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Agreement on ERISA Auditing Standard Reached, but Delayed

AICPA's Auditing Standards Board has agreed on changes to auditing standards to respond to DOL's 2015 review of plan audits — but will likely delay the implementation of the changes until periods ending on or after December 15, 2020.

Background

AICPA's Auditing Standards Board (ASB) issued an Exposure Draft: Proposed Statement on Auditing Standards: *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* in April 2017. The proposal was aimed at improving audit quality in response to DOL's 2015 review of audits in which deficiencies were found in a significant number of cases. Our [June 2, 2017 For Your Information](#) reported on the concerns and the proposed changes. Our [June 11, 2015 For Your Information](#) reported on the DOL's review.

Changes approved

In December, the ASB voted to publish a final standard for audits of ERISA benefit plan financial statements. The board is planning to vote on a second standard (Exposure Draft: Proposed Statements on Auditing Standards: Auditor Reporting and Proposed Amendments-Addressing Disclosures in the Audit of Financial Statements) in January and will align the effective date of the two standards. It is expected that the standards will be effective no earlier than for audits of financial statements for periods ending on or after December 15, 2020. Early adoption is not permitted.

The final standard for ERISA audits includes instructions for limited scope audits that exclude assets held by a bank, trust company, or insurer, as permitted. Auditors would refer to their engagement as an "ERISA section 103(a)(3)(C) audit" rather than a "limited scope audit" as referenced in the proposal. The standard instructs auditors to state in their reports that "the audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of the applicable

Volume 42

Issue 3

January 9, 2019

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financial reporting framework.” However, the report would also state whether the evidence obtained is sufficient as the basis for the ERISA section 103(a)(3)(C) audit opinion.

The exposure draft would have required auditors to report on specific plan provisions and calculations. In the final standard, the auditor is instead required to consider whether to test specific plan provisions (and report on them) as part of a risk assessment. Other responsibilities of the auditor include:

- Reviewing contributions and benefit payments to confirm these amounts have been determined consistent with plan documents
- Confirming IRS compliance tests such as nondiscrimination testing have been performed and, if appropriate, corrected
- Confirming that prohibited transactions have been properly reported

Reportable findings (items identified that don’t match up with specified criteria, such as plan document language) must be communicated to management (e.g., the plan administrator) and those charged with governance.

The statement applies to audits of single employer, multiple employer, and multiemployer plans subject to ERISA.

In closing

ASB’s new standard provides auditors with comprehensive instructions for examining and reporting on ERISA covered plans that will assist plan fiduciaries in assuring proper plan administration and improved operations.

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