

---

---

# 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]~~ no more than five members who  
6 shall be appointed by the chairperson of the board of regents,  
7 from among the members of the board of regents, except as  
8 provided in this subsection. The chair of the independent audit  
9 committee shall be selected ~~[by and from among its members.]~~ in  
10 a manner 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 in proceedings  
10 arising from an investigation by the independent audit committee  
11 relating to potentially actionable civil or criminal conduct,  
12 regardless of whether [or not] the investigation is pending or  
13 outstanding. At the discretion of the chair of the independent  
14 audit committee, discussions under this subsection may be held  
15 in the absence of the president of the University of Hawaii or  
16 the chief financial 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."



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 Statutory material to be repealed is bracketed  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

3 SECTION 3. This Act shall take effect on July 1, 2060.



**Report Title:**

University of Hawaii; Board of Regents; Independent Audit Committee

**Description:**

Requires the independent audit committee chair of the University of Hawaii board of regents to be selected in a manner consistent with the board's bylaws. Limits the board of regent's flexibility to appoint members with certain skill sets to its independent audit committee. Clarifies the independent audit committee's role relating to enterprise risk management. Exempts the independent audit committee from chapter 91 and part I of chapter 92, HRS, in its discussions with auditors on matters that should remain confidential, in accordance with national best practices, and at the independent audit committee chair's discretion, allow the discussions to be held in the absence of the University of Hawaii president or chief financial officer. Effective 7/1/2060. (HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

