Agenda Item 2A

AU-C Section XXX

Proposed Statement on Auditing Standards, *Special Considerations—Audits of Financial Statements of Employee Benefit Plans Subject to ERISA*

Effective for audits of financial statements for periods ending on or after December 15, 20XX.

CONTENTS OF REQUIREMENTS

REQUIREMENTS	APPLICATION AND OTHER EXPLANATORY MATERIAL
Introduction	
Scope of This Proposed SAS	**Scope of This Proposed SAS**
.01 This proposed Statement on Auditing Standards (SAS) addresses the auditor's responsibility to form an opinion and report on the audit of financial statements of employee benefit plans subject to Employee Retirement Income Security Act of 1974 (ERISA), hereinafter referred to as ERISA plans, including reporting on specific plan provisions relating to the financial statements in accordance with paragraphs .116–.122. It also addresses the form and content of the auditor's report issued as a result of an audit of ERISA plan financial statements.	.A1 The AICPA Audit and Accounting Guide *Employee Benefit Plans* provides interpretive guidance to apply the concepts in this proposed SAS. AU-C 200 requires the auditor to consider interpretive publications in planning and performing the audit.[1] .A2 ERISA provides for federal government oversight of management's operating and reporting practices for employee benefit plans. In addition to establishing reporting requirements for covered plans, ERISA establishes minimum standards for participation, vesting, and funding for defined benefit and defined contribution plans sponsored by private entities. It also establishes standards of fiduciary conduct and imposes specific restrictions and responsibilities on fiduciaries. .A3 The plan administrator is identified in the plan document as having responsibility for managing the day-to-day administration and strategic decisions for the plan. This proposed SAS uses the term "management" to refer to the plan administrator in the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure Under ERISA. .A4 Under ERISA, the DOL and IRS have the authority to issue regulations governing the administration of employee benefit plans, including reporting and disclosure requirements to be included in an annual filing with the DOL. The DOL does not establish the financial reporting framework, for example the DOL does not set generally accepted accounting principles for employee benefit plan financial statements. The selection of an acceptable financial reporting framework is the responsibility of management. The PBGC guarantees participants in most defined benefit pension plans certain minimum pension benefits if the plan terminates, and it administers terminated plans in certain circumstances. The IRS, DOL, and PBGC have consolidated their

[1] AU-C 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards,* paragraph .27.

	reporting and disclosure requirements into the Form 5500 to minimize the filing burden for plan administrators and employers.
	.A5 ERISA contains a requirement for annual audits of employee benefit plan financial statements by an independent qualified public accountant. Generally, plans with 100 or more participants (as defined in the Form 5500 instructions) are subject to the audit requirement. ERISA and DOL regulations require additional information to be disclosed in the financial statements or presented in the supplemental schedules. Some of this information is required to be covered by the auditor's report.
.02 AU-C sections 200–800 address audits of financial statements, as well as other kinds of engagements, however, those AU-C sections, or portions thereof, identified in the appendix of this proposed SAS are not applicable to an ERISA plan engagement because the subject matter is specifically covered in this proposed SAS. In addition, this proposed SAS contains incremental requirements to AU-C section 210, *Terms of Engagement*, and AU-C section 580, *Written Representations*.	
.03 Except for the AU-C sections that are listed in the appendix as not applicable, all of the other AU-C sections are applicable to an audit of ERISA-plan financial statements.	
.04 This proposed SAS also addresses the auditor's responsibilities for forming an opinion and reporting on ERISA plan financial statements, including the form and content of the report when management imposes a limitation on the scope of the audit in accordance with ERISA Section 103(a)(3)(C).	
.05 When such ERISA-permitted limitation on the scope of the audit is imposed, the audit need not extend to any statement or information prepared and certified by a bank or similar institution or an insurance carrier which is regulated, supervised, and subject to periodic examination by a State or Federal agency (qualified institution), provided that the statements or information regarding assets so held are prepared and certified to by the bank or	.A6 A qualified institution is an organization as defined in accordance with 29 CFR 2520.103-5 and 29 CFR 2520.103-8 as a bank or similar institution or an insurance carrier that is regulated, supervised, and subject to periodic examination by a State or Federal agency that prepares and certifies the information related to assets held for investment of the plan (hereinafter referred to as "investment information"). Title 29 CFR 2520.103-1 outlines the DOL's rules and

insurance carrier in accordance with Title 29 U.S. Code of Federal Regulations (CFR) Part 2520.103-5 and CFR 2520.103-8.	regulations for reporting and disclosure under ERISA. Investment companies and broker dealers are not considered qualified institutions as it relates to providing a certification.
	.A7 Further, this limitation on the scope of the audit is available to management only when the qualified institution certifies both the accuracy and completeness of the investment information submitted to the plan administrator. Certifications that address only accuracy or only completeness, but not both, do not comply with the DOL's regulation and, therefore, are not adequate to allow plan management to limit the scope of the audit. Moreover, this scope limitation does not exempt the plan from the requirement to have an audit.
	.A8 This management imposed limitation on the scope of the audit and corresponding limitation on the auditor's work does not extend to areas such as participant data, participant account balances and related earnings allocations, contributions, benefit payments, required financial statement disclosures, or other information, regardless of whether such information is included in the certified statement or information.
	.A9 The plan administrator may also limit the scope of the audit of the plan's investment in a 103-12 entity, as permitted by 29 CFR 2520.103-12, provided the 103-12 investment entity properly filed its report with the DOL. Such limitation on the scope of the audit is similar to that permitted by 29 CFR 2520.103-5 and therefore the guidance in this proposed SAS is applicable, however the wording in the auditor's report may need to be revised to fit the circumstances of the engagement.
	.A10 Sometimes, the plan's recordkeeper certifies the investment information on behalf of the plan's qualified institution as "agent for." In this situation, such certification generally would be acceptable when there is a legal arrangement between the trustee and the recordkeeper to be able to provide the certification on the qualified institution's behalf.
.06 Reference to *financial statements* of ERISA plans in this proposed SAS means a complete set of	

general purpose financial statements[2] for an employee benefit plan subject to ERISA, including the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.	
.07 AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*, and section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report,* address how the form and content of the auditor's report are affected when the auditor expresses a modified opinion (a qualified opinion, an adverse opinion, or a disclaimer of opinion) or includes an emphasis-of-matter paragraph or other-matter paragraph in the auditor's report.	
Effective Date	
.08 This proposed SAS is effective for audits of financial statements of ERISA plans for periods ending on or after December 15, 20XX.	
Objectives	
.09 The objectives of the auditor are to	
a. Address appropriately the application of GAAS when auditing ERISA plan financial statements, including i. The acceptance of an ERISA plan engagement, and ii. The performance of that engagement, including procedures to enable the auditor to report on specific plan provisions relating to the financial statements and to address when management imposes a limitation on the scope of the audit as permitted by the Department of Labor's (DOL) Rules	.A11 The audit procedures contained in this proposed SAS are specific to ERISA plan engagements and are intended to be incremental to the audit procedures that are required by AU-C sections 200-800, or the subject matter is covered by this proposed SAS, as discussed in the appendix.

[2] See AU-C section *700, Forming an Opinion and Reporting on Financial Statements,* for a definition of *general purpose financial statements*.

and Regulations for Reporting and Disclosure Under ERISA.	
b. Form an opinion on the ERISA plan financial statements based on an evaluation of the audit evidence obtained, including evidence obtained about comparative financial statements or comparative financial information, and[3]	
c. Express clearly that opinion on the ERISA plan financial statements through a written report that also describes the basis for that opinion.	

Requirements	
Procedures for Forming an Opinion and Reporting on ERISA Plan Financial Statements	**Procedures for Forming an Opinion and Reporting on ERISA Plan Financial Statements**

Engagement Acceptance	**Engagement Acceptance**
.10 In addition to the requirements in AU-C section 210, *Terms of the Engagement*, the auditor should also obtain the agreement of management that it acknowledges and understands its responsibility for *a.* maintaining a plan document *b.* maintaining sufficient records for each employee *c.* choosing to impose an ERISA-permitted limitation on the scope of the audit, if applicable, and if so, for determining the appropriateness of the certification and that the certifying institution is qualified.	.A12 The concept of an independent audit requires that the auditor not assume management's responsibility for the preparation and fair presentation of the financial statements. When the auditor assists in drafting the financial statements, in whole or in part, based on information provided by management during the performance of the audit, such assistance is considered a nonattest service under the "Nonattest Services" subtopic (AICPA, Professional Standards, ET sec 1.295) under the "Independence Rule" (AICPA, Professional Standards, ET sec. 1.200.001) of the AICPA Code of Professional Conduct. Before performing nonattest services, the auditor is required to establish and document in writing his or her understanding with the client regarding the objectives of the engagement, services to be performed, client's acceptance of its responsibilities, auditor's responsibilities, and any limitations of the engagement.

[3] See AU-C section *700, Forming an Opinion and Reporting on Financial Statements,* for definitions of *comparative financial statements* and *comparative information.*

.11 The auditor should also obtain the agreement of management or those charged with governance to provide the Form 5500 prior to the report release date. If it is not possible to obtain the Form 5500 prior to the report release date, the auditor should perform the procedures in paragraph .32.	

Procedures for Audits of ERISA Plan Financial Statements	**Procedures for Audits of ERISA Plan Financial Statements**
.12 Irrespective of the assessed risks of material misstatement, the following procedures should be performed, when applicable	.A13 AU-C section 300, *Planning an Audit* requires the auditor to establish an overall audit strategy that sets the scope, timing, and direction of the audit and that guides the development of the audit plan.[4] Planning the nature, timing, and extent of further audit procedures depends on the outcome of the auditor's risk assessment procedures. AU-C section 330 *Risk Assessment and Response to Assessed Risks*, requires the auditor to design and perform further audit procedures whose nature, timing, and extent are based on, and are responsive to, the assessed risks of material misstatement at the relevant assertion level. .A14 The auditing procedures in paragraph .12(a)–(k) are required to be performed on all ERISA plan engagements. These do not include all audit procedures that are necessary for the auditor to obtain sufficient appropriate audit evidence to opine on the ERISA plan financial statements. The AICPA Audit and Accounting Guide *Employee Benefit Plans* provides interpretive guidance for auditing ERISA plans, including example audit procedures. .A15 The auditor's risk assessment may affect the amount of testing of the plan's transactions and whether they are in accordance with specific plan provisions relating to the financial statements, however, the required auditing procedures in paragraph .12 (a).–(k). of this proposed SAS may not be eliminated. .A16 Some of these procedures may be performed in conjunction with the testing of relevant areas of the financial statements, such as when testing contributions and participant data. The amount of items to be tested

[4] Paragraph .07 of AU-C section 300, *Planning an Audit*.

	is up to auditor judgment however each area is expected to have some relevant testing. .A17 The procedures listed in paragraph .12 (a)–(k) are the basis for reporting on specific plan provisions relating to the financial statements as required in paragraphs .116–.122 of this proposed SAS.
a. Obtaining and reviewing the plan document (or its equivalent)	.A18 An employee benefit plan is established and maintained by the plan sponsor pursuant to a written plan instrument, called the plan document. For health and welfare plans there may be multiple documents that comprise the plan document. Examples include all Summary Plan Descriptions, possibly, the Employee Handbook, the applicable section of a Collective Bargaining Agreement in a multi-employer plan, and any cost-summary sheets provided to participants. The terms of the plan document generally deal with matters such as eligibility of participants, entitlement to benefits, funding, plan amendments, operation and administration of plan provisions, identification of the plan's fiduciary, allocation of responsibilities among those who serve in a capacity as a fiduciary, and delegation of fiduciary duties in connection with the administration of the plan. Among other requirements, for a plan to be qualified, it must be in writing and communicated to employees. The plan document is essential to understanding the plan and when testing the relevant assertions.
All Plans	*All Plans*
b. Testing whether eligibility provisions are in accordance with the plan document	.A19 The plan document or collective bargaining agreement (for multiemployer plans) often specifies the eligibility provisions (in accordance with ERISA sections 201 and 202) that must be met for the employer(s) and employees to make contributions, vesting provisions, the formula to determine upper and lower contribution limits (salary deferral percentages), or the rates for determining the contributions. Relevant assertions relating to eligibility include • Completeness of contribution transactions and net asset balance • Accuracy of the net asset balance • Presentation and disclosure • Occurrence

