

West Virginia University Board of Governors
AUDIT COMMITTEE CHARTER
(Approved February 21, 2014)

Mission

The Audit Committee is appointed by the Board of Governors to assist the Board in fulfilling its oversight responsibilities. The committee will oversee the accounting and financial reporting processes to ensure the integrity of published financial information. The committee will also review (1) the effectiveness of the internal control structure, (2) the independent auditor's qualifications, independence, and performance, (3) the performance of the University's internal audit function, and (4) the University's compliance with laws and regulations including the West Virginia Ethics Act and the Board's policies and procedures.

The committee is responsible for maintaining open communications as well as effective working relationships among the independent auditors, internal auditors, and management of the University. The committee will set the overall tone at the University for quality financial reporting, sound risk practices, and ethical behavior.

Committee Membership

The Audit Committee shall consist of no fewer than three members. To the extent possible in light of the membership of the Board, all members of the Audit Committee shall be able to read and understand fundamental financial statements. No member of the Audit Committee shall have participated in the preparation of the financial statements of the University in the past three years. To the extent possible, at least one member of the Audit Committee shall have accounting or related financial management expertise.

The members of the Audit Committee shall be Board members and appointed by the full Board.

Meetings

The Audit Committee shall meet as often as it determines necessary, but not less frequently than three times per year. The Audit Committee may meet periodically in separate executive sessions with General Counsel, Management, the internal auditors, and the independent auditor, and others as the members of the Audit Committee deem appropriate. The Audit Committee may request any officer or employee of the University or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The agenda for every meeting of the Audit Committee shall be prepared by the Audit Committee Chairperson with the assistance of the University Director of Internal Audit. Briefing materials will be provided to the Audit Committee in advance of meetings, per the schedule established by the Board and Special Assistant to the Board. The Audit Committee members, independent auditors, internal auditors, and Management may suggest agenda items, with the Chairperson

approving the agenda prior to each meeting. No final action shall be taken on an item that is not consistent with the agenda or purpose of the meeting.

Committee Authority and Responsibilities

The Audit Committee shall recommend to the Board the appointment and compensation of independent auditors. The Audit Committee shall be responsible for and shall report as appropriate to the full board regarding oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. Subject to the foregoing, the independent auditor shall report to the Board.

The Audit Committee shall make recommendations to the full Board on pre-approval of all auditing services, internal control-related services, and permitted non-audit services (including the fees and terms thereof) to be performed for the University by its independent auditor. The Board may delegate authority to the Audit Committee to grant pre-approvals of audit and permitted non-audit services, provided that decisions of the Audit Committee to grant pre-approvals shall be presented to the full Board at its next scheduled meeting.

The Audit Committee shall have the authority to engage independent counsel or other advisors, as necessary to carry out its duties. The University shall provide appropriate funding as determined by the Audit Committee for payment to the public accounting firm and any advisors employed by the Audit Committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter. The Audit Committee shall recommend any proposed charter or Audit Committee responsibility changes to the Board for approval.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

- Discuss with the independent auditor the matters required to be discussed by Statements on Auditing Standards No. 114 (AU Section 380) *The Auditor's Communication With Those Charged With Governance* relating to the independent auditor's responsibilities, scope and timing of the audit, significant findings, uncorrected misstatements, significant difficulties encountered in the course of the audit, and any other significant issues relevant to those charged with governance.
- Review and discuss with Management and the independent auditor the annual audited financial statements, including disclosures made in Management's Discussion and Analysis.
- Discuss with Management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the University's financial statements, including any significant changes in the

University's selection or application of accounting principles, any major issues as to the adequacy of the University's internal controls, and any special steps adopted in light of material control deficiencies.

- Review and discuss with Management and the independent auditor any major issues as to the adequacy of the University's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- Discuss with Management the University's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the University's risk assessment and risk management policies.

Oversight of the University's Relationship with the Independent Auditor

- Review and evaluate the experience of the lead partner of the independent auditor team in auditing and reporting on financial statements for state institutions of higher education and managing a complex engagement.
- Obtain and review a report from the independent auditor at least annually regarding:
 - (a) the independent auditor's internal quality-control procedures,
 - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting independent audits carried out by the firm, and
 - (c) any steps taken to deal with any such issues.
- Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and the Director of Internal Audit. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
- Obtain from the independent auditor a formal written statement delineating all relationships between the independent auditor and the University. It is the responsibility of the Audit Committee to actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for purposes of taking, or recommending that the full Board take, appropriate action to oversee the independence of the independent auditor.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit. Consider whether, in order to assure continuing auditor independence, it is

appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

- It will be the practice of WVU to not hire any person as CEO, controller, CFO, chief accounting officer, or any person in an equivalent position, if the independent accountant has employed them within the prior year.
- Discuss with the independent auditor material issues on which the national office of the independent auditor was consulted by the University's audit team.
- Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

Oversight of the University's Internal Audit Function

- Review the appointment, performance and replacement of the University Director of Internal Audit.
- Review the significant reports to Management prepared by the Internal Audit Office and Management's responses.
- Discuss with the University Director of Internal Audit, independent auditor, and Management the Internal Audit Office responsibilities, budget, staffing and any recommended changes in the planned scope of Internal Audit.
- Review, with the University Director of Internal Audit, any significant difficulties or disagreements with management or scope restrictions encountered in the course of the function's work

Compliance Oversight Responsibilities

- Review reports, as provided, from Management, the University Director of Internal Audit, the independent auditor, General Counsel and others as appropriate regarding compliance with applicable laws and regulations, including the West Virginia Ethics Act and the Board's policies and procedures. Review the results of investigations and follow-up activities for instances of reported noncompliance.
- Recommend to the full Board or Management, as appropriate, procedures for the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with Management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the University's financial statements or accounting policies.

- Discuss with the University's General Counsel legal matters that may have a material impact on the financial statements or the University's compliance policies and internal controls.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and 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 University's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the independent auditor.