

POLK-BURNETT ELECTRIC COOPERATIVE

Policy No.: **BD-2a**

Subject: **Audit Committee of the Board of Directors**

Objective: To set forth this board's policy regarding establishment and operation of an audit committee, which consists of the full board, for the purpose of selecting the cooperative's audit firm, and assuring its independence and effectiveness.

Policy: A. *Charter of the Audit Committee*

The board of directors as the audit committee fulfills its oversight responsibilities to the cooperative's member-owners, lenders, regulators and the community. The responsibility includes scrutiny of the cooperative's financial reporting process, systems of internal accounting and financial controls, code of ethics compliance, engagement of independent auditors and such other functions as may be delegated to the committee.

In discharging its duties, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the cooperative and is authorized to engage independent counsel and other advisers it determines necessary to carry out its responsibilities.

B. *Organization and Operations of the Audit Committee*

The audit committee is constituted and conducts its affairs as follows:

1. The committee meets at least annually to:
 - Adopt a training program for its members.
 - Engage independent auditors to allow for timely evaluations of the cooperative's internal control systems and examination of its annual financial statements; and
 - Review the independent audit and management reports.As circumstances require, the chairperson is authorized to convene additional meetings to confer with the cooperative's general counsel and internal audit staff or for other purposes.
2. The audit committee receives training by the cooperative finance and accounting staff, its independent auditors, industry associations or other sources to assure its members have working familiarity with the cooperative's finance and accounting practices, its business and internal control systems and the role of its independent auditors.
3. The presence of a majority of committee members in person or by teleconference is required for transaction of its business.
4. Minutes of the committee's meetings are promptly distributed to all members of the board of directors.

C. *Functions and Responsibilities*

The duties of the audit committee include the following:

1. Continuing education to maintain expertise sufficient to provide oversight of the cooperative's risk assessment, financial reporting, internal control, audit and related processes.
2. Specification of the required qualifications of independent auditors to serve the cooperative, including independence, internal control evaluation capabilities, and

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- technical competence as well as expertise in the public utility operation and regulation, taxation of electric cooperatives and the cooperative's diversified businesses.
3. Engagement of the cooperative's independent auditors and review of their plans for evaluation of the cooperative's internal controls and audit execution, review of audit and management reports, resolution of conflicts with management and payment of fees.
 4. Review the proposed work plans of the cooperative's internal audit function, if any, as well as internal audit findings and recommendations regarding internal controls and other matters.
 5. Review of the cooperative's annual report, reports to regulatory authorities and lenders and other published reports.
 6. Investigation of such other matters as may come to the committee's attention.

D. Policy Review

The board of directors reviews the policy on a regular basis, considers recommendations of cooperative management and others, and amends this policy as appropriate.

Edward O. Gullickson, President
January 29, 2018