	• Rights and obligations .A20 Often eligibility provisions are tested as part of the auditor's testing of contributions and participant data.
c. Testing whether benefit payments or claim payments are complete and accurate and in accordance with the plan document	.A21 The plan document (or summary plan descriptions) often specifies benefit or claim payment provisions in accordance with ERISA sections 204–206 under which benefits and claims can be paid. Relevant assertions relating to benefit or claim payments include • Accuracy of benefit or claims payments and net asset balance • Completeness of benefit or claims payments and net asset balance • Presentation and disclosure • Occurrence • Rights and obligations .A22 Often, benefit payment testing includes whether benefit payments were made when required or permitted and in accordance the applicable formula or amount.
d. Testing whether vesting provisions are in accordance with the plan document	.A23 Minimum vesting requirements are typically summarized in the plan document in accordance with ERISA section 203. Relevant assertions relating to vesting provisions include • Accuracy of benefit or claims payments and net asset balance • Completeness of benefit or claims payments, and net asset balance, and investment for forfeitures retained • Presentation and disclosure • Occurrence • Rights and obligations .A24 Often, vesting provisions are tested as part of benefit payment testing.
e. Testing whether employer and employee contributions are in accordance with the plan document, including that compensation upon which contributions	.A25 Relevant assertions relating to employer and employee contributions include

are based is consistent with the definition of compensation in the plan document.	• Accuracy of contributions and net asset balance • Completeness of contributions and net asset balance • Presentation and disclosure • Occurrence • Rights and obligations .A26 Often employer and employee contribution testing includes testing that proper compensation was used when calculating contributions by coordinating the procedures for testing contributions with those for payroll and participant data.
f. Testing whether identified prohibited transactions have been appropriately reported in the supplemental schedules	.A27 Relevant assertions relating to identified prohibited transactions include presentation and disclosure of contributions and accruals. .A28 Often, testing identified prohibited transactions includes evaluating whether identified prohibited transactions have been appropriately presented in the supplemental schedules as required by ERISA.
g. Performing procedures to verify whether the plan has performed and passed, corrected, or intends to correct failures of relevant IRC compliance tests within the time provided by the regulations.	.A29 Certain plan types are granted special tax status for the contributions and earnings on plan investments to be exempt from taxation. Plans must be designed and operated in accordance with IRC requirements in order to maintain their tax-exempt status. Relevant assertions relating to a plans tax exempt or qualified status involve contributions and receivables, and include • Presentation and disclosure • Occurrence • Rights and obligations .A30 For qualified retirement plans, these are the provisions of IRC Section 401(a) and related IRC sections. A 403(b) plan is subject to some, but not all, of the same standards as a qualified retirement plan. A tax-exempt welfare benefit plan is subject to the specific requirements of the IRC section that is the basis of their exemption: IRC Section 501(c)(9) for voluntary employee beneficiary associations (VEBAs), IRC Section 501(c)(17) for supplemental

<table>
<tr><td></td><td>unemployment benefits, and IRC Section 501(c)(21) for black lung benefits.

.A31 To determine that a plan is operating within the specific guidelines established by the plan document in accordance with the IRC, the plan administrator is responsible for certain nondiscrimination and other compliance tests which are required to be performed at least annually. .

.A32 Exhibit B— Nondiscrimination and Other Operating Tests for Plan Qualification includes a list of IRC requirements with which a plan is required to comply in order to maintain its tax exempt status. This list contains the compliance tests contemplated by paragraph .12(g) when reporting on compliance in this SAS. This list is not all inclusive, however, the auditor would not be required to report on compliance with other IRC compliance tests, other than those listed in exhibit B.</td></tr>
<tr><td>Individual Account Plans</td><td>Individual Account Plans</td></tr>
<tr><td>h. determining whether assets are fully allocated to the participant accounts in accordance with Revenue Ruling 80-155 and the plan document.</td><td>.A33 Revenue Ruling 80-155 interprets Treasury Regulation 1.401-1(b)1(ii). Relevant assertions relating to allocation of participant accounts include
• Valuation and Allocation (period-end account balances; net assets)
• Presentation and disclosure
• Occurrence
• Rights and obligations

.A34 Often testing whether assets are fully allocated to the participant accounts includes reconciling the aggregate of participant accounts to the net assets available for benefits.</td></tr>
<tr><td>i. determining whether the forfeited nonvested portion of the participants' accounts (forfeitures) were used in accordance with IRC related regulations and the plan document.</td><td>.A35 Revenue Ruling 84-156 states that forfeitures may be used to pay for a plan's administrative expenses or reduce employer contributions. Treasury regulation 1.401-7(a) requires a plan to use forfeitures as soon as possible to reduce employer contributions. Relevant assertions relating to the use of forfeitures includes
• Accuracy of contributions, benefit payments, expenses, and net asset balance
• Completeness of contributions, benefit payments, expenses, and net asset balance</td></tr>
</table>

	• Presentation and disclosure • Occurrence • Rights and obligations .A36 Often, testing whether forfeitures have been used properly is performed as part of forfeiture testing, including (a) identifying whether forfeitures exist, and (b) evaluating whether the plan used the forfeitures in accordance with the plan document and the IRC.
j. evaluating whether account activity, including employee and employer contributions, investment income, expenses and fees, distributions, loans, transfers and other deductions or additions have been properly allocated to participants and beneficiaries (active and inactive or terminated)	.A37 Relevant assertions relating to allocation of account activity includes • Valuation and allocation of net asset balance • Presentation and disclosure • Occurrence • Rights and obligations
Multiemployer Plans	*Multiemployer Plans*
k. For multiemployer plans, testing whether expenses have been allocated in accordance with an allocation formula consistent with applicable DOL class or individual exemptions.	.A38 Relevant assertions relating to expense allocation in multiemployer plans includes • Accuracy of expenses • Completeness of expenses • Allocation .A39 Often, testing whether expenses have ben allocated properly includes evaluating whether the allocation formula is appropriate in the circumstances.
.13 *Documentation and findings.* The auditor should document the audit procedures performed relating to paragraph .12(a)–(k) and how the objective of such procedures was achieved. The auditor should also document all *findings* identified from the procedures required by paragraph .12 (a)–(k) accumulated during the audit.	.A40 *Findings* are the matters identified, as a result of the audit procedures required by paragraph .12(a)–(k), that are not in accordance with the criteria specified in the audit step (for example, not in accordance with the plan document).
.14 When the auditor has *findings* from the audit procedures required by paragraph .12(a)–(k), the auditor should evaluate the possible effect on the financial statements, individually and in the	.A41 Matters relevant to the auditor's evaluation of the possible effect on the financial statements include the following:

aggregate, and consider the need to modify the nature, timing, or extent of other planned audit procedures. Paragraph .118 requires the auditor to include findings in the *Report on Specific Plan Provisions Relating to the Financial Statements*, other than when those matters are clearly inconsequential.	• The qualitative materiality of the effect of the finding. For example, failure to remit participant contributions in a timely manner results in a prohibited transaction that is required to be reported separately to the DOL and may result in penalties to the plan sponsor. • Whether the potential financial consequences require accrual or disclosure under the applicable financial reporting framework. For example, the use of an incorrect definition of eligible compensation can affect the employer or employee contribution amounts and could be indicative of a systemic problem which has a material effect in the aggregate. • The quantitative effect of the finding. The potential financial consequences of the finding on the ERISA plan financial statements may include the imposition of fines or penalties. • Whether the potential financial consequences call into question the fair presentation of the ERISA plan financial statements or otherwise make the ERISA plan financial statements misleading.
.15 If the auditor concludes that the *findings* have a material effect on the financial statements, the auditor should evaluate the effect on the auditor's opinion in accordance with AU-C section 705.	.A42 The requirements AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* are designed to assist the auditor in identifying material misstatement of the financial statements due to noncompliance with laws and regulations. Accordingly, depending upon the nature and significance of the findings, the requirements in AU-C 250 may also need to be considered in relation to the findings.
Procedures When ERISA-Permitted Scope Limitation is Imposed	**Procedures When ERISA-Permitted Scope Limitation is Imposed**
.16 When the scope of the audit has been limited, as permitted by ERISA, the auditor should perform audit procedures to obtain sufficient appropriate audit evidence on the information not covered by the certification, including noninvestment-related information and investment information not covered by the certification. Plans may hold investments, only a portion of which are	.A43 Performing an audit of financial statements of an ERISA plan when management imposes a limitation on the scope of the audit as permitted by ERISA does not eliminate the need for the auditor to plan and perform the audit in accordance with GAAS. Such limitation on the scope of the audit is unique to employee benefit plans and differs from the scope limitations discussed in AU-C 705, *Modifications to*

covered by a certification by a qualified institution. In that case, the auditor should perform auditing procedures on the investment information that have not been properly certified. The auditor should also perform the following procedures on the certified investment information	*the Opinion in the Independent Auditor's Report*. Unlike other scope limitation, when the scope of the audit is limited, as permitted by ERISA, the auditor is required to perform audit procedures on the certified investment information even though the scope of the audit is limited. .A44 The need to perform audit procedures related to all noninvestment-related information (for example, benefit payments, employer or employee contributions, and receivables) is the same for an audit of all financial statements of ERISA plans, regardless of whether management imposes an ERISA-permitted scope limitation.
a. obtain from management and read the certification particularly as it relates to investment related information prepared by a qualified institution;	.A45 The qualified institution may certify all activity of the plan. As discussed in paragraph .A8, the ERISA-permitted scope limitation, and corresponding required procedures in paragraph .16 extend only to investment information certified by the qualified institution. The auditor is required to perform audit procedures to obtain sufficient appropriate audit evidence on the noninvestment related information and the investment information not covered by the certification in order to form an opinion on the ERISA plan financial statements. .A46 *Audit evidence* is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.[5] The certification from a qualified institution is necessary information in connection with an audit of ERISA plan financial statements when management limits the scope of the audit, as permitted by ERISA. Accordingly, the certification from a qualified institution is audit evidence. .A47 Although the certification provides necessary audit evidence, it compliments other auditing procedures and does not provide sufficient appropriate audit evidence on its own but rather is considered part of audit evidence relating to the certified investment information when determining whether to use the form of opinion required by paragraph .28. .A48 When designing and performing audit procedures, AU-C section 500 requires the auditor to consider the relevance and reliability of the information to be used as audit evidence. Audit evidence is

[5] Paragraph .05 of section 500, *Audit Evidence*.

	necessary to support the auditor's opinion and report. It is cumulative in nature and it is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources. In addition to other sources inside or outside the entity, the entity's accounting records are an important source of audit evidence. The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based. Obtaining a reliable certification from a qualified institution provides the auditor with relevant and reliable information upon which to base the auditor's decision on whether the form of opinion in paragraph.28 is appropriate. .A49 Relevance relates to the logical connection with, or bearing upon, the purpose of the audit procedure and, when appropriate, the assertion under consideration. The reliability of information to be used as audit evidence and, therefore, of the audit evidence itself is influenced by its source and nature and the circumstances under which it is obtained, including the controls over its preparation and maintenance, when relevant.
b. evaluate management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations;	
c. compare the certified information with the related information included in the financial statements and related disclosures;	.A50 Agreeing or reconciling the certified information to the amounts included in the financial statements of the ERISA plan and related investment disclosures also includes the investment information included in the ERISA supplemental schedules. To the extent that such investment information cannot be agreed to or derived from the certified information then appropriate audit procedures would need to be performed on such information.
d. assess whether the form and content of the financial statement disclosures related to the information prepared and certified by a qualified institution are in accordance with accounting principles generally accepted in the United States of America.	.A51 When management limits the scope of the audit as permitted by ERISA the auditor has no responsibility to test the accuracy or completeness of the investment information certified by the qualified institution, however the auditor may need to understand the types of investments held by the plan to evaluate whether the form and content of the ERISA plan's financial statement disclosures for those investments are in

	accordance with the applicable financial reporting framework.
	.A52 The following are examples of procedures that may help the auditor evaluate whether the financial statement disclosures for the ERISA plan are appropriate in the circumstances: a. Obtain an understanding, through inquiry and inspection of supporting documentation, of the types of investments held by the ERISA plan and the methodology for measuring those investments b. Inquire whether the investments included in the certification are measured, presented and disclosed in accordance with the applicable financial reporting framework as of the appropriate date. c. Inquire of management about how investments at fair value are leveled in the fair value hierarchy table d. Consider the appropriateness of the classification of investments by the trustee in the financial statements.
.17 If the auditor becomes aware that the certified information is incomplete, inaccurate, or otherwise unsatisfactory, the auditor should perform further inquiry, which might result in additional audit procedures or modification to the auditor's opinion in accordance with AU-C section 705.	

