



Agenda Item 5c

November 17, 2015

ITEM NAME: External Auditor's Report – Fiscal Year 2014-15

PROGRAM: Audit Services

ITEM TYPE: Action

RECOMMENDATION

Accept the Independent Auditor's Draft Audit Report on the Basic Financial Statements and the accompanying required communications for the year ended June 30, 2015.

EXECUTIVE SUMMARY

This agenda item presents the Independent Auditor's Draft Report on the Basic Financial Statements and the accompanying report on required communications from the auditor to the Risk and Audit Committee. The Risk and Audit Committee's powers reserved include overseeing and approving the financial statement audit.

STRATEGIC PLAN

This item is not a specific product of the Strategic Plan. It is required by Government Code Section 20228 that the Board annually employs a certified public accountant to audit the financial statements.

BACKGROUND

Management is responsible for accurately preparing the draft financial statements in accordance with generally accepted accounting principles and presenting the draft to the Finance and Administration Committee for approval. The independent auditor is responsible for planning and performing the audit to obtain reasonable assurance that financial statements are fairly stated in all material respects. The Board of Administration's independent financial statement auditor, Macias Gini & O'Connell LLP, performed the audit of CalPERS financial statements as of and for the fiscal year ended June 30, 2015 (FY 2014-15). The auditor provides an opinion on the financial statements based on their audit (Attachment 1), as well as a report on required communications to the Risk and Audit Committee (Attachment 2).

ANALYSIS

- The independent auditors, Macias Gini & O'Connell, will present the Independent Auditor's Report and report on required communications with this agenda item (Attachments 1 and 2).
- The audited basic financial statements will then be incorporated into CalPERS upcoming Comprehensive Annual Financial Report (CAFR).

- CalPERS staff will also provide the audited basic financial statements to the State Controller's Office and the California State Auditor's Office for incorporation into the State of California's CAFR.
- A copy of the audit report will be filed with the Governor of California, the Secretary of the Senate, and the Chief Clerk of the Assembly, pursuant to Government Code Section 20228.

BUDGET AND FISCAL IMPACTS

The fee for the basic financial statement audit is anticipated to total \$580,573 of which \$129,360 was for the expanded scope of services relating to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

BENEFITS/RISKS

Approval of the auditor's report and accompanying financial statements will ensure compliance with Government Code Section 20228, fulfill a power reserved by the Risk and Audit Committee, and promote transparency and accountability to the public. Not providing the audited financial statements would result in lack of compliance with the law, non-exercise of a power reserved, and lack of transparency and accountability to the public.

ATTACHMENTS

Attachment 1 – Independent Auditor's Report with the Basic Financial Statements
Attachment 2 – Report to the Risk and Audit Committee (Required Communications)

BELIZ CHAPPUIE, Chief
Office of Audit Services

MATTHEW G. JACOBS
General Counsel