Charter of the Committee on Independent Audit
of the Board of Regents of the
University of Hawai‘i

Purpose
The purpose of the Committee on Independent Audit (Committee) is to assist the Board of Regents of the University of Hawai‘i (University) in fulfilling its oversight responsibilities as follows (Bylaws of Board of Regents, Article II, Section D, 2. e.g., and Hawai‘i Revised Statute §304A-321):
(1) Review and monitor the University’s financial, management, internal controls, and audit processes.
(2) Review and monitor the University’s compliance with policies, statutes, and regulations. Secure external auditors and determine the disposition of all resulting audit findings and reports.

Authority
The Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility with unrestricted and timely access to all University functions, books, records, information systems, data, personnel, and property as necessary to carry out its duties.

Membership
The Committee shall be comprised of three to five members (excluding ex-officio members). All Committee members will be financially literate, and at least one member will have accounting or related financial management experience which includes an understanding of generally accepted accounting principles and internal controls applicable to the University. If no member of the Board of Regents has the requisite financial literacy, the Board of Regents may appoint qualified members of the general public.

The chairperson and members of the Committee shall be appointed by the Board of Regent Chairperson and shall serve for one year or until the appointment of successors. The Board of Regent Chairperson shall be an ex-officio, voting member of the Committee. The President, as chief executive officer of the Board, shall assign a member of the University administrative staff to the Committee who shall be the administrative liaison with the chairperson of the Committee (Bylaws of Board of Regents, Article II, Section D, 3.).

Meetings
The Committee shall meet as often as it determines necessary (at least twice a year) to carry out its duties and responsibilities. To encourage open communications, the Committee shall meet periodically with (i) University Management (President, Senior Management Team, Council of Chancellors), (ii) the Director of the Office of Internal Audit, and (iii) the external auditors. The Committee, in its discretion, may ask others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

All meetings of and public appearances before the Board and Committee shall comply with the applicable sections of chapters 91 and 92, Hawai‘i Revised Statutes, and shall be as set forth in the Rules of Practice and Procedure of the Board of Regents (Hawai‘i Administrative Rules, Title 20, Subtitle 1, Chapter 1).
**Duties and Responsibilities**

The Committee shall provide assistance to the Board of Regents in fulfilling its fiduciary responsibility, relating to risk management, accounting, reporting practices, and the quality and integrity of the financial reports of the University. It is also the responsibility of the Committee to maintain free and open means of communication among the Board of Regents, University Management, Director of the Office of Internal Audit, and the external auditors.

In carrying out its duties and responsibilities, the Committee’s policies and procedures should remain flexible, so that it may be in a position to best address, react or respond to changing circumstances or conditions.

The following are the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may modify or supplement them as appropriate:

1. advise the Board of Regents on the selection, retention, fees, and termination of the external auditors who audit the financial records of the University.
2. oversee a system-wide risk management process and policy that includes:
   a. periodic enterprise risk assessments
   b. inquires with the Board of Regents, University Management, Director of the Office of Internal Audit, and the external auditors about significant risks or exposures facing the University;
   c. inquires with the Vice President for Legal Affairs/University General Counsel specifically with respect to legal and regulatory matters; and
   d. evaluate the steps University Management has taken or proposes to take to minimize the risks identified in this process and review compliance with such steps.
3. review with the Vice President of Budget and Finance/Chief Financial Officer, Director of the Office of Internal Audit and the external auditors the adequacy of the University’s internal controls over financial reporting, including computerized information system controls and security.
4. review with the Vice President of Budget and Finance/Chief Financial Officer and other University Management as deemed appropriate, Director of the Office of Internal Audit, and the external auditors the following as it relates to engagements performed by external auditors:
   a. audited financial statements and related footnotes;
   b. reports as required pursuant to the requirements of *Government Auditing Standards* and Federal audit requirements (*OMB Circular A-133* and *Uniform Guidance*);
   c. other reports promulgated by the *American Institute of Certified Accountants* (AICPA), such as reports on agreed upon procedures;
   d. remediation plans to address audit findings and internal control deficiencies;
   e. effect of any regulatory and accounting initiatives, as well as other unique transactions and financial relationships, if any;
   f. external auditor judgments about the quality, not just the acceptability, of the University’s accounting policies and principles as applied in its financial reporting.
5. review the internal audit function of the University, including the independence, authority and organizational reporting lines.
6. review and approve the annual external and internal audit plans and all significant changes to the plans.
7. review and discuss with the Director of the Office of Internal Audit the scope, progress, and results of the projects included in the internal audit plan, as well as the progress and results of the external audit plan.
8. review the Office of Internal Audit activities, staffing, organizational structure, and credentials.
9. submit the minutes of all meetings of the Committee to, or discuss the matters raised at each Committee meeting with the Board of Regents.
10. review and approve the Office of Internal Audit charter, and other governance documents related to its activities.
11. with respect to reports and other deliverables prepared by the Office of Internal Audit, read and review reports summarizing the results of the procedures performed by the Office of Internal Audit. At the discretion of the Committee’s Chairperson, final reports and other information may be requested from the Office of Internal Audit and disseminated to other members of the Committee and Board of Regents.
12. obtain the Board of Regents’ approval of this charter and review and assess this charter as conditions dictate (at least annually).
13. prepare or oversee the preparation of an annual report reviewing the effectiveness of the Committee.
14. in connection with the University’s antifraud programs, monitor the establishment of a whistleblower program that includes procedures with respect to the receipt, review, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, auditing matters, or suspected fraud.
15. hire external professionals (auditors, attorneys, consultants, etc.) as deemed necessary.
16. submit an annual report to the Board of Regents and the Legislature no later than twenty days prior to the convening of each regular session of the legislature on the following matters:
   a. all instances of material weaknesses in internal control, including the responses of University management; and
   b. all instances of fraud, including the responses of University management.
17. perform such other functions as assigned by the Board of Regents and/or its bylaws.

***

While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for preparing or certifying the financial statements, planning or conducting the audit or determining whether the University’s financial statements are complete, accurate and in accordance with accounting principles generally accepted in the United States of America.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are volunteers and are not employees of the University. Furthermore, it is not the duty or responsibility of the Committee or its members to conduct “field work” or other types of auditing or accounting reviews or
procedures or to set auditor independence standards. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the University from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee, in either instance absent actual knowledge to the contrary.

***