Written Representations	**Written Representations**
.18 In addition to the requirements in AU-C section 580, *Written Representations* in an audit of financial statements of ERISA plans, the auditor should also request the following written representations	.A53 Chapter 10 of the AICPA Audit and Accounting Guide *Employee Benefit Plans* provides interpretative guidance on representations that may be appropriate when auditing ERISA plan financial statements. AU-C 725 *Supplementary Information in Relation to the Financial Statements as a Whole* requires specific written representations from management.[6]

[6] Paragraph .07 of AU-C 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.

a. Acknowledgement of responsibility for administering the plan and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and 209, to determine the benefits due or which may become due to such participants	.A54 ERISA sections 401-404 establishes responsibilities and imposes restrictions on plan fiduciaries. ERISA section 209 (29 USC 1027 *Retention of Records*) requires the maintenance of records by employers relating to individual benefit reporting. ERISA section 107 (29 USC 1059 *Recordkeeping and Reporting Requirements*) provides general record retention requirements for employee benefit plans. ERISA requires that records be maintained in sufficient detail to permit the benefits to be properly calculated and paid when due.
b. Acknowledgement of its responsibility for the estimation methods and assumptions used in measuring the plan's benefit obligations	.A55 Certain employee benefit plan financial statement amounts involve the use of estimates and assumptions, in particular, the valuation of plan investments, accumulated plan benefits in defined benefit pension plans, and benefit obligations in defined benefit health and welfare plans.
c. Acknowledgement that plan management has communicated to the auditor whether the plan has performed and passed or corrected failures of relevant IRC compliance tests	
d. Whether management has obtained and reviewed a SOC 1 report (if available), and has designed and implemented applicable user controls	
e. Whether transactions with parties in interest, as defined in Section 3(14) of ERISA have been appropriately disclosed.	
f. Whether there is any intent to terminate the plan	
g. Whether management has apprised the auditor of all communications, whether written or oral, with regulatory agencies concerning the operation of the plan	
h. Whether all required filings with the appropriate agencies have been made	
i. Whether the plan (and the trust established under the plan) is qualified under the appropriate section of the IRC and intends to continue as a qualified plan (and trust).	

j. Whether the plan has complied with the Department of Labor's regulations concerning the timely remittance of participants' contributions to trusts containing assets for the plan.	
k. Whether the plan has complied with fidelity bonding requirements of ERISA	
l. when the *Report on Specific Plan Provisions Relating to the Financial Statements* is not presented with the audited financial statements, as discussed in paragraph .117, that management will make the audited financial statements readily available to the intended users of the report on specific plan provisions relating to the financial statements no later than the date of issuance by the entity of the *Report on Specific Plan Provisions Relating to the Financial Statements* and the auditor's report thereon.	
m. When management imposes an ERISA-permitted scope limitation, acknowledgement that management is responsible for the financial statements, and for determining whether such a limitation on the scope of the audit is appropriate by	
a. determining whether it is appropriate for and they can impose the ERISA-permitted limitation on the scope of the audit, *b.* evaluating whether the certification is prepared by a qualified institution, *c.* evaluating whether the certified investment information is complete and accurate,	
d. determining whether the certified information is appropriately measured, presented and disclosed in accordance with the applicable financial reporting framework	

Forming an Opinion on the ERISA Plan Financial Statements	**Forming an Opinion on the ERISA Plan Financial Statements**

.19 The auditor should form an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.	
.20 In order to form that opinion, the auditor should conclude whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion should take into account the following: *a.* The auditor's conclusion, in accordance with AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, about whether sufficient appropriate audit evidence has been obtained[7] *b.* The auditor's conclusion, in accordance with AU-C section 450, *Evaluation of Misstatements Identified During the Audit*, about whether uncorrected misstatements are material, individually or in aggregate[8] *c.* The evaluations required by paragraphs .21–.24 of this proposed SAS	.A56 The requirement in paragraph .20 applies regardless of whether the ERISA-permitted scope limitation is imposed by management.
.21 The auditor should evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation should include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments. (Ref: par. .A57–.A59)	**Qualitative Aspects of the Entity's Accounting Practices** .A57 Management makes a number of judgments about the amounts and disclosures in the financial statements. .A58 AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*, contains a discussion of the qualitative aspects of accounting practices.[9] In considering the qualitative aspects of the plan's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements,

[7] Paragraph .28 of AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.
[8] Paragraph .11 of AU-C section 450, *Evaluation of Misstatements Identified During the Audit*.
[9] The appendix, "Qualitative Aspects of Accounting Practices," of section 260, *The Auditor's Communication With Those Charged With Governance*.

	causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole are materially misstated include the following: • The selective correction of misstatements brought to management's attention during the audit • Possible management bias in the making of accounting estimates .A59 AU-C Section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, addresses possible management bias in making accounting estimates. Indicators of possible management bias, themselves, do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement.
	Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements
.22 In particular, the auditor should evaluate whether, in view of the requirements of the applicable financial reporting framework *a.* the financial statements adequately disclose the significant accounting policies selected and applied; *b.* the accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate; *c.* the accounting estimates made by management are reasonable; *d.* the information presented in the financial statements is relevant, reliable, comparable, and understandable; *e.* the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information	.A60 It is common for ERISA plan financial statements prepared in accordance with a general purpose framework to present a plan's net assets available for benefits and changes in net assets available for benefits. For defined benefit pension plans the financial statements may also present accumulated plan benefits and changes in accumulated plan benefits. For defined benefit health and welfare plans the financial statements also present plan benefit obligations and changes in plan benefit obligations. In such circumstances, paragraph .22.22*e* requires the auditor to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the plan's net assets available for benefits, changes in net assets available for benefits, and for defined benefit pension plans, accumulated plan benefits and changes in accumulated plan benefits, and for defined benefit health and welfare plans, plan benefit obligations and changes in plan benefit obligations.

conveyed in the financial statements; and (Ref: par. .A60) *f.* the terminology used in the financial statements, including the title of each financial statement, is appropriate.	
	Evaluation of Whether the Financial Statements Achieve Fair Presentation
.23 The auditor's evaluation about whether the financial statements achieve fair presentation should also include consideration of the following: *a.* The overall presentation, structure, and content of the financial statements *b.* Whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation (Ref: par. .A61)	.A61 As described in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, a *financial reporting framework* is a set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements. The auditor's professional judgment concerning the fairness of the presentation of the financial statements is applied within the context of the financial reporting framework. Without that framework, the auditor would have no consistent standard for evaluating the presentation of financial position, results of operations, and cash flows in financial statements.
	Description of the Applicable Financial Reporting Framework
.24 The auditor should evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: par. .A62–.A65)	.A62 As explained in AU-C section 200, the preparation and fair presentation of the financial statements by management and, when appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.[10] That description is important because it advises users of the financial statements of the framework on which the financial statements are based. .A63 A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements. .A64 A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with

[10] Paragraphs .A2-.A3 of AU-C section 200.

	Accounting Standards Generally Accepted in the United States of America") is not an adequate description of that framework because it may mislead users of the financial statements. .A65 Financial statements that are prepared in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework are not prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework. Such information may not be required by the applicable financial reporting framework but may be presented as part of the basic financial statements. As discussed in paragraph .A147, such information is considered an integral part of the financial statements if it cannot be clearly differentiated and, accordingly, is covered by the auditor's opinion.

Form of Opinion	**Form of Opinion**
.25 The auditor should express an unmodified opinion when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.	
.26 The auditor should modify the opinion in the auditor's report, in accordance with AU-C section 705, if the auditor *a.* concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated or *b.* is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.	
.27 If the auditor concludes that the financial statements do not achieve fair presentation, the	.A66 There may be cases when the financial statements, although prepared in accordance with the

auditor should discuss the matter with management and, depending on how the matter is resolved, should determine whether it is necessary to modify the opinion in the auditor's report in accordance with AU-C section 705. (Ref: par. .A66–.A67)	requirements of a fair presentation framework, do not achieve fair presentation. When this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in unusual circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements, which would be extremely rare. .A67 The "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct states the following: A member shall not (1) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by Council to establish such principles that has a material effect on the statements or data taken as a whole. If, however, the statements or data contain such a departure and the member can demonstrate that due to unusual circumstances the financial statements or data would otherwise have been misleading, the member can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement.
.28 Paragraphs .85–.112 describe the requirements for the auditor's report when the ERISA-permitted scope limitation is imposed, and there are no other limitations on the scope of the audit and no identified material misstatements of the financial statements exist. .29 When there are other limitations on the scope of the audit, beyond what is permitted by ERISA section 103(a)(C), or when the auditor has identified material misstatements of the financial statements of the ERISA plan, the report in paragraphs .85–.112 is not appropriate and the auditor should modify the auditor's opinion in	

accordance with AU-C 705 *Modifications to the Opinion in the Independent Auditor's Report*.	
.30 If the auditor is unable to obtain sufficient appropriate audit evidence regarding noninvestment related information or investment information not covered by a certification, then the auditor should apply the requirements in AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*, and the auditor's report required by paragraph .28 should not be used. (See paragraph .16.)	.A68 If the auditor determines that the auditor's report required by paragraph .28 is not appropriate in the circumstances, it may not be appropriate for the auditor to report on whether the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole or opine on the form and content of the supplemental schedules as presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure Under ERISA, as discussed in paragraphs .114-.115. .A69 For example, the auditor issues a disclaimer of opinion because the plan did not maintain sufficient accounting records and supporting documentation relating to certain investments and the auditor was unable to apply auditing procedures sufficient to determine the extent to which the financial statements may have been affected. The auditor concluded that the effects could be material and pervasive. In such situations, it would not be appropriate for the auditor to provide an opinion on the supplemental schedules because AU-C section 725 precludes the auditor from expressing an opinion on supplementary information when the auditor's report on the audited financial statements contains an adverse or a disclaimer of opinion.[11]

Considerations Relating to the Form 5500 Filing	**Considerations Relating to the Form 5500 Filing**
.31 The auditor should read the Form 5500 before the financial statements are issued in order to identify material conflicting Form 5500 information, if any, with the audited financial statements.	.A70 Information in the Form 5500 may be relevant to an independent audit or the continuing propriety of the auditor's report. Information contained in the Form 5500 that is inconsistent with information contained in the audited financial statements is considered *conflicting Form 5500 information*. Material *conflicting Form 5500 information* may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements. .A71 ERISA requires the notes to the financial statements to include an explanation of differences, if any, between the information contained in the separate

[11] Paragraph .11 of AU-C 725 *Supplementary Information in Relation to the Financial Statements as a Whole*.

	financial statements and the net assets, liabilities, income, expense, and changes in net assets as required to be reported on the Form 5500. Such reconciling items are not considered *conflicting Form 5500 information*.
.32 If it is not possible to obtain the Form 5500 prior to the report release date, the auditor should read the Form 5500 as soon as practicable.	.A72 Obtaining the Form 5500 prior to the report release date enables the auditor to resolve possible material *conflicting Form 5500 information* and apparent *misstatements of Form 5500 information* with management on a timely basis. An agreement with management regarding when the Form 5500 will be available may be helpful. The auditor may delay the release of the auditor's report until management provides the Form 5500 to the auditor.
	.A73 If, upon reading the Form 5500 subsequent to the issuance of the plan's financial statements the auditor identifies any *conflicting Form 5500 information*, the auditor may consider reissuing the auditor's report, dual-dated with respect to the note explaining the differences. If the differences represent material *conflicting Form 5500 information* or a *misstatement of Form 5500 information* in the preparation of the Form 5500, then the guidance in paragraphs .37–.43 is appropriate.
	.A74 *Misstatements of Form 5500 Information* is information contained in the Form 5500 that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. *Misstatements of Form 5500 Information* may be identified by the auditor upon reading the Form 5500 for the purpose of identifying material c*onflicting Form 5500 information* as discussed in paragraph .41.
.33 The auditor should communicate with those charged with governance the auditor's responsibility with respect to the Form 5500; procedures performed relating to the Form 5500; and the results.	
.34 If, on reading the Form 5500, the auditor identifies material *conflicting Form 5500 information*, the auditor should determine whether the audited financial statements or the Form 5500 needs to be revised.	

