



# Audits & Risk Management Committee

## Item Number 8 – Open Session

**Subject:** Committee Education: Overview of New Audit Standards and Report Requirements

**Presenter(s):** Kevin Smith, Crowe LLP & Jen Aras, Crowe LLP

**Item Type:** Information

**Date & Time:** March 3, 2022 – 10 minutes

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**Attachment(s):** None

**PowerPoint(s):** PowerPoint 1 – New Audit Standards and Independence Guidelines

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### **PURPOSE**

The purpose of this item is to provide the ARM committee education on recently issued auditing and attestation standards that relate to performance of an audit of CalSTRS basic financial statements, by an external auditor.

### **DISCUSSION/SUMMARY**

This is an exciting time in the auditing and attestation space. Auditing standards are changing to keep up with today's business environment. A host of new standards were released that substantially changes the auditor's report, the auditor's responsibility relating to other information included in annual reports, and the concept of materiality in financial reporting. Additionally, the AICPA revised independence rules that now apply to State and Local Governments. This new guidance expands the scope of independence to "client affiliates" and provides instructions on how to determine an "affiliate" based on level of control and extent of influence. For Public Employee Retirement Systems, some Real Estate, Limited-Partnerships, or Private Equity investments may meet the new definition of an affiliate. If so, the financial statement auditors must also be independent of the affiliate to conduct the audit of CalSTRS basic financial statements. This requires a review of our current investments and on-going monitoring of future investments to track affiliates and monitor the external financial statement auditor independence. The methods of how audits are performed in today's business environment are changing too!

This educational session is designed to assist the ARM committee in its responsibility for oversight of CalSTRS financial reporting, external financial statement auditor, and auditor independence.

The presenters for this committee education session are representatives of Crowe, LLP, who currently serves as CalSTRS external financial statement auditor, will provide the committee an overview of how these new standards impact the audit of CalSTRS basic financial statements. Here's a brief introduction to the presenters:

Kevin W. Smith, CPA – Partner

Mr. Smith is the partner in charge of Crowe's National Government and Public Sector audit practice. He has more than 25 years of experience providing advisory and financial statement and compliance audits to varying governmental entities. He is a member of the AICPA's State and Local Government Expert Panel.

Jen Aras, CPA – Partner

With more than 20 years of experience, Ms. Aras services as a partner in Crowe's audit and assurance practice, focused on audits of governmental and not-for-profit organizations.