

AUDIT COMMITTEE CHARTER
OF THE
CENTRAL TEXAS FARM CREDIT, ACA

PURPOSE AND OBJECTIVES

The audit committee is appointed by the Board of Directors to assist the Board in discharging its oversight responsibilities. The audit committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The audit committee will also review the effectiveness of the Association's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor; the Association's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct.

In performing its duties, the committee will maintain effective working relationships with the Board of Directors, management, and the external auditors. To perform their role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities and of the Association's business, operations and risks.

AUTHORITY

The Board authorizes the audit committee, within the scope of its responsibilities, to:

- Perform activities within the scope of its charter.
- Engage independent counsel and other advisers, as it deems necessary to carry out its duties.
- Ensure the attendance of Association officers at meetings as appropriate.
- Have unrestricted access to members of management, employees and relevant information.
- Establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters.
- Establish procedures for the receipt, retention and treatment of complaints received by the Association regarding accounting, internal accounting controls or auditing matters.
- Be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor.
- Approve all audit engagement fees and terms as well as reviewing policies for the provision on non-audit services by the external auditors.

ORGANIZATION

Membership

- The entire Board of Directors of the Central Texas Farm Credit, ACA will comprise the Association's audit committee.
- A quorum of any meeting will be at least fifty percent of the members.
- Each member should have skills and experience appropriate to the Association's business.
- Each member shall be financially literate; with preferably one member having accounting or related financial expertise.
- Each member of the Board shall serve as a member of the audit committee as long as he/she remains a Board member.

Meetings

- The audit committee may invite such other persons (eg the CEO, COO, Controller, head of the internal audit and external audit engagement partner) to its meetings, as it deems necessary.
- The external and internal auditors should be invited to make presentations to the audit committee as appropriate.
- Meetings shall be held not less than four times a year and should correspond with the Association's financial reporting cycle.
- Special meetings may be convened as required or requested by the external or internal auditor.
- The agenda and supporting documentation shall be provided to the audit committee members a reasonable period in advance of each meeting.
- The minutes of meetings shall be provided to members of the committee.
- Members of the audit committee should attend every meeting of the committee.
- The committee should meet with outside legal counsel if it is deemed necessary.

ROLES AND RESPONSIBILITIES

The audit committee will:

Internal Control

- Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
- Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems comply with relevant standards and requirements and are subject to appropriate management review.

- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.

Financial Reporting

- Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements prior to their release.
- Review management's process for ensuring that information contained in analyst briefings and press announcements is consistent with published financial information, balanced and transparent (particularly regarding GAAP vs non-GAAP data).
- Meet with management and the external auditors to review the financial statements, the key accounting policies and judgments, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practices are discussed with the external auditor.
- Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the Association and its operations and lacks bias.

Compliance with Laws and Regulations

- 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 fraudulent acts or non-compliance.
- Obtain regular updates from management and Association's legal counsel regarding compliance matters that may have a material impact on the Association's financial statements or compliance policies.
- Be satisfied that all regulatory compliance matters, related to the business of the Association, have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

Working with Auditors

- Review the professional qualification of the auditors (including background and experience of partner and auditing personnel).
- Consider the independence of the auditors and any potential conflicts of interest.

- Discuss with the auditors any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- Ensure that significant findings and recommendations made by the auditors and management's proposed response are received, discussed and appropriately acted on.
- Meet separately with the auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chairman of the audit committee when required.

REPORTING

Ensure each member is aware of matters that may significantly impact the financial condition or affairs of the Association.

Prepare any reports required by law or regulations such as a report on the audit committee's activities and duties to be included in the section on corporate governance in the annual report.