.35 When the auditor identifies material *conflicting Form 5500 information* prior to the date of the auditor's report that requires revision of the audited financial statements and management refuses to make the revision, the auditor should modify the auditor's opinion in accordance with AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*.	
.36 When the auditor identifies material *conflicting Form 5500 information* after the date of the auditor's report but prior to the report release date that requires revision of the audited financial statements, the auditor should apply the relevant requirements in AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*.	
.37 When the auditor identifies material *conflicting Form 5500 information* prior to the report release date that requires revision of the information in the Form 5500 and management refuses to make the revision, the auditor should communicate this matter to those charged with governance and	.A75 When management refuses to revise the information in the Form 5500, the auditor may base any decision on what further action to take on advice from the auditor's legal counsel.
a. Include in the auditor's report an other-matter paragraph describing the material *conflicting Form 5500 information*, in accordance with AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*;	
b. Withhold the auditor's report; or	
c. When withdrawal is possible under applicable law or regulation, withdraw from the engagement.	
.38 When revision of the audited financial statements is necessary as a result of material *conflicting Form 5500 information* with the information in the Form 5500 and the auditor's report on the financial statements has already been released, the auditor should apply the relevant requirements in AU-C section 560 *Subsequent Events and Subsequently Discovered Facts*.	.A76 The auditor may encounter situations in which the auditor's report is issued prior to the auditor's reading of the Form 5500. If such a situation occurs, it is important for the auditor to inform the plan administrator that the auditor's report is not to be attached to the financial statements included with the Form 5500 filing without the auditor's reading of the Form 5500. When the engagement letter is prepared, it may include a statement that in the event that the auditor's report is issued prior to the auditor having read the Form 5500, the plan administrator agrees not

	to attach the auditor's report to the financial statements included with the Form 5500 filing until the auditor has read the completed Form 5500. The auditor may also consider including a statement in the transmittal letter to the client indicating that the auditor's report, as presented, is not to be attached to the financial statements to be included in the Form 5500 filing without the auditor's reading of that filing.
.39 When revision of the Form 5500 is necessary after the report release date and management agrees to make the revision, the auditor should carry out the procedures necessary under the circumstances.	.A77 When revision of the information in the Form 5500 is necessary after the report release date and management agrees to make the revision, the auditor's procedures may include reviewing the steps taken by management to ensure that individuals in receipt of the previously issued financial statements, the auditor's report thereon, and the Form 5500 are informed of the need for revision.
.40 When revision of the Form 5500 is necessary after the report release date but management refuses to make the revision, the auditor should notify those charged with governance of the auditor's concerns regarding the Form 5500 and take any further appropriate action.	.A78 When revision of information in the Form 5500 is necessary after the report release date but management refuses to make the revision, appropriate further actions by the auditor may include obtaining legal advice.
.41 If, on reading the Form 5500 for the purpose of identifying material conflicting Form 5500 information, the auditor becomes aware of an apparent material *misstatement of Form 5500 information*, the auditor should discuss the matter with management.	.A79 When discussing an apparent material *misstatement of Form 5500 information* (see paragraph .A74) with management, the auditor may not be able to evaluate the validity of some disclosures included within the Form 5500 and management's responses to the auditor's inquiries. The auditor may conclude that valid differences of judgment or opinion exist.
.42 When following such discussions as described in paragraph .41, the auditor still considers that there is an apparent material *misstatement of Form 5500 information*, the auditor should request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor should consider the advice received by the entity in determining whether such matter is a material *misstatement of Form 5500 information*.	
.43 When the auditor concludes that there is a material *misstatement of Form 5500 information* in the information in the Form 5500 that management refuses to correct, the auditor should notify those charged with governance of the auditor's concerns	.A80 When the auditor concludes that there is a material *misstatement of Form 5500 information* that management refuses to correct, appropriate further actions by the auditor may include obtaining legal advice from the auditor's legal counsel, withholding the auditor's report if such report has not been released,

regarding the information in the Form 5500 and take any further appropriate action.	or withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

Auditor's Report on ERISA Plan Financial Statements (When there is No ERISA-Permitted Scope Limitation)	**Auditor's Report on ERISA Plan Financial Statements (When there is No ERISA-Permitted Scope Limitation)**
.44 The auditor's report should be in writing	.A81 A written report encompasses reports issued in hard copy format and those using an electronic medium. .A82 Exhibit A, "Illustrations of Auditor's Reports on Financial Statements for ERISA Plans" contains illustrations of auditor's reports on financial statements for ERISA plans.
Title	*Title*
.45 The auditor's report should have a title that includes the word *independent* to clearly indicate that it is the report of an independent auditor.	.A83 A title indicating the report is the report of an independent auditor (for example, "Independent Auditor's Report") affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others. AU-C section 200 provides guidance on reporting when the auditor is not independent.
Addressee	*Addressee*
.46 The auditor's report should be addressed as required by the circumstances of the engagement.	.A84 The auditor's report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose financial statements are being audited or to those charged with governance. Occasionally, an auditor may be retained to audit the financial statements of an entity that is not a client; in such a case, the report may be addressed to the client and not to those charged with governance of the entity whose financial statements are being audited. .A85 For ERISA plans, the report may be addressed to the plan or trust whose financial statements are being audited, the plan administrator or board of trustees, or participants and beneficiaries.
Introductory Paragraph	*Introductory Paragraph*

.47 The introductory paragraph in the auditor's report should i. Identify the entity whose financial statements have been audited, ii. State that the financial statements have been audited, iii. Identify the title of each statement that the financial statements comprise, and iv. Specify the date or period covered by each financial statement that the financial statements comprise	.A86 The introductory paragraph states, for example, that the auditor has "audited the accompanying financial statements of ABC Plan, which comprise the statements of net assets available for benefits as of December 31, 20X1 and 20X2, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements."
	.A87 The auditor's opinion covers the complete set of financial statements, as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial statements include statements of net assets available for benefits, a statement of changes in net assets available for benefits, and for defined benefit pension plans may include a statement of accumulated plan benefits and a statement of changes in accumulated plan benefits and for a defined benefit health and welfare plan, a statement of benefit obligations and statement of changes in benefit obligations, including related notes. In some circumstances, additional or different statements, schedules, or information also might be considered to be an integral part of the financial statements.
Management's Responsibility for the Financial Statements of an Employee Benefit Plan Subject to ERISA	*Management's Responsibility for the Financial Statements of an Employee Benefit Plan Subject to ERISA*
.48 The auditor's report should include a section with the heading "Management's Responsibility for the Financial Statements of an Employee Benefit Plan Subject to ERISA"	
.49 The auditor's report should describe management's responsibility for the preparation and fair presentation of the financial statements. The description should include an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting	.A88 AU-C section 200 explains the premise relating to the responsibilities of management and, when appropriate, those charged with governance on which an audit in accordance with GAAS is

framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. It should also include	conducted.[12] Management and, when appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation. Management also accepts responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities because it helps explain to users the premise on which an audit is conducted. .A89 Management has additional responsibilities when arranging for an audit of ERISA plan financial statements of due to the regulatory nature of such plans.
a. a statement that it is responsible for administering the plan and determining that the plan's transactions that are presented or disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA section 107 and 209, to determine the benefits due or which may become due to such participants, and	
b. a statement that management is responsible for the estimation methods and assumptions used in measuring the plan's obligations, if applicable	
.50 The description about management's responsibility for the financial statements in the auditor's report should not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor's report.	.A90 In some instances, a document containing the auditor's report may include a separate statement by management regarding its responsibility for the preparation of the financial statements. Any elaboration in the auditor's report about management's responsibilities regarding the preparation of the financial statements, or reference to a separate statement by management about such responsibilities if one is included in a document containing the auditor's report, may lead users to erroneously believe that the auditor is providing assurances about representations

[12] Paragraphs .05 and .A2 of AU-C section 200.

	made by management about their responsibility for financial reporting, internal control, and other matters that might be discussed in the management report.
Auditor's Responsibility	*Auditor's Responsibility*
.51 . The auditor's report should include a section with the heading "Auditor's Responsibility."	
.52 The auditor's report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	.A91 The auditor's report states that the auditor's responsibility is to express an opinion on the financial statements based on the audit in order to contrast it to management's responsibility for the preparation of the financial statements.
.53 The auditor's report should state that that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor's report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.	.A92 The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards. For example, the auditor's report may refer to auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards.
	.A93 In accordance with AU-C section 200, the auditor does not represent compliance with GAAS in the auditor's report, unless the auditor has complied with the requirements of section 200 and all other AU sections relevant to the audit.[13]
.54 The auditor's report should describe an audit by stating that *a.* an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. *b.* the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to	

[13] Paragraph .22 of AU-C section 200.

design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. *c.* an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed.	
.55 The auditor's report should state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.	
Auditor's Opinion	*Auditor's Opinion*
.56 The auditor's report should include a section with the heading "Opinion."	
	Description of Information That the Financial Statements Present
.57 When expressing an unmodified opinion on financial statements, the auditor's opinion should state that the financial statements present fairly, in all material respects, the net assets available for benefits [*and of accumulated plan benefits*] as of the date of the statement of net assets available for benefits and the statement of changes in net assets available for benefits [*and of changes in accumulated plan benefits*] for the period then ended, in accordance with the applicable financial reporting framework.	.A94 *Description of information that the financial statements present.* The auditor's opinion states that the financial statements present fairly, in all material respects, the information that the financial statements are designed to present. .A95 The title of the financial statements identified in the introductory paragraph of the auditor's report (see paragraph .47) describes the information that is the subject of the auditor's opinion.

.58 The auditor's opinion should identify the applicable financial reporting framework and its origin.	.A96 *Description of the applicable financial reporting framework and how it may affect the auditor's opinion.* The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph .23 of AU-C 700. For example, the applicable financial reporting framework may be identified as accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles.
Other Reporting Responsibilities	*Other Reporting Responsibilities*
.59 If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibility under GAAS to report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor's report that should be subtitled "Report on Other Legal and Regulatory Requirements" or otherwise, as appropriate to the content of the section.	.A97 In some circumstances, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under GAAS to report on the financial statements. The form and content of the "Other Reporting Responsibilities" section of the auditor's report described in paragraph .59 will vary depending on the nature of the auditor's other reporting responsibilities. .A98 In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.
.60 If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements, and explanations referred to in paragraphs .47–.58 should be under the subtitle "Report on the Financial Statements." The "Report on Other Legal and Regulatory Requirements" should follow the "Report on the Financial Statements."	.A99 These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under GAAS to report on the financial statements. When relevant, this section may contain subheading(s) that describe(s) the content of the other reporting responsibility paragraph(s).
Reporting on Specific Plan Provisions Relating to the Financial Statements	*Reporting on Specific Plan Provisions Relating to the Financial Statements*
.61 If the "Report on Specific Plan Provisions Relating to the Financial Statements" is included in the auditor's report, as permitted by paragraph .117, the auditor's report should include a separate section with the heading "Report on Specific Plan Provisions Relating to the Financial Statements".	.A100 It is the responsibility of management for determining that the plan's transactions that are presented or disclosed in the financial statements are in accordance with plan provisions. While some of these provisions do not relate to accounts that are presented as financial statement account balances, they do affect

The requirements in paragraphs .116–.122 belowapply.	investment related transactions and balances of the plan and the benefits to which participants are entitled to receive.
.62 If the "Report on Specific Plan Provisions Relating to the Financial Statements" is presented in a separate report, as permitted by paragraph .117, the auditor's report should include an other-matter paragraph as required by paragraph .120. The requirements in paragraphs .116–.119 and .122 apply.	
.63 The auditor should report on its findings relating to the specific plan provisions relating to the financial statements for the current period, regardless of whether or not the auditor identifies findings.	.A101 The auditor's *report on specific plan provisions relating to the financial statements* is limited to the findings resulting from the procedures in paragraph .12(a)–(k) for the current period, even when comparative financial statements are presented (i.e., even when the auditor's opinion refers to each period for which financial statements are presented). The current period is the most recent period upon which the auditor is reporting.
Signature of the Auditor	*Signature of the Auditor*
.64 The auditor's report should include the manual or printed signature of the auditor's firm.	.A102 In certain situations, the auditor's report may be required by law or regulation to include the personal name and signature of the auditor, in addition to the auditor's firm. In addition to the auditor's signature, in certain circumstances, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority. .A103 29 CFR 2520.103-1(b)(5)(i)(B) of the Department of Labor Rules and Regulations for Reporting and Disclosure Under ERISA, requires the accountant's report to be signed manually.
Auditor's Address	*Auditor's Address*
.65 The auditor's report should name the city and state where the auditor's report is issued.	.A104 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country. .A105 29 CFR 2520.103-1(b)(5)(i)(C) of the Department of Labor's Rules and Regulations for Reporting and Disclosure Under ERISA requires that

	the auditor's report indicate the city and state where issued.
Date of the Auditor's Report	*Date of the Auditor's Report*
.66 The auditor's report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that a. the audit documentation has been reviewed; b. all the statements that the financial statements comprise, including the related notes, have been prepared; and c. management has asserted that they have taken responsibility for those financial statements.	.A106 The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in AU-C 560. .A107 AU-C 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, requires that on or before the date of the auditor's report, the engagement partner, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.[14] When an engagement quality control review is performed, AU-C 220 requires that the auditor's report not be released prior to the completion of such engagement quality control review.[15] .A108 Because the auditor's opinion is provided on the financial statements, and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that the financial statements comprise, including the related notes, have been prepared, and management has accepted responsibility for them.
Auditor's Report for Audits Conducted in Accordance with Both GAAS and Another Set of Auditing Standards	***Auditor's Report for Audits Conducted in Accordance with Both GAAS and Another Set of Auditing Standards***
.67 Paragraph .53 requires that the auditor's report state that the audit was conducted in accordance with GAAS and identify the United States of America as the country of origin of those standards. However, an auditor may indicate that the audit was also conducted in accordance with another	

[14] AU-C 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, paragraph .19 and .A17.
[15] Paragraph .21 of AU-C section 220.

