
A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII BOARD OF REGENTS
INDEPENDENT AUDIT COMMITTEE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 304A-321, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (b) to read:

4 "(b) The independent audit committee shall consist of at
5 least three members but not more than five members who shall be
6 appointed by the chairperson of the board of regents, from among
7 the members of the board of regents, except as provided in this
8 subsection. The chair of the independent audit committee shall
9 be selected [~~by and from among its members.~~] in a manner
10 consistent with the bylaws of the board of regents.

11 The independent audit committee shall include one or more
12 individuals with financial expertise. [~~If no member of the~~
13 ~~board of regents has the requisite skills, the board of regents~~
14 ~~shall execute other arrangements, which may include the~~
15 ~~appointment of members of the general public who possess the~~
16 ~~requisite financial expertise to the independent audit committee~~



1 ~~to ensure that the independent audit committee has the capacity~~
2 ~~to carry out its duties.] "~~

3 2. By amending subsection (d) to read:

4 "(d) The independent audit committee shall be exempt from
5 chapter 91 and part I of chapter 92 to the extent that the
6 independent audit committee is engaging in discussions with
7 internal or external auditors on matters that should remain
8 confidential in accordance with nationally recognized best
9 practices for independent audit committees, or proceedings
10 arising from an investigation by the independent audit committee
11 relating to potentially actionable civil or criminal conduct,
12 whether or not the investigation is pending or outstanding. At
13 the discretion of the chair of the independent audit committee,
14 discussions under this subsection may be held in the absence of
15 the president of the University of Hawaii or the chief financial
16 officer of the university."

17 3. By amending subsection (f) to read:

18 "(f) The independent audit committee shall engage in
19 [operations] oversight relating to enterprise risk management
20 including:



- 1 (1) Providing oversight of risk management, which shall
2 include determining overall strategy and influencing
3 the university's risk philosophy;
- 4 (2) Inquiring of the president of the University of
5 Hawaii, the chief financial officer of the university,
6 and external auditors about significant risks or
7 exposures faced by the university;
- 8 (3) Assessing steps that the president of the University
9 of Hawaii has taken or proposes to take to minimize
10 those risks to the university and periodically
11 reviewing compliance with those steps; and
- 12 (4) Reviewing with the general counsel of the University
13 of Hawaii, external auditors, external counsel, and
14 the chief financial officer of the university legal
15 and regulatory matters that, in the opinion of the
16 president of the University of Hawaii, may have a
17 material impact upon the financial statements, related
18 organization compliance policies, and programs and
19 reports received from regulators."

20 SECTION 2. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 3. This Act shall take effect upon its approval.



Report Title:

University of Hawaii Board of Regents; Independent Audit Committee

Description:

Allows the chairperson of the Independent Audit Committee (IAC) of the University of Hawaii Board of Regents to be selected in a manner consistent with its bylaws. Clarifies that the responsibility of the IAC as to the University's enterprise risk management is to oversee, rather than engage in the pertinent operations. Exempts from chapter 91 and part I of chapter 92, Hawaii Revised Statutes, discussions between the IAC and internal or external auditors on matters that should remain confidential in accordance with nationally recognized best practices for independent audit committees. Allows the IAC chairperson to determine whether IAC discussions that are exempt from chapter 91 and part I of chapter 92, Hawaii Revised Statutes, may be held without the presence of the President or the Chief Financial Officer of the University. (SD1)

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