



Agenda Item 2

Reporting on ERISA Plan Financial Statements — Cover Letter and Issues Paper

Objective

To approve for exposure a draft of proposed SAS No. 13x, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* (SAS No. 13x or AU-C section 703) and the proposed amendments to

- 1) AU-C section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*
- 2) AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*
- 3) AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*
- 4) AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*, and
- 5) AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*]

EBP Task Force

The Employee Benefit Plan Reporting Task Force (the EBP task force) members are:

- Darrel Schubert (Chair)
- Josie Hammond
- Jerry Murray
- Scot Philips (TIC representative)
- Alice Wunderlich
- Michael Auerbach (DOL)

Issues for Discussion

1. *Modified Opinions*

(Paragraphs .35-.36 and related application material; and new illustrative reports Illustrations 5-7 in Exhibit A))

The task force has considered the interaction between AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* and proposed AU-C section 703, and has proposed amendments to AU-C section 705. See the Appendix to the proposed SAS, *Amendments to Various Sections in Statement on Auditing Standards No. 122, Statements on Auditing Standards: Clarification and Recodification, as Amended*. The task force believes the proposed amendments to AU section 705 provides the auditor with guidance for modifying the opinion in the auditor's report. In particular, the proposed SAS addresses how to report when there is a scope limitation or a material misstatement of the financial statements in addition to the ERISA-permitted scope limitation.

Does the ASB agree with the task force's proposed changes in paragraphs .35-.36 of the proposed SAS (and the related application material and report illustrations) to address reporting when the auditor modifies the opinion on the ERISA plan financial statements?

2. *Proposed Amendments to AU-C Sections (Exhibit)*

The task force is proposing amendments to various AU-C sections to align those sections to the proposed SAS. The ASB is asked to review the proposed amendments in the Exhibit to the proposed SAS. The task force is continuing to review the AU-C sections to identify other AU-C sections that should be amended. The task force will provide further amendments to the ASB if other sections are identified.

The ASB is asked to consider whether there are other AU-C sections that have not been identified in this proposed SAS that should be amended to align with proposed AU-C section 703.

3. *Issues for Consideration in the Wrap Document*

The ASB is asked to provide the task force with feedback on questions to include in the wrap document.

Agenda Items Presented

Item 2 – Cover Letter and Issues Paper

Reporting on ERISA Plan Financial Statements
ASB Meeting, January 9-12, 2017

- Item 2A – Proposed SAS *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* (clean)
- Item 2B – Proposed SAS *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* (marked to October 2016 ASB meeting)
- Item 2C – Wrap Document (for reference purposes to be updated based on ASB discussions)

Mr. Schubert will refer to the Issues paper and agenda items 2A and 2B in leading the discussion.