set of auditing standards (for example, International Standards on Auditing [ISAs], the standards of the PCAOB, or Government Auditing Standards). The auditor should not refer to having conducted an audit in accordance with another set of auditing standards in addition to GAAS, unless the audit was conducted in accordance with both sets of standards in their entirety.	
.68 When the auditor's report refers to both GAAS and another set of auditing standards, the auditor's report should identify the other set of auditing standards, as well as their origin.	
Auditor's Report for Audits Conducted in Accordance With the Standards of the PCAOB and GAAS When the Audit Is Not Within the Jurisdiction of the PCAOB	***Auditor's Report for Audits Conducted in Accordance With the Standards of the PCAOB and GAAS When the Audit Is Not Within the Jurisdiction of the PCAOB***
.69 When conducting an audit of financial statements in accordance with the standards of the PCAOB and the audit is not within the jurisdiction of the PCAOB, the auditor is required to also conduct the audit in accordance with GAAS. In such circumstances, when the auditor refers to the standards of the PCAOB in addition to GAAS in the auditor's report, the auditor should use the form of report required by the standards of the PCAOB, amended to state that the audit was also conducted in accordance with GAAS.	.A109 Auditors of financial statements of entities whose audits are within the jurisdiction of the PCAOB, which include issuers (as defined by the SEC) and nonissuer brokers and dealers registered with the SEC, are required to be registered with, and subject to inspection by, the PCAOB. In such circumstances, the AICPA Code of Professional Conduct requires AICPA members to conduct the audit in accordance with the standards of the PCAOB, and the audit is not required to also be conducted in accordance with GAAS.[16] .A110 When the auditor follows the standards of the PCAOB regarding the form of the auditor's report, PCAOB reporting requirements for specific circumstances, such as reporting on an integrated audit or supplementary information, may also be applicable. .A111 The form of the auditor's report required by the standards of the PCAOB states that the audit was conducted in accordance with "the standards of the Public Company Accounting Oversight Board (United States)." A reference to "the standards" of the PCAOB indicates that the auditor has complied not only with the PCAOB's auditing standards, but also with the related professional practice standards of the PCAOB, including its independence rules; whereas a reference to "the auditing standards of the Public Company Accounting Oversight Board (United States)" is limited

[16] See the "Compliance With Standards Rule" (ET sec. 1.310.001), and appendix A, "Council Resolution Designating Bodies to Promulgate Technical Standards" (ET app. A).

	to compliance with the auditing standards of the PCAOB. The auditor of financial statements of an entity whose audits are not within the jurisdiction of the PCAOB may, nevertheless, be responsible for complying with the independence and other related professional practice standards of the PCAOB if, for example, the engagement is subject to regulatory oversight that requires compliance with those rules. Whether the auditor conducts an audit of financial statements in accordance with the standards of the PCAOB or the auditing standards of the PCAOB depends on the circumstances of the engagement.[17] .A112 Examples of situations in which an auditor may be engaged to conduct an audit in accordance with the standards (or auditing standards) of the PCAOB for an entity whose audit is not within the jurisdiction of the PCAOB include audits for clearing agencies and futures commission merchants registered with the U.S. Commodities Futures Trading Commission (CFTC), as well as other entities registered with the CFTC; audits of financial statements included in certain securities offering documents pursuant to Regulation A of the Securities Act of 1933; and circumstances in which a nonissuer company desires, or is required by contractual agreement, to obtain an audit of its financial statements in accordance with the standards of the PCAOB. .A113 The exhibit, "Illustrations of Auditor's Reports on Financial Statements," in AU-C section 700 contains an example of an auditor's report for the situation described in paragraph .69.

Comparative Financial Statements and Comparative Information	**Comparative Financial Statements and Comparative Information**
.70 Comparative financial statements may be required by the applicable financial reporting framework, or management may elect to provide such information. When comparative financial statements are presented, the auditor's report should refer to each period for which financial statements	.A114 The level of information included for the prior periods in comparative financial statements is comparable with that of the financial statements of the current period. .A115 Because the auditor's report on comparative financial statements applies to the financial statements for each of the periods presented, the auditor may

[17] See Staff Question and Answer, *Audits of Financial Statements of Non-Issuers Performed Pursuant to the Standards of the Public Company Accounting Oversight Board* (AICPA, *PCAOB Standards and Related Rules*, PCAOB Staff Guidance, sec. 100.01), dated June 30, 2004.

are presented and on which an audit opinion is expressed.	express a qualified opinion or an adverse opinion, disclaim an opinion, or use the ERISA-permitted scope limitation report described in paragraphs .85–.112, include an emphasis-of-matter paragraph with respect to one or more financial statements for one or more periods while expressing a different auditor's opinion on one or more financial statements of another period presented.
	.A116 ERISA requires a statement of assets and liabilities of the Plan to be displayed in comparative form. This may be achieved by presenting the statement of net assets available for benefits in comparative form.
	Updating the Report
.71 When expressing an opinion on all periods presented, a continuing auditor should update the report on the financial statements of one or more prior periods presented on a comparative basis with those of the current period. The auditor's report on comparative financial statements should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to support the opinion for the most recent audit.	.A117 An updated report on prior period financial statements is distinguished from a reissuance of a previous report.[18] When issuing an updated report, the information considered by the continuing auditor is that which the auditor has become aware of during the audit of the current period financial statements. In addition, an updated report is issued in conjunction with the auditor's report on the current period financial statements. ***Other Considerations Relating to Comparative Financial Statements*** .A118 If one firm of independent auditors merges with another firm, and the new firm becomes the auditor of a former client of one of the two former firms, the new firm may accept responsibility and express an opinion on the financial statements for the prior period(s), as well as for those of the current period. In such circumstances, paragraphs .70–.67 apply. The new firm may indicate in the auditor's report or as part of the signature that a merger took place and may name the firm of independent auditors that was merged with it. If the new firm decides not to express an opinion on the prior period financial statements, the guidance for the reissuance of reports in AU-C section 560 would apply.
	Comparative Information
.72 If comparative information is presented but not covered by the auditor's opinion, the auditor	.A119 Comparative information, which may be condensed financial statements or prior period

[18] See AU-C section 560.

should clearly indicate in the auditor's report the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.	summarized financial information, is not considered comparative financial statements because it is not a complete set of financial statements. .A120 Paragraph .72 requires the auditor to clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report when comparative information is presented but not covered by the auditor's opinion on the financial statements of the current period. The requirements and guidance in AU-C section 930, *Interim Financial Information*, may be adapted to report on condensed financial statements or prior period summarized financial information that is derived from audited financial statements and is presented comparatively with the complete set of financial statements of the current period.[19][20]
.73 If comparative information is presented and the entity requests the auditor to express an opinion on all periods presented, the auditor should consider whether the information included for the prior period(s) contains sufficient detail to constitute a fair presentation in accordance with the applicable financial reporting framework.	.A121 If an entity requests the auditor to express an opinion on all periods presented, and comparative information is presented for one or more prior periods, in most cases, this will necessitate including additional columns or separate detail by fund or net asset class, or the auditor may need to modify the auditor's opinion, as required by AU-C section 705.
Audit Procedures	
.74 The auditor should perform the procedures required by paragraphs .75–.77 if comparative financial statements or comparative information is presented for the prior period(s).	
.75 The auditor should determine whether the comparative financial statements or comparative information has been presented in accordance with the relevant requirements, if any, of the applicable financial reporting framework.	
.76 The auditor should evaluate whether	
a. the comparative financial statements or comparative information agree with the amounts and other disclosures presented in the prior period or, when appropriate, has been restated for the correction of a	

[19] Paragraph .33 of AU-C section 930, *Interim Financial Information*.

[20] See the AICPA Audit and Accounting Guides *State and Local Governments* and *Not-for-Profit Entities* for further guidance on reporting on summarized comparative financial information.

material misstatement or adjusted for the retrospective application of an accounting principle, and	
b. the accounting policies reflected in the comparative financial statements or comparative information are consistent with those applied in the current period or if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.[21]	
.77 If the auditor becomes aware of a possible material misstatement in the comparative financial statements or comparative information while performing the current period audit, the auditor should perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists. If the auditor audited the prior period's financial statements and becomes aware of a material misstatement in those financial statements, the auditor should also follow the relevant requirements of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*. If the prior period financial statements are restated, the auditor should determine that the comparative financial statements or comparative information agree with the restated financial statements.	
	Written Representations
.78 As required by AU-C section 580, *Written Representations*, the auditor should request written representations for all periods referred to in the auditor's opinion. The auditor also should obtain a specific written representation regarding any restatement made to correct a material misstatement in a prior period that affects the comparative financial statements.	.A122 In the case of comparative financial statements, the written representations are requested for all periods referred to in the auditor's opinion because management needs to reaffirm that the written representations it previously made with respect to the prior period remain appropriate.
.79 When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the	

[21] See AU-C section 708, *Consistency of Financial Statements*.

auditor previously expressed, the auditor should disclose the following matters in an emphasis-of-matter or other-matter paragraph, in accordance with AU-C section 706:	
a. The date of the auditor's previous report	
b. The type of opinion previously expressed	
c. The substantive reasons for the different opinion	
d. That the auditor's opinion on the amended financial statements is different from the auditor's previous opinion	***Opinion on Prior Period Financial Statements Different From Previous Opinion*** .A123 When reporting on the prior period financial statements in connection with the current period's audit, the opinion expressed on the prior period financial statements may be different from the opinion previously expressed if the auditor becomes aware of circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period. In some circumstances, the auditor may have additional reporting responsibilities designed to prevent future reliance on the auditor's previously issued report on the prior period financial statements.[22]
Prior Period Financial Statements Audited by a Predecessor Auditor	***Prior Period Financial Statements Audited by a Predecessor Auditor***
.80 If the financial statements of the prior period were audited by a predecessor auditor, and the predecessor auditor's report on the prior period's financial statements is not reissued,[23] in addition to expressing an opinion on the current period's financial statements, the auditor should state the following in an other-matter paragraph:[24]	
a. That the financial statements of the prior period were audited by a predecessor auditor	

[22] See AU-C section 560.
[23] Paragraphs .19-.20 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*.
[24] See AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*.

b. The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore	
c. The nature of an emphasis-of-matter paragraph or other-matter paragraph included in the predecessor auditor's report, if any	
d. The date of that report	
.81 If the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification, the auditor should follow the communication requirements in AU-C section 510.[25] If the prior period financial statements are restated, and the predecessor auditor agrees to issue a new auditor's report on the restated financial statements of the prior period, the auditor should express an opinion only on the current period.	.A124 The predecessor auditor may be unable or unwilling to reissue the auditor's report on the prior period financial statements that have been restated. In this situation, provided that the auditor has audited the adjustments to the prior period financial statements, the auditor may include an other-matter paragraph[26] in the auditor's report indicating that the predecessor auditor reported on the financial statements of the prior period before restatement. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied about the appropriateness of the restatement, the auditor's report may also include the following paragraph within the other-matter paragraph section: As part of our audit of the 20X2 financial statements, we also audited the adjustments described in Note X that were applied to restate the 20X1 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 20X1 financial statements of the Plan other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 20X1 financial statements as a whole.
Prior Period Financial Statements Not Audited	***Prior Period Financial Statements Not Audited***
.82 When current period financial statements are audited and presented in comparative form with compiled or reviewed financial statements for the prior period, and the report on the prior period is not reissued, the auditor should include an other-matter	

[25] Paragraphs .12-.13 of AU-C section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*.
[26] See AU-C section 706.

paragraph[27] in the current period auditor's report that includes the following:	
a. The service performed in the prior period	
b. The date of the report on that service	
c. A description of any material modifications noted in that report	
d. A statement that the service was less in scope than an audit and does not provide the basis for the expression of an opinion on the financial statements	.A125 If the prior period financial statements were reviewed, the following is an example of an other-matter paragraph: Other Matter The 20X1 financial statements were reviewed by us (other accountants) and our (their) report thereon, dated March 1, 20X2, stated we (they) were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. .A126 If the prior period financial statements were compiled, the following is an example of an other-matter paragraph: Other Matter The 20X1 financial statements were compiled by us (other accountants) and our (their) report thereon, dated March 1, 20X2, stated we (they) did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them
.83 If the prior period financial statements were not audited, reviewed, or compiled, the financial statements should be clearly marked to indicate their status, and the auditor's report should include an other-matter paragraph to indicate that the auditor has not audited, reviewed, or compiled the prior period financial statements and that the auditor assumes no responsibility for them.	.A127 If the prior period financial statements were not audited, reviewed, or compiled, the following is an example of an other-matter paragraph: Other Matter The accompanying statement of net assets available for benefits of X Plan as of December 31, 20X1, and the related statement of changes in net assets available for benefits for the year then ended were not audited, reviewed, or compiled by us and,

[27] See AU-C section 706.

	accordingly, we do not express an opinion or any other form of assurance on them.
Information Presented in the Financial Statements	**Information Presented in the Financial Statements**
.84 Information that is not required by the applicable financial reporting framework but is nevertheless presented as part of the basic financial statements should be covered by the auditor's opinion if it cannot be clearly differentiated.	.A128 In some circumstances, the entity may be required by law, regulation, or standards, or may voluntarily choose, to include in the basic financial statements information that is not required by the applicable financial reporting framework. The auditor's opinion covers information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented. .A129 ERISA requires certain items to be disclosed in the notes to the financial statements that may not also be required to be disclosed by the applicable financial reporting framework. Appendix A *ERISA and Related Regulations* in the AICPA Audit and Accounting Guide *Employee Benefit Plans* contains a list of the disclosure items require by ERISA. .A130 If the information included in the basic financial statements is not required by the applicable financial reporting framework and is not necessary for fair presentation but is clearly differentiated, then such information may be identified as *unaudited* or as *not covered by the auditor's report*.

