

## Sacramento Suburban Water District

**Engagement of Independent Auditor Policy**

Adopted: March 21, 2005

Revised: March 19, 2007; May 18, 2009; June 20, 2011

**100.00 Purpose of the Policy**

The purpose of this policy is to ensure objective auditing of the District's financial statements by an independent auditor. Independence requires that the auditor of the District maintains the highest level of independence in both appearance and fact.

Further, as an audit is dependent on the individual auditor's assessment of risk in the District's control procedures and financial statement disclosures and is designed to provide reasonable, but not absolute, disclosure of such risk, changing independent auditing firms periodically provides the District with a different risk assessment and, therefore, a different approach to testing risk in the District's control procedures and financial statement disclosures as defined in the Statements on Auditing Standards (SAS) "risk assessment" standards No.104, 105, 106, 107, 108, 109, 110 and 111.

The Finance and Audit Committee is responsible for recommending the District's independent auditor to the full Board for appointment and compensation, and administering the relationship between the District and independent auditor during the course of the audit, as set forth in the Finance and Audit Committee Mission Statement and Charter and per the requirements of SAS 115, "Communicating Internal Control Related Matters Identified in an Audit."

**200.00 Maintaining Auditor Independence**

The Board recognizes the importance of ensuring the independence of the District's independent auditors and ensuring effective communication between the independent auditor and the Board and Finance and Audit Committee. The Finance and Audit Committee shall evaluate the independent auditor's independence annually in connection with its determination to engage the independent auditor for the ensuing year.

To ensure the independent auditor's independence from the District, the Finance and Audit Committee shall, at least annually, obtain and review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the District and discussing with the independent auditor the auditor's methods and procedures for ensuring independence.

### **300.00 Auditor Services**

The Finance and Audit Committee shall recommend the independent auditor provide only Audit and Audit-Related Services for the District. The Finance and Audit Committee shall pre-approve all Audit and Audit-Related Services, in order to assure that the provision of such services do not impair the auditor's independence.

Audit Services means all services and accounting consultation necessary to perform an audit of the District's financial statements, and other attest services required by statute, regulation, contracts, agreements or grants.

Audit-Related Services means assurance and related services that are reasonably related to the performance of the annual audit of the District's financial statements or that are traditionally performed by the independent auditor, including employee benefit plan audits, due diligence related to mergers, accounting consultations, internal control reviews and attest services not required by statute or regulation.

### **400.00 Prohibited Services**

The following accounting, finance and professional services shall not be performed for the District by the independent auditor.

1. Bookkeeping or other services related to accounting records.
2. Financial Information Systems design and implementation.
3. Appraisal or valuation services.
4. Actuarial services.
5. Internal audit outsourcing services.
6. Management functions.
7. Human resource functions.
8. Broker-dealer or investment advisory functions.
9. Legal services.
10. Expert services unrelated to the audit.

### **500.00 Independent Auditor Rotation**

In order to avoid the appearance of a single-independent auditor's objectivity in relation to the District, the Finance and Audit Committee will recommend rotation of accounting firms no greater than every five years. Selection of an accounting firm will be performed in accordance with the District's Procurement Policy requirements (PL - Fin 005.)

### **600.00 Policy Review**

This policy shall be reviewed at least biennially.