



Santa Clara Valley Water District

File No.: 21-0445

Agenda Date: 5/11/2021

Item No.: 3.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Receive the Board Audit Committee 2020 Self-Evaluation Report.

RECOMMENDATION:

Receive the Board Audit Committee 2020 Self-Evaluation Report.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

On August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of the Board's Chief Audit Executive. TAP International, Inc.

According to Article 9, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

At the March 17, 2021 BAC meeting the committee reviewed the completed self-evaluation forms (attached). Except for a few aspects, the BAC generally agreed that the overall governance of the committee was aligned with its charter. There was also general agreement that the committee composition was independent and had an adequate representation of diverse knowledge, skills, and abilities.

Specific aspects identified for improvement are as follows:

- Maintaining open communication with the Board and the Independent Auditor
- Allowing the independent auditor and external auditors to raise sensitive issues in compliance with the Brown Act
- Review of key decisions made by management that may impose material risk to Valley Water

business areas

- Routine communications with the financial auditor (at least quarterly)
- Review of audit results with the independent auditor and external auditors
- Sufficient resources and availability to carry out responsibilities defined by the BAC Charter
- Assessment of the written charter annually
- Meeting duration and content can be excessive on occasion

The following discussion amongst the BAC members identified Financial Audits as an area of concern. The following considerations were raised:

- Consider meeting with the auditor more frequently
- Consider conducting a 1:1 meeting between the financial auditor and the BAC members
- Consider establishing quarterly meetings between the BAC and the financial auditor
- Consider and discuss parameters for the selection of a future financial audit consultant

Based on the discussion, staff revised the BAC Work Plan to include a new line item for a quarterly financial update.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

- Attachment 1: BAC Self-Evaluation - Director Keegan
- Attachment 2: BAC Self-Evaluation - Director LeZotte
- Attachment 3: BAC Self-Evaluation - Director Santos
- Attachment 4: BAC Self-Evaluation - Director Kremen

UNCLASSIFIED MANAGER:

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