Western Michigan University (WMU)
Audit Committee Charter

Purpose and Scope of Responsibility

To assist the WMU Board of Trustees (hereinafter “Board of Trustees”) in fulfilling its oversight responsibilities relating to: (1) the integrity of the University’s financial statements, and internal control system (2) the external auditor’s qualifications and independence, (3) the performance of the University’s external auditors, (4) communication with and oversight of the University’s internal auditors, (5) matters involving compliance with Board policies, including conflict of interest; and other matters designated by the Chair of the Board, the President, Treasurer, or Assistant Treasurer.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. The audit committee shall have no other authority than that conferred on them by the Board of Trustees, shall exercise no final authority, and shall have no power to act on behalf of or in place of the Board of Trustees. It is empowered to:

- Appoint and oversee the work of the public accounting firm employed by the University to conduct the annual financial audit subject to the recommendation of the Treasurer, as well as other contracted engagements.
- Resolve any disagreements regarding financial reporting.
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from the appropriate individuals, all of whom are directed to cooperate with the committee’s requests, or external parties.
- Meet with officers, external auditors, or outside counsel as necessary.
- Make determinations brought to it by the Director of Internal Audit upon request by the President, or the Treasurer, Assistant Treasurer, or General Counsel, in response to disclosed, potential, and/or actual conflicts of interest as defined by the University’s conflict of interest policy.
- Other responsibilities as the Chair of the Board of Trustees directs or requests.
- Other actions as described in this Charter.

Composition

The audit committee will consist of at least three (3) members and no more than five (5) members. The committee can be comprised of current and/or emeriti trustees of the Board, current and/or former directors of the WMU Foundation, alumni of the University, or WMU community members that have some interest in WMU.

Each committee member will be independent and have a basic understanding of finance and accounting, with the ability to read and understand fundamental financial statements. The members should also collectively possess sufficient knowledge of audit, finance, specific
industry knowledge, IT, law, governance, risk, and control. Committee member additions are to be approved by the Board of Trustees.

Meetings

The committee will meet as needed but will convene at least twice per fiscal year, with authority to convene additional meetings as circumstances require. The committee will invite University employees, auditors, or others to attend meetings and provide pertinent information as necessary.

Responsibilities

The committee is charged with carrying out the responsibilities as described above and as follows:

Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
  - Complex or unusual transactions and highly judgmental areas
  - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the University’s selection or application of accounting principles
  - The effect of regulatory and accounting initiatives as well as off-balance sheet structures on the financial statements of the University
- Review analyses prepared by University staff and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- Review with the Treasurer and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the external auditor’s activities or on access to requested information and any significant disagreements with the Treasurer.
- Discuss the annual audited financial statements with the Treasurer and the external auditors, including the University’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- Recommend acceptance of the audited financial statements to the Board of Trustees.
- Other responsibilities as the Chair of the Board of Trustees directs or requests.

Internal Control

- Consider the effectiveness of the University’s internal control system, including information technology security and control.
- Understand the scope of internal and external auditor’s review of financial and internal control system, and obtain reports on significant findings and recommendations together with management’s responses.
Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review significant findings of any financial and internal control system examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from the President, Treasurer, and General Counsel, as appropriate, regarding significant compliance matters.

External Audit

- Review with the external auditor the annual audit plan including, proposed audit scope, approach, risk assessment, critical accounting policies and estimates and scope of reports to be issued for other University reporting entities or activities, including coordination of audit effort with the University’s Internal Audit Department.
- At least twice per fiscal year, meet with the external auditor to discuss audit conclusions and review the results including the applicable audit reports, required auditor communications and any management letters of recommendation.
- At least annually but as needed, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Internal Audit

- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
- Review internal audit reports and results of special investigations.
- Inquire of the Director of Internal Audit about steps taken to ensure that internal audit activity conforms with the IIA’s International Standards for the Professional Practice of Internal Auditing.
- Inquire of the Director of Internal Audit whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Conflicts of Interest

- Adhere to the Board of Trustee’s Conflict of Interest Policy. It is the responsibility of the audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee.
- Make any determination as requested by the Board of Trustees or senior university administrators pursuant to the University’s Conflict of Interest Policy regarding a transaction or arrangement involving a material interest between the University and any interested person.
Reporting Responsibilities

- Regularly report to the Board of Trustees about committee activities, such as issues that arise with respect to the quality or integrity of the University’s financial statements, the University’s compliance with legal or regulatory requirements, and the performance and independence of the University’s external auditors.
- Provide an open avenue of communication between the University’s internal auditors, the external auditors and the Board of Trustees.
- Review any other reports the University issues that relate to committee responsibilities.

Other Responsibilities

- Discuss with the Treasurer the University’s major policies with respect to risk assessment and risk management as it relates to the financial and internal control activities of the University.
- Review and monitor the University’s methods and procedures for the receipt, retention, and treatment of significant allegations of criminal or ethical violations reported by University employees, students, contractors, and other University affiliated persons.
- Review all whistleblower allegations that are reported to the internal audit department through the reporting hotline or other medium. Provide oversight of internal audit and management’s response to the allegations.
- Perform other activities related to this charter as requested by the Board of Trustees.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board of Trustees approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Audit Committee Charter

Approved by the WMU Board of Trustees on July 25, 2012
Revised by the Audit Committee June 8, 2016
Last reviewed by Audit Committee February 18, 2019
Approved by WMU Board of Trustees as revised on ____________, 2019