
November 14, 2017**Item Name:** Independent Auditor's Report – Fiscal Year 2016-17**Program:** Audit Services**Item Type:** Action**Recommendation**

Approve the Independent Auditor's Draft Audit Report and the accompanying required reports for the fiscal year ended June 30, 2017.

Executive Summary

This agenda item presents the Independent Auditor's Draft Report and the accompanying required reports from the auditor to the Risk and Audit Committee. The Risk and Audit Committee's powers reserved include approving the Independent Auditor's required reports.

Strategic Plan

This item is not a specific product of the Strategic Plan. The Government Code section 20228 requires the CalPERS Board of Administration (Board) to annually employ 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 Risk and Audit 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's Independent Financial Statement Auditor, Macias Gini & O'Connell LLP (MGO), performed the audit of CalPERS Basic Financial Statements as of and for the fiscal year ended June 30, 2017 (FY 2016-17). The Independent Auditor's deliverables include three reports:

- Independent Auditor's Report
- Report to the Risk and Audit Committee (Required Communications at Planning and the Conclusion of the Audit)
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters (required under Government Auditing Standards)

Analysis

- The independent auditors, MGO, will present the Independent Auditor's Report, reports on required communications and internal controls over financial reporting with this agenda item (Attachments 1, 2, and 3).
- 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 fees for the basic financial statements audit is anticipated to total \$631,800 of which \$145,800 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 and Risks

Approval of the Independent Auditor's Report 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 audit report 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

Attachment 2 – Report to the Risk and Audit Committee

Attachment 3 – Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

BELIZ CHAPPUIE

Chief Auditor

Office of Audit Services

MATTHEW G. JACOBS

General Counsel

