

Amador Water Agency

Engagement of Auditor Policy
Reviewed and Adopted March 25, 2021

100.00 Purpose of the Policy

The purpose of this policy is to ensure objective auditing of the Agency's financial statements by an external independent auditor. Independence requires that the Agency's auditor maintain the highest level of independence at all times as defined by the U.S. General Accountability Office's "Government Auditing Standards."

As an audit is dependent on the individual auditor's assessment of risk in the Agency's control procedures and financial statement disclosures and is designed to provide reasonable, but not absolute, disclosure of such risk, changing auditors periodically may provide the Agency with a different risk assessment and, perhaps, a different approach to testing risk in the Agency's control procedures and financial statement disclosures as defined in the Statements on Auditing Standards (SAS) "risk assessment" standards No. 122 and 128.

The Budget and Finance Committee is responsible for recommending the Agency's auditor to the full Board of Directors (Board) for appointment and compensation, and administering the relationship between the Agency and auditor during the course of the audit.

200.00 Maintaining Auditor Independence

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

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

300.00 Auditor Services

The Budget and Finance Committee shall recommend the auditor provide only Audit and Audit-Related Services for the Agency. The Budget and Finance 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 Agency'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 Agency's financial statements or that are traditionally performed by the 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 Agency by the 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, except as Board may request in writing and agreed to by the Auditor.

500.00 Auditor Rotation

In order to avoid any appearance of an auditor's loss of objectivity in relation to the Agency, the Budget and Finance Committee shall periodically seek proposals from potential auditors. The Agency's current auditor shall be considered in the proposal process if the past performance of the auditor has proven satisfactory to the Agency. Selection of an auditor shall be performed in accordance with the Agency's Procurement Policy requirements (AWA PL – FIN 005) . Contracts with auditors will not be for a term longer than 5 years and one possible 3 year extension. Audit contracts should include a provision allowing the Agency to elect to change audit partners within the firm, if exercising the option to extend the contract for 3 years.

600.00 Policy Review

This policy shall be reviewed at least every two years.