



Agenda Item 4B

Via Email to ldelahanty@aicpa.org

November 13, 2015

Mr. Bruce Webb, Chairman
Auditing Standards Board
American Institute of Certified Public Accountants

Dear Bruce:

We appreciated the opportunity to meet with the Auditing Standards Board (ASB) in July 2015, to discuss improving the transparency over the audit process and the value of employee benefit plan audit reports. As the task force works to develop a revised audit reporting model, we would like to highlight an area we have strong concerns about - reporting on internal control matters.

At the October 2015 ASB meeting, the Board concluded that there should be no additional reporting on internal control matters other than what is already provided for under existing professional standards – AU-C 260, *The Auditor's Communication With Those Charged With Governance*, and AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*. We believe that internal control matters should be included as part of the audit, and point to the framework contained in government audit standards (GAO Yellow Book) which requires the audit report to include a description of significant deficiencies and material weaknesses that were communicated to those charged with governance to be crucial disclosures. This is a reporting approach that the profession is already very comfortable with since it is commonplace in governmental audits and empowers the audit process.

As you know, many of the operations of an employee benefit plan are either done in house or outsourced to third party service providers. In some cases, nearly all components of plan operations are outsourced, oftentimes with very little oversight, or checks and balances. Auditors can play a unique role as an independent source to draw attention when they see a lack of monitoring and material internal control weaknesses. Participants are dependent on an effective system of internal controls to help protect their benefits.

We wish to confirm our support for an auditor's report that would require both reporting on noncompliance with laws, rules and regulations, and also reporting on internal controls. We believe this approach provides the needed transparency to the audit process and provides information about whether or not significant deficiencies and material weaknesses were indeed

found and communicated. By highlighting these issues in the auditor's report, it is far more likely that plan management will focus on and timely resolve these matters.

We believe that the Department and plan participants, on whose behalf the audits are required to be performed, have the right to know if there are circumstances which could compromise their health benefits and retirement security.

We look forward to continuing to work with you to improve the value of plan audits.

Sincerely,

Ian Dingwall
Chief Accountant