Report on ERISA Plan Financial Statements When Management Limits the Scope of the Audit As Permitted by ERISA	**Report on ERISA Plan Financial Statements When Management Limits the Scope of the Audit As Permitted by ERISA**
.85 The auditor's report should be in writing. .86 The auditor should apply the provisions in in paragraphs .67–.84 of this proposed SAS, if applicable.	.A131 As noted in paragraph .28, the form of report discussed in paragraphs .85–.112 is only appropriate when the ERISA-permitted scope limitation is imposed, and there are no other limitations on the scope of the audit and no identified material misstatements of the financial statements exist. When there are other limitations on the scope of the audit, other than what is permitted by ERISA section 103(a)(C), or when the auditor had identified material misstatements of the financial statements of the ERISA plan, AU-C 705 *Modifications to the Opinion in the Independent Auditor's Report* applies. .A132 ERISA requires certain comparative financial statements to be presented and therefore paragraphs

	.70–.83 of this proposed SAS applies, even when the ERISA-permitted scope limitation is imposed.
Title	
.87 The auditor's report should have a title that includes the word independent to clearly indicate that it is the report of an independent auditor.	
Addressee	
.88 The auditor's report should be addressed as required by the circumstances of the engagement.	
Introductory Paragraph	
.89 The Introductory paragraph in the auditor's report should	
a. Identify the entity whose financial statements have been audited	
b. State that the auditor performed an audit subject to the limitation on the scope of the audit imposed by management, as permitted by ERISA.	
c. Identify the title of each statement that the financial statements comprise, and	
d. Specify the date or period covered by each statement that the financial statements comprise	
Basis for Limitation on the Scope of the Audit	*Basis for Limitation on the Scope of the Audit*
.90 The auditor's report should include a section with the heading "Basis for Limitation on the Scope of the Audit."	
.91 The auditor's report should include *a.* An explanation that as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, management imposed a limitation on the scope of the audit. Under the authority of section 103(a)(3)(C) of ERISA, the audit need not	.A133 The explanation about the DOL rules and regulations for reporting and disclosure under ERISA may need to be changed to the circumstances of the engagement when management imposes the limitation on the scope of the audit as permitted by 29 CFR 2520.103-12.

extend to any statement or information prepared and certified by a bank or similar institution or insurance carrier which is regulated and supervised and subject to periodic examination by a State or Federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or insurance carrier in accordance with 29 CFR 2520.103-5 and 29 CFR 2520.103-8. *b.* A statement that the auditor has been informed by management that a qualified institution holds the investments and executes investment transactions. *c.* A statement that management has obtained a certification from the qualified institution stating that the information is complete and accurate for the period under audit.	
Management's Responsibility for Financial Statements and the Limitation on the Scope of the Audit	*Management's Responsibility for Financial Statements and the Limitation on the Scope of the Audit*
.92 The auditor's report should include a section with the heading "Management's Responsibility for the Financial Statements and the Limitation on the Scope of the Audit".	
.93 The auditor's report should describe management's responsibility for the preparation and fair presentation of the financial statements. The description should include an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. It should also include	
a. a statement that management is also responsible for determining whether a limitation on the scope of the audit is	

permissible in the circumstances, in accordance with ERISA, including • evaluating whether the certification is prepared by a qualified institution, and • evaluating whether the certified investment information is complete and accurate.	
b. a statement that the limitation on the scope of the audit does not affect management's responsibility for the financial statements and management is responsible for determining whether the certified investment information is appropriately measured, presented and disclosed in accordance with the applicable financial reporting framework.	
c. a statement that management is also responsible for administering the plan and determining that the plan's transactions that are presented or disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and 209, to determine the benefits due or which may become due to such participants.	
d. A statement that management is responsible for the estimation methods and assumptions used in measuring the plan's accumulated plan benefits.	
.94 The description about management's responsibility for the financial statements in the auditor's report should not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor's report.	
Auditor's Responsibility (Including Responsibility for the Certified Investment Information)	*Auditor's Responsibility (Including Responsibility for the Certified Investment Information)*

.95 The auditor's report should include a section with the heading "Auditor's Responsibility (Including Responsibility for the Certified Investment Information)."	
.96 The auditor's report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	
.97 The auditor's report should state that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor's report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.	
.98 The auditor's report should describe an audit by stating that • an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. • the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. • an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made	

by management, as well as the overall presentation of the financial statements. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed.	
.99 The auditor's report should state that with the respect to the certified investment information that management instructed the auditor not to audit, the auditor did not assess the risks of material misstatement nor did the auditor consider internal control over the certified investment information, and that the procedures were limited to: • obtaining and reading the certification • evaluating management's assessment of whether the entity issuing the certification is a qualified institution under ERISA • comparing the certified investment information with the related information presented or disclosed in the financial statements • assessing whether the form and content of the certified investment information presented or disclosed in the financial statements is in accordance with the applicable financial reporting framework	
.100 The auditor's report should state that other than with respect to the certified investment information, the audit procedures were not limited for other amounts and disclosures in the financial statements.	
.101 The auditor's report should state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion on the	

financial statements with the ERISA-permitted audit scope limitation.	
Auditor's Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation	*Auditor's Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation*
.102 The auditor's report should include a section with the heading "Auditor's Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation"	
.103 When the ERISA-permitted limitation is the only limitation on the scope of the audit and the auditor has not identified any material misstatements, the auditor's report should include a statement that in the auditor's opinion, based on the audit and based on the use of the certification of the investment information which we were not required to audit, the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. .104 The auditor's opinion should identify the applicable financial reporting framework and its origin.	
Other Reporting Responsibilities	*Other Reporting Responsibilities*
.105 If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibility under GAAS to report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor's report that should be subtitled "Report on Other Legal and Regulatory Requirements" or otherwise, as appropriate to the content of the section.	.A134 In some circumstances, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under GAAS to report on the financial statements. The form and content of the "Other Reporting Responsibilities" section of the auditor's report described in paragraph .59 will vary depending on the nature of the auditor's other reporting responsibilities. .A135 In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.
.106 If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements, and explanations referred to in paragraphs .47–.58 should be under the subtitle "Report on the Financial Statements." The "Report on Other Legal and Regulatory Requirements"	.A136 These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under GAAS to report on the financial statements. When relevant, this section may contain

should follow the "Report on the Financial Statements."	subheading(s) that describe(s) the content of the other reporting responsibility paragraph(s).
Reporting on Specific Plan Provisions Relating to the Financial Statements	*Reporting on Specific Plan Provisions Relating to the Financial Statements*
.107 If the "Report on Specific Plan Provisions Relating to the Financial Statements" is included in the auditor's report, as permitted by paragraph .117, the auditor's report should include a separate section with the heading "Report on Specific Plan Provisions Relating to the Financial Statements". The requirements in paragraphs .116–.122 .108 If the "Report on Specific Plan Provisions Relating to the Financial Statements" is presented in a separate report, as permitted by paragraph .117, the auditor's report should include an other-matter paragraph as required by paragraph .120. The requirements in paragraphs .116–.119 and .122 apply. .109 The auditor should report on its findings relating to the specific plan provisions relating to the financial statements for the current period, regardless of whether or not the auditor identifies findings.	.A137 It is the responsibility of management for determining that the plan's transactions that are presented or disclosed in the financial statements are in accordance with plan provisions. While some of these provisions do not relate to accounts that are presented as financial statement account balances, they do affect investment related transactions and balances of the plan and the benefits to which participants are entitled to receive. .A138 The auditor's report on specific plan provisions relating to the financial statements is limited to the current period, even when comparative financial statements are presented (i.e., even when the auditor's opinion refers to each period for which financial statements are presented). The current period is the most recent period upon which the auditor is reporting.
Signature of the Auditor	*Signature of the Auditor*
.110 The auditor's report should include the manual or printed signature of the auditor's firm. (Ref. par. .A102–.A103)	
Auditor's Address	*Auditor's Address*
.111 The auditor's report should name the city and state where the auditor's report is issued. (Ref. par. .A104–.A105)	
Date of the Auditor's Report	*Date of the Auditor's Report*
.112 The auditor's report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that *a.* the audit documentation has been reviewed;	

b. all the statements that the financial statements comprise, including the related notes, have been prepared; and management has asserted that they have taken responsibility for those financial statements. (Ref. par. .A106–.A108)	

Emphasis-of-Matter Paragraphs	**Emphasis-of-Matter Paragraphs**
.113 The auditor's report on ERISA plan financial statements should include an *emphasis-of-matter paragraph,*[28] under an appropriate heading, when the following situations exist when:	
a. There are significant plan amendments that affect net assets that are disclosed in the notes to the financial statements in accordance with FASB ASC 960-205-50-1, 962-205-50-1, and 965-205-50-1.	
b. Minimum funding waivers were granted by the IRS, or if a request for waiver is pending before the IRS, that are disclosed in the notes to the financial statements in accordance with FASB ASC 960-205-50-1 and 962-205-50-1.	.A139 The following is an illustration of an emphasis-of-matter paragraph when a defined benefit pension plan received a funding waiver. Emphasis of Matter Regarding Funding Waiver As discussed in Note X to the financial statements, the plan received a funding waiver from the IRS. Our opinion is not modified with respect to this matter.
c. There were significant changes in the nature of the plan, for example, a plan merger or spin-off that are disclosed in the notes to the financial statements in accordance with FASB ASC 965-205-50-1.	.A140 The following is an illustration of an emphasis-of-matter paragraphs when a defined contribution retirement plan is merged into another plan. Emphasis of Matter Regarding Plan Merger As discussed in Note X to the financial statements, the Board of Directors of ABC Company merged XYZ Plan into the ABC 401(k) plan effective December 31, 20X2. The plan's net assets and related participant information were transferred to the ABC Plan on December 31, 20X2. Our opinion has not been modified with respect to this matter.

[28] Paragraphs .06-.07 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*.

Reporting on ERISA Supplemental Schedules	Reporting on ERISA Supplemental Schedules
.114 ERISA requires that certain supplemental schedules accompany the ERISA plan financial statements if applicable. When auditing ERISA plan financial statements, the auditor should report on whether such supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole, in accordance with AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.	.A141 According to 29 CFR 2520.103-10 the administrator of a plan filing an annual report pursuant to ERISA section 2520.103-1(a)(2) should, as provided in the instructions to the Form 5500 "Annual Return/Report of Employee Benefit Plan" include as part of the annual report certain separate financial schedules. . .A142 Such schedules are required to be attached to the Form 5500 filing.[29] These schedules are covered by the auditor's report on whether such supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole, in accordance with AU-C 725. The Form 5500 is updated annually and therefore the Form 5500 contains the most current information about the required schedules.
.115 AU-C section 725 addresses the performance requirements as well as the form and content of the report on supplementary information in relation to the financial statements as a whole. When an entity presents the supplementary information with the financial statements, AU-C 725 requires the auditor to report on the supplementary information in either (a) an other-matter paragraph in accordance with section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Auditor's Report*, or (b) in a separate report on the supplementary information.[30] When performing an audit of ERISA plan financial statements, the reporting elements discussed in paragraph .09 of AU-C 725 should be replaced with the following:	
a. A statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole	
b. A statement that the supplementary information is presented for the purposes of	

[29] Appendix A in the AICPA Audit and Accounting Guide *Employee Benefit Plans* provides a listing of the required ERISA schedules.

[30] AU-C section 725 *Supplementary Information in Relation to the Financial Statements as a Whole*, paragraph .09.

additional analysis and is not a required part of the financial statements	
c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements	
d. A statement that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the supplementary information included in the supplemental schedules, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America.	
e. When reporting on an audit of ERISA plan financial statements when the ERISA-permitted scope limitation is imposed, the paragraph in .115*d*. should be revised to reflect the use of certification of investment information as part of the audit. Further the report should include a statement that the auditor's procedures with respect to the certified investment information included in the supplemental schedules were limited to those procedures described in the *Auditor's Responsibility (Including Responsibility for the Certified Investment Information)* section.	.A143 Paragraph .115*d* may be revised as follows: "The information has been subjected to the auditing procedures applied in the audits of the financial statements and the use of the certification of the investment information, which we were not required to audit."
f. A statement that in forming the opinion on the supplemental schedules, the auditor evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974.	

