and risk topics with management.

### **V. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Audit Committee shall, with such assistance from management as the committee deems appropriate:

#### Financial Reports

1. Review and determine the adequacy of the Association's accounting policies and practices and any accounting policy changes relating to the preparation of financial statements through discussions with Internal Audit, external auditor and Association management. Receive and review periodic reporting on current regulatory, accounting or reporting developments and any significant accounting changes from management.
2. Review and approve the Association's annual and quarterly financial statements and any reports or other significant financial information including any certification, report, opinion, or review rendered by the external auditor.
3. Review and approve, prior to the issuance, each press release of financial results.
4. Review, prior to release of information, any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls.
5. Review the effect of off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors and earnings press releases and other reports or written electronic material disclosing "pro-forma," or "adjusted" non- GAAP information.

### External Auditors

6. Approve the selection of the appraisal reviewers, credit reviews, internal audit firms and other related firms as needed, considering independence and effectiveness, review the planning and staffing for the annual audit, and approve the fees and other compensation to be paid to these auditors. Since the Association is a member of the Farm Credit System, flexibility with appointment of the external auditor is extremely limited. The committee will work to ensure that the engagement of the external auditor conforms with district and national oversight expectations.
7. 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.
8. Review the performance of the external auditors, appraisal reviewers and credit review firms, and approve any replacement when circumstances warrant.
9. Periodically consult with the external auditors and credit review firm in executive session to discuss internal controls, and the fullness and accuracy of the organization's financial statements.
10. Review with the external auditors, appraisal reviewers and credit reviewers any problems or difficulties which they may have encountered during the annual review including any disagreement among management and the external auditors, appraisal reviewer, credit reviewer or the internal auditing department in connection with the preparation of the financial statements credit review results.
11. Review any significant recommendations in the management letter provided by the accountants and the Association's response to the letter.
12. Review fees paid to the external auditors on a quarterly basis.
13. Discuss with the external auditors their judgments about the quality and appropriateness of the Association's accounting principles as applied in its financial reporting.

### Internal Controls

14. Evaluate the adequacy of the Association's internal controls by review of written reports from the internal and external auditors, and management. Monitor management's response and action to correct any noted deficiencies.
15. Meet at least annually, or as needed, with the chief executive officer to discuss and provide input on the Association's system of internal controls.
16. Receive periodic reports on internal controls or certain control environments (i.e. SAS 70, Section 404).

### Internal Auditor

17. Review and approve the scope of internal audit's plan for the year as well as the credit and appraisal review programs.

18. On a periodic basis, review the status of the internal audit plan and the activities of management responding to audit issues.
19. Review with management, at least on a quarterly basis, tracking reports of reviews to ensure that recommended improvements are implemented.

#### Ethical and Legal Compliance

20. Review, with the Association's General Counsel, 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.
21. Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters for the confidential, anonymous submission by Association employees of concerns regarding questionable accounting or auditing matters. On at least a quarterly basis, review reports of complaints from the whistleblower hotline. Complaints determined to be material should be reported to the Audit Committee within 60 days.

#### Other Duties

22. Maintain records of meetings including attendance for a minimum of three fiscal years.
23. Minutes must contain record of agreement or disagreement when the Committee reviews financial policies, procedures or reports.
24. Review the adequacy of this charter on an annual basis
25. Annually, management will collect and report the Audit Committee's training to the governance committee.
26. The Audit Committee will complete a self-assessment at least annually.
27. 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

Approved by the Louisiana Land Bank, ACA Audit Committee and then by Board of Directors at a meeting held February 27, 2024.