



Santa Clara Valley Water District

File No.: 21-0122

Agenda Date: 2/23/2021

Item No.: 4.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve Revised Clarifying Language to the Board Audit Committee Audit Charter.

RECOMMENDATION:

Approve Revised Clarifying Language to the Board Audit Committee Audit Charter.

SUMMARY:

The Board Audit Committee (BAC) was established by the Valley Water Board of Directors (Board) to identify potential areas and priorities for auditing; to review, update, plan, and coordinate the execution of Board audits. On September 26, 2018, the BAC directed that a Board Audit Committee Audit Charter (BAC Audit Charter) be developed, and on June 26, 2019, it approved of a final version of the BAC Audit Charter to recommend for approval by the Board. At its regular meeting of August 27, 2019, the Board formally approved the BAC Audit Charter. As a best practice, the BAC Audit Charter provides the BAC with formal Board guidance regarding its purpose, duties, and powers. It also ensures that audits are carried out in accordance with the expectations of the Board and in accordance with commonly recognized audit standards.

At the September 16, 2020, BAC meeting, the BAC recommended that staff present to the full Board for approval the following updates to the BAC Audit Charter: (1) updated naming convention from “the District” to “Valley Water” and substituted the new Valley Water logo on the cover page; (2) addition of Article III Section 3 - Disclosure of Impairment to Independence; (3) addition of supplemental text to Article III Section 7.2 related to proposed substantive changes to the Annual Audit Work Plan must be approved by the Board; (4) addition of supplemental text to Article V Section 2(e) related to Board approval not required for desk reviews; and (5) addition of supplemental text to Article VI Section 7 related to management review for technical accuracy of preliminary draft audit report to be provided within ten working days from issuance. These proposed changes were presented at the October 13, 2020 Board meeting.

At the October 13, 2020, Board meeting, the Board requested that the BAC Audit Charter be further revised for clarifying language and the revisions be presented at a future Board meeting. Revisions made to address concerns of the Board include the following updates:

- (1) Article 3 Section 8 of the BAC Audit Charter was revised to provide that: “The Committee may recommend that the Independent Auditor perform individual audits but shall ensure that additional auditors are recommended for use in planned audits so that

- (2) no single firm conducts a disproportionate number of audits in a given fiscal year;" and Article 6 Section 1 of the BAC Audit Charter was revised to provide that: "The Committee shall make recommendations to the full Board for the selection of all Auditors to perform audits in the approved Annual Audit Work Plan. In making such recommendations, the Committee shall consider multiple auditors in order to avoid having any single auditor perform a disproportionate number of audits in a given fiscal year. Following such recommendation, the Board shall make the final decision regarding the selection of such auditors."

The revised clarifying language to the BAC Audit Charter is provided in a clean version (Attachment 1) and redlined version (Attachment 2) for approval by the Board at its regular February 23, 2021, Board meeting.

The charter requires that the BAC conduct a periodic review of the charter terms and make any recommendations regarding changes to the full Board for final approval. (Article IX, §1).

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: 121620 BAC Charter Revisions (Clean Version)

Attachment 2: 121620 BAC Charter Revisions (Redlined Version)

UNCLASSIFIED MANAGER:

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