	Errors, Omissions, or Inconsistency of Supplementary Information Required by the DOL
g. If the auditor issues an unmodified opinion on the financial statements and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, a statement that, in the auditor's opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, and is in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.	.A144 When the auditor concludes, on the basis of the procedures performed, that the supplementary information is materially misstated in relation to the financial statements as a whole, AU-C 725 requires the auditor to discuss the matter(s) with management and propose appropriate revision of the supplementary information. If management does not revise the supplementary information, the auditor is required to modify the auditor's opinion on the supplemental schedules and describe the misstatement in the auditor's report. If a separate report is being issued on the supplementary information, the auditor is required to withhold the auditor's report on the supplementary information [31] .A145 During the audit the auditor may become aware of a departure from DOL requirements relating to the supplementary information that is not also a departure from the applicable financial reporting framework. If the departure is not related to a prohibited transaction with a party in interest, the auditor may consider including an additional communication in the auditor's report (emphasis-of-matter or other-matter paragraph), in accordance with AU-C 706. .A146 When the auditor concludes that the supplemental schedules do not contain all required information or contain information that is inaccurate or inconsistent with the financial statements, and the omission or inconsistency is not considered a material misstatement, the auditor may decide to include an additional paragraph in the report on the supplemental schedules to disclose the omission or inconsistency of the information.[32]
h. If the auditor becomes aware that the plan has entered into a prohibited transaction with a party in interest, and the transaction has not been properly disclosed in the required supplemental schedule, the auditor should modify the report on the supplemental schedule if the effect of the transaction is material based on the financial statement	

[31] AU-C section 725 *Supplementary Information in Relation to the Financial Statements as a Whole*, paragraph .13.
[32] Chapter 11 of the AICPA Audit and Accounting Guide Employee Benefit Plans provides guidance for how to report when there is an error, omission, or inconsistency in the supplementary information.

materiality. If a material party in interest transaction that is not disclosed in the supplemental schedule is also considered a related party transaction and if that transaction is not properly disclosed in the notes to the financial statements, the auditor should modify the auditor's opinion in accordance with AU-C 705. If the effect of the transaction is not material to the financial statements, then the auditor may add a paragraph to the report on the supplemental schedule to disclose the omitted transaction.	
i. If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, a statement that, that in the auditor's opinion, except for the effects on the supplementary information of (refer to the paragraph in the auditor's report explaining the qualification), such information is fairly stated, in all material respects, in relation to the financial statements as a whole.[33]	
j. When reporting on an audit of ERISA plan financial statements when the ERISA-permitted scope limitation is imposed, and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, a statement that, in the auditor's opinion, and based on the auditor's use of the certification of the investment information which the auditor was not required to audit, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole and is in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.	

[33] AU-C 725, *Supplementary Information in Relation to the Financial Statements as a Whole,* paragraph .09(f).

Reporting on Specific Plan Provisions Relating to the Financial Statements	**Reporting on Specific Plan Provisions Relating to the Financial Statements**
.116 The *Report on Specific Plan Provisions Relating to the Financial Statements* should be in writing.	
.117 It should be provided either in one or more paragraphs included in the auditor's report on the financial statements (see paragraph .122) or in a separate report (see paragraph .121).	.A147 The *Report on Specific Plan Provisions Relating to the Financial Statements* is an integral part of an audit of ERISA plan financial statements in accordance with GAAS. ERISA section 103 requires the financial statements and auditor's opinion to be attached to the Form 5500 filing. Accordingly, when the *Report on Specific Plan Provisions Relating to the Financial Statements* is provided in a separate report, such report is to be included with the auditor's report that is attached to the Form 5500 filing.
.118 The *Report on Specific Plan Provisions Relating to the Financial Statements* is based on the required procedures for audits of ERISA plans in paragraph .12 (a)–(k) of this proposed SAS and includes the auditor's findings as required to be documented in paragraph .13, other than when the matters are clearly inconsequential.	.A148 Paragraph .12 of AU-C section 260 requires the auditor to communicate with those charged with governance significant findings or issues from the audit. Such communication includes findings or issues arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process. .A149 The auditor may reach agreement in advance with those charged with governance on the nature of matters that would be considered clearly inconsequential and, thus, need not be communicated.
.119 Management may wish to prepare a written response to the auditor's report regarding the findings that were identified. If the auditor receives a written response from management, the auditor should include management's written response in the *Report on Specific Plan Provisions Relating to the Financial Statements*. In such situations the auditor should add a paragraph to the report disclaiming an opinion on such information.	.A150 Such management communications may include a description of corrective actions taken by the plan, its plans to correct the finding, or a statement indicating that management believes the cost of correcting the finding would exceed the benefits to be derived from doing so.
Separate Report on Specific Plan Provisions Relating to the Financial Statements	*Separate Report on Specific Plan Provisions Relating to the Financial Statements*
.120 When reporting on specific plan provisions in a separate report the auditor should include an other-matter paragraph in the auditor's report on the financial statements that includes:	

a. A statement that in accordance with generally accepted auditing standards, the auditor has also issued a report on the auditor's testing of specific plan provisions relating to the financial statements in connection with obtaining reasonable assurance in an audit of the plan's financial statements	
b. The name of the plan	
c. The date of the separate *Report on Specific Plan Provisions Relating to the Financial Statements*	
d. A statement that the purpose of that report is to describe the results of the auditor's procedures relating to specific plan provisions and not to provide an opinion on compliance with such plan provisions.	
e. A statement that the report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards.	
.121 When the auditor reports on specific plan provisions in a separate report, the report should include	.A151 Exhibit A, Illustration 4— *Illustrative Separate Report on Specific Plan Provisions Relating to the Financial Statements* includes an illustrative *Report on Specific Plan Provisions Relating to the Financial Statements* in an audit of an employee benefit plan subject to ERISA.
a. A title that includes the word *independent* to clearly indicate that it is the report of an independent auditor.	
b. An appropriate addressee.	
c. A paragraph that includes information about the audited financial statements, including i. that the financial statements were audited in accordance with generally accepted auditing standards and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the	.A152 When management has limited the scope of the audit as permitted by ERISA the information contained in this paragraph of the *Report on Specific Plan Provisions Relating to the Financial Statements* would be revised as appropriate to the circumstances. Footnote 1 in illustration 4 of Appendix A provides illustrative wording in such situations.

United States of America or U.S. generally accepted auditing standards); ii. an identification of the financial statements subject to audit; iii. the type of auditor's opinion expressed on the audited financial statements; iv. the date of the auditor's report on those financial statements; and v. a statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole	
d. A section with the heading "Report on *Specific Plan Provisions Relating to the Financial Statements*" This section of the report should describe:	
i. as part of obtaining reasonable assurance about whether the [*identify the plan]*'s financial statements are free from material misstatement, the auditor is required to perform certain procedures to test whether the plan and plan transactions are in accordance with specific plan provisions. ii. That the auditor performed procedures and the areas to which the procedures relate, such as procedures relating to participant eligibility, benefit payments, claim payments, participant vesting provisions, employer and employee contributions, disclosure of prohibited transactions, IRC compliance tests, participant asset allocations, use of forfeitures, allocation of account activity, and allocation of expenses. for the year ended [*date*] as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA as set forth in AU-C section XXX, Special Considerations—Audits of Financial Statements of Employee Benefit Plans. However, these procedures were not performed for the	

purpose of providing an opinion on compliance with those provisions.	
iii. the auditor does not express such an opinion	
e. When no findings are identified, a statement that the auditor did not have any findings relating to whether the plan and plan transactions are in accordance with specific plan provisions, however the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.	
f. When findings have been identified, a statement that, during the audit the auditor identified the following findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions. [*List findings*]	.A153 The communication of findings relating to whether the plan and plan transactions are in accordance with specific plan provisions may identify the plan provision relating to the finding or may provide more details about the finding and its effect on the financial statements, if any. .A154 The following are examples of possible findings based upon the procedures for audits of ERISA plan financial statements in paragraph .12 (a)-(k). • We noted (an) instance(s) where vesting was not calculated in accordance with the plan document. • We noted (an) instance(s) where employee deferrals were not remitted timely [or not in accordance with the normal pattern of remittances or applicable regulations]. • We noted (an) instance(s) where employees were improperly (included) excluded from the plan based on requirements of the plan document. • We noted (an) instance(s) where investment allocations [or deferrals] were not calculated in accordance with participant elections. • We noted (an) instance(s) where the employer contributions were not calculated in accordance with the plan document. • We noted (an) instance(s) where the eligible compensation used to calculate contributions was

	not in accordance with the definition of compensation in the plan document
g. A paragraph under the heading "Purpose of the Report" that includes an appropriate alert, in a separate paragraph, that i. Describes the purpose of the *Report on Specific Plan Provisions Relating to the Financial Statements*; ii. states that this report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards; and iii. states that the communication is not suitable for any other purpose.	.A155 Because the report on specific plan provisions relating to the financial statements is an integral part of the audit engagement of ERISA Plan financial statements for the purpose of assessing the results of the engagement, this form of alert language is used.
h. The manual or printed signature of the auditor's firm, the city and state where the auditor's report is issued, and dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements.	.A156 The auditor's *Report on Specific Plan Provisions Relating to the Financial Statements* carries the same date as that of a financial statement report because the audit procedures required to be performed in paragraph .12(a)–(k) are completed along with the procedures performed on the financial statements.
Report on Specific Plan Provisions Relating to the Financial Statements Included in the Auditor's Report	*Report on Specific Plan Provisions Relating to the Financial Statements Included in the Auditor's Report*
.122 When the *Report on Specific Plan Provisions Relating to the Financial Statements* is included in the auditor's report on the financial statements, the auditor's report should include the elements in paragraph .121 (d)-(g) in a separate section of the auditor's report that should be subtitled "Report on Specific Plan Provisions Relating to the Financial Statements".	

Appendix — AU-C Sections That Are Not Applicable or Are Modified for ERISA-Plan Engagements

The following AU-C sections and individually enumerated requirement paragraphs of specific AU-C sections are not applicable to ERISA plan audits because the subject matter is specifically covered in this section. When the table in this appendix specifies individual requirement paragraphs rather than an entire AU-C section, the application and other explanatory material paragraphs related to such requirement paragraphs also do not apply.

AU-C Section	***Paragraphs Not Applicable to ERISA Plan Audits***
700, *Forming an Opinion and Reporting on Financial Statements*	All
725, *Supplementary Information in Relation to the Financial Statements as a Whole*	Paragraph .09

Exhibit A—Illustrations of Auditor's Reports on Financial Statements of Employee Benefit Plans Subject to ERISA

Illustration 1—An Auditor's Report on Financial Statements for a Defined Contribution Retirement Plan Subject to ERISA

Circumstances include the following:

- Audit of a complete set of general purpose financial statements for a 401(k) plan subject to ERISA (comparative statement of net assets available for benefits)
- The financial statements are prepared in accordance with GAAP
- The Plan merged with another plan. The merger was disclosed in the notes to the financial statements and the auditor included an emphasis-of-matter paragraph in the auditor's report.
- The *Report on Specific Plan Provisions Relating to Financial Statements* is included with the auditor's report. There are no findings.

Independent Auditor's Report

[*Appropriate Addressee*]

We have audited the accompanying financial statements of ABC 401(k) Plan, which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

Management's Responsibility for Financial Statements of Employee Benefit Plans Subject to ERISA

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for administering the plan and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA section 107 and 209, to determine the benefits due or which may become due to such participants.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the net assets available for benefits of ABC 401(k) Plan as of December 31, 20X2 and 20X1, and the changes in its net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Relating to Plan Merger

As discussed in Note X to the financial statements, the Board of Directors of ABC Company merged XYZ Plan into the ABC 401(k) Plan effective December 31, 20X2. The plan's net assets and related participant information were transferred to the ABC 401(k) Plan on December 31, 20X2. Our opinion has not been modified with respect to this matter.

Other Matter Relating to the Supplementary Information Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and the form and content is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Report on Specific Plan Provisions Relating to the Financial Statements

As part of obtaining reasonable assurance about whether ABC 401(k) Plan's financial statements are free from material misstatement, we are required to perform certain procedures to test whether the plan and plan transactions are in accordance with specific plan provisions. We performed procedures relating to participant eligibility, benefit payments, claim payments, participant vesting provisions, employer and employee contributions, disclosure of prohibited transactions, IRC compliance tests, participant asset allocations, use of forfeitures, allocation of account activity, and allocation of expenses for the year ended December 31, 20X2 as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA as set forth in AU-C section XXX, *Special Considerations—Audits of Financial Statements of Employee Benefit Plan*s. However, these procedures were not performed for the purpose of providing an opinion on compliance with those provisions and, accordingly, we do not express such an opinion.

During our audit, we did not have any findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.

Purpose of this Report

The purpose of this report on specific plan provisions relating to the financial statements is solely to describe the results of our specific considerations relating to whether the plan and plan transactions are in accordance with specific plan provisions, and not to provide an opinion on the plan's compliance with ABC 401(k) plan's provisions. This report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards. Accordingly, this communication is not suitable for any other purpose.

[*Auditor's signature*]

[*City and state report is issued*]

[*Date of the auditor's report*]

Illustration 2— An Auditor's Report on Financial Statements for a Defined Benefit Pension Plan Subject to ERISA

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (comparative statement of net assets available for benefits and of accumulated plan benefits) for a defined benefit pension plan subject to ERISA assuming an end-of-year benefit information date
- The financial statements are prepared in accordance with GAAP
- The information regarding the actuarial present value of accumulated plan benefits and changes therein is presented in separate statements within the financial statements and comparative statements of accumulated plan benefits and a single year statement of changes in accumulated plan benefits are presented
- The *Report on Specific Plan Provisions Relating to Financial Statements* is included with the auditor's report and includes findings.

Independent Auditor's Report

[*Appropriate Addressee*]

We have audited the accompanying financial statements of XYZ Pension Plan, which comprise the statements of net assets available for benefits and of accumulated plan benefits as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

Management's Responsibility for Financial Statements of Employee Benefit Plans Subject to ERISA

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for administering the plan and determining that the plan's transactions that are presented or disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and 209, to determine the benefits due or which may become due to such participants. Further management is also responsible for the estimation methods and assumptions used in measuring the plan's accumulated plan benefits.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the net assets available for benefits and of accumulated plan benefits of XYZ Pension Plan as of December 31, 20X2 and 20X1, and the changes in its nets assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

Other Matter Relating to the Supplementary Information Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of

Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and the form and content is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Report on Specific Plan Provisions Relating to the Financial Statements

As part of obtaining reasonable assurance about whether ABC 401(k) Plan's financial statements are free from material misstatement, we are required to perform certain procedures to test whether the plan and plan transactions are in accordance with specific plan provisions. We performed procedures relating to participant eligibility, benefit payments, claim payments, participant vesting provisions, employer and employee contributions, disclosure of prohibited transactions, IRC compliance tests, participant asset allocations, use of forfeitures, allocation of account activity, and allocation of expenses for the year ended December 31, 20X2 as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA as set forth in AU-C section XXX, *Special Considerations—Audits of Financial Statements of Employee Benefit Plan*s. However, these procedures were not performed for the purpose of providing an opinion on compliance with those provisions and, accordingly, we do not express such an opinion.

During our audit, we identified the following findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.

- We noted instances where vesting was not calculated in accordance with the plan document.

Purpose of this Report

The purpose of this report on specific plan provisions relating to the financial statements is solely to describe the results of our specific considerations relating to whether the plan and plan transactions are in accordance with specific plan provisions, and not to provide an opinion on the plan's compliance with ABC 401(k) plan's provisions. This report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards. Accordingly, this communication is not suitable for any other purpose.

[*Auditor's signature*]

[*City and state report is issued*]

[*Date of the auditor's report*]

Illustration 3—An Auditor's Report on Financial Statements of a Defined Contribution Retirement Plan Subject to ERISA When Management Imposes a Limitation on the Scope of the Audit As Permitted by ERISA

Circumstances include the following:

- Management imposed a limitation on the scope of the audit, as permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA,[34] with respect to the certified investment information for a complete set of general purpose financial statements of a 401(k) plan. No other scope limitations were imposed and the financial statements are not materially misstated.
- The financial statements are prepared in accordance with GAAP
- There are no matters disclosed in the notes to the financial statements that require an emphasis-of-matter paragraph to be included in the auditor's report.
- The *Report on Specific Plan Provisions Relating to Financial Statements* is included with the auditor's report and includes findings.

Independent Auditor's Report

[*Appropriate Addressee*]

We have performed an audit of the accompanying financial statements of XYZ 401(k) Plan, subject to the limitation on the scope of the audit imposed by management, as permitted by Employee Retirement Income Security Act of 1974. The financial statements comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

Basis for Limitation on the Scope of the Audit

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, management imposed a limitation on the scope of the audit. Under the authority of section 103(a)(3)(C) of the Employee Retirement Income Security Act of 1974, the audit need not extend to any statement or information prepared and certified by a bank or similar institution or insurance carrier which is regulated and supervised and subject to periodic examination by a State or Federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or insurance carrier in accordance with 29 CFR 2520.103-5 and 29 CFR 2520.103-8.

[34] Although not as common, the plan administrator may limit the scope of the audit of 103-12 investment entities as permitted by ERISA. If the scope limitation imposed by management is under 29 CFR 2520.103-12 then the wording in this illustrative report may need to change to reflect the circumstances of the engagement.

We have been informed by management that a qualified institution holds the investments and executes investment transactions. Management has obtained certifications from the qualified institution as of December 31, 20X2 and 20X1, and for the year ended December 31, 20X2, stating that the investment information, described in Note X to the financial statements, is complete and accurate.

Management's Responsibility for the Financial Statements and the Limitation on the Scope of the Audit

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for determining whether a limitation on the scope of the audit is permissible in the circumstances, in accordance with the Employee Retirement Income Security Act of 1974, including evaluating whether

- the certification is prepared by a qualified institution, and
- the certified investment information is complete and accurate.

The limitation on the scope of the audit does not affect management's responsibility for the financial statements. Management is responsible for determining whether the certified investment information is appropriately measured, presented and disclosed in accordance with accounting principles generally accepted in the United States of America.

Management is also responsible for administering the plan and determining that the plan's transactions that are presented or disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with sections 107 and 209 of the Employee Retirement Income Security Act of 1974, to determine the benefits due or which may become due to such participants.

Auditor's Responsibility (Including Responsibility for the Certified Investment Information)

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

With respect to the certified investment information that management instructed us not to audit, we did not assess the risks of material misstatement nor did we consider internal control over the certified investment information. Our procedures were limited to the following:

(a) obtaining and reading the certification

(b) evaluating management's assessment of whether the entity issuing the certification is a qualified institution under ERISA

(c) comparing the certified investment information with the related information presented or disclosed in the financial statements

(d) assessing whether the form and content of the certified investment information presented or disclosed in the financial statements is in accordance with accounting principles generally accepted in the United States of America

Other than with respect to the certified investment information, our audit procedures were not limited for other amounts and disclosures in the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements with the ERISA-permitted scope limitation.

Auditor's Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation

In our opinion, based on our audit and based on our use of the certification of the investment information which we were not required to audit, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the XYZ 401(k) plan as of December 31, 20X2 and 20X1, and the changes in net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

Other Matter Relating to the Supplementary Information Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Security Act of 1974. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and the use of the certification of the investment information, which we were not required to audit, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Our procedures with respect to the certified investment information included in the supplemental schedules were limited to those procedures described in the *Auditor's Responsibility (Including Responsibility for the Certified Investment Information)* section.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, and based on our use of the certification of the investment information which we were not required to audit, the supplementary information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and is in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Report on Specific Plan Provisions Relating to the Financial Statements

As part of obtaining reasonable assurance about whether ABC 401(k) Plan's financial statements are free from material misstatement, we are required to perform certain procedures to test whether the plan and plan transactions are in accordance with specific plan provisions. We performed procedures relating to participant eligibility, benefit payments, claim payments, participant vesting provisions, employer and employee contributions, disclosure of prohibited transactions, IRC compliance tests, participant asset allocations, use of forfeitures, allocation of account activity, and allocation of expenses for the year ended December 31, 20X2 as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA as set forth in AU-C section XXX, *Special Considerations—Audits of Financial Statements of Employee Benefit Plans*. However, these procedures were not performed for the purpose of providing an opinion on compliance with those provisions and, accordingly, we do not express such an opinion.

During our audit, we identified the following findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.

- We noted instances where vesting was not calculated in accordance with the plan document.

Purpose of this Report

The purpose of this report on specific plan provisions relating to the financial statements is solely to describe the results of our specific considerations relating to whether the plan and plan transactions are in accordance with specific plan provisions, and not to provide an opinion on the plan's compliance with ABC 401(k) plan's provisions. This report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards. Accordingly, this communication is not suitable for any other purpose.

[*Auditor's signature*]

[*City and state where report is issued*]

[*Date of the auditor's report*]

Illustration 4—Illustrative Separate Report on Specific Plan Provisions Relating to the Financial Statements

Circumstances include the following:

- Audit of a 401(k) plan. (When management limits the scope of the audit as permitted by ERISA, the first paragraph of the report would be revised accordingly.)

- The auditor's report on the financial statements includes an other-matter paragraph (in accordance with paragraph .41 of the proposed SAS) regarding the report on specific considerations relating to specific plan provisions that was issued separately. The following is an example of such a paragraph.

Other Matter Regarding Separate Report on Specific Plan Provisions Relating to the Financial Statements

In accordance with GAAS, we have also issued a report dated [*date of report*] on our testing of specific plan provisions relating to the financial statements of ABC 401(k) Plan in connection with obtaining reasonable assurance in an audit of the plan's financial statements. The purpose of that report is to describe the results of our procedures relating to the specific plan provisions and not to provide an opinion on compliance with such plan provisions. That report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards.

Independent Auditor's Report

[Appropriate Addressee]

We have audited, the financial statements of ABC 401(k) plan in accordance with auditing standards generally accepted in the United States of America, which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements, and have issued our unmodified opinion thereon dated October 15, 20X3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.[35]

[35] When the ERISA-permitted scope limitation is imposed, this paragraph may be replaced with the following: "We have performed an audit of the financial statements of ABC 401(k) Plan, in accordance with auditing standards generally accepted in the United States of America, subject to the limitation on the scope of the audit imposed by management, as permitted by the Employee Retirement Income Security Act of 1974. The financial statements comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements. We have issued our opinion on the financial statements with the ERISA-permitted audit scope limitation thereon dated October 15, 20X3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

Report on Specific Plan Provisions Relating to the Financial Statements

As part of obtaining reasonable assurance about whether ABC 401(k) Plan's financial statements are free from material misstatement, we are required to perform certain procedures to test whether the plan and plan transactions are in accordance with specific plan provisions. We performed procedures relating to participant eligibility, benefit payments, claim payments, participant vesting provisions, employer and employee contributions, disclosure of prohibited transactions, IRC compliance tests, participant asset allocations, use of forfeitures, allocation of account activity, and allocation of expenses for the year ended December 31, 20X2 as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA as set forth in AU-C section XXX, *Special Considerations—Audits of Financial Statements of Employee Benefit Plans*. However, these procedures were not performed for the purpose of providing an opinion on compliance with those provisions and, accordingly, we do not express such an opinion.

[*No findings*]

During our audit, we did not have any findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.

or

[Findings have been identified]

During our audit, we identified the following findings relating to whether the plan and plan transactions are in accordance with specific plan provisions. However, the audit was not designed to identify all instances where the plan and plan transactions are not in accordance with those specific plan provisions.

[*Describe findings*]

Purpose of this Report

The purpose of this report on specific plan provisions relating to the financial statements is solely to describe the results of our specific considerations relating to whether the plan and plan transactions are in accordance with specific plan provisions, and not to provide an opinion on the plan's compliance with ABC 401(k) plan's provisions. This report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards. Accordingly, this communication is not suitable for any other purpose.

[*Auditor's signature*]

[*City and state where report is issued*]

[*Date of the auditor's report*]

Exhibit B—Nondiscrimination and Other Operating Tests for Plan Qualification

This list contains the compliance tests contemplated by paragraph .12(g) when reporting on compliance in this SAS.

Type of Test	Applicable IRC reference
1. Minimum coverage test	IRC section 410(b) (retirement plans only)
2. Nondiscrimination test	IRC Section 401(a)(4) or 505 (retirement plans, and if funded through VEBA, welfare plans) (Collectively bargained (CB) plans are deemed to automatically satisfy this test.)
3. Average deferral and contribution percentage limits	IRC Section 401(k) and (m) (defined contribution plan only; however 403(b) plans with employer contributions are only subject to the contribution percentage test)
4. Top heavy test	IRC Section 416 (qualified retirement plans only; not 403(b) plans; plans with no key employees, and CB plans are deemed to automatically satisfy this test)
5. Benefit and contribution limits	IRC Section 415(b) (retirement plans only)
6. Employee deferral contribution limitations	IRC Section 402(g)- defined contribution plans only)
7. Minimum funding obligations	IRC Sections 412 or 430 (defined benefit plans and money purchase pension plans)
8. Diversification rules for ESOPs	IRC Section 401(a)(28)
9. Unrelated business income tax	IRC Sections 419A and 511 (retirement and health and welfare plans – if plans are invested in other than typical passive investments, such as hedge funds, partnerships, or real estate)