 Reporting on ERISA Plan Financial Statements

The ASB reviewed and revised a draft of the proposed Statement on Auditing Standards (SAS) Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA. The ASB voted to ballot the proposed SAS for issuance as a final standard. The balloting process is expected to be completed by late August. The effective date of the proposed SAS will be aligned with the effective date of the proposed Auditor Reporting standards.

The most significant changes in the final standard as compared to the proposed standard included in the Exposure Draft are as follows:

- The proposed requirement to report on specific plan provisions and include findings in the auditor’s report has not been included in the final standard; instead, the auditor is required to consider whether to test specific plan provisions as part of risk assessment. Reportable findings would be communicated, in writing, to management and those charged with governance in accordance with the requirements in other relevant AU-C sections.
- An audit performed pursuant to ERISA section 103(a)(3)(C) will no longer be referred to as a limited scope audit but as an ERISA section 103(a)(3)(C) audit. The ASB considered the nature of the restriction on the audit and believe that the special nature of such a restriction is not specifically contemplated by AU-C section 705, Modifications to the Opinion in the Independent Auditor’s Report.
- A new precondition for an ERISA section 103(a)(3)(C) audit requires the auditor to inquire how management determined that the entity preparing and certifying the investment information is a qualified institution.
- The ERISA section 103(a)(3)(C) audit report differs from that in the exposure draft. The proposed report in the exposure draft opined on whether the financial statements are presented fairly “based on the audit and based on the use of the certification of the investment information which we were not required to audit”. In contrast, the ERISA section 103(a)(3)(C) report provides a two-pronged opinion that is based on the audit and on the procedures performed relating to the certified investment information. The ERISA section 103(a)(3)(C) report provides an opinion on whether the information not covered by certification is presented fairly, and an opinion on
whether the certified investment information in the financial statements agrees to or is derived from the certification.

Other Information

The ASB discussed comments received on the public exposure of the proposed Statement on Auditing Standards *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*, which was resulted from the project to revise AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*, in order to converge with International Standard on Auditing (ISA) 720 (Revised) *The Auditor’s Responsibilities Related to Other Information*. Respondents expressed support for many of the proposed changes; however, significant concerns were raised with respect to both the proposed requirement for the auditor to include a separate section in the auditor’s report addressing other information as well as the proposed performance requirements with respect to other information.

The ASB discussed the path forward. Although there was support expressed for placing the project on hold until the PCAOB determine whether to re-start its project to develop a revised standard on other information and to see the findings from the IAASB’s post-implementation review of ISA 720 (Revised), the ASB decided it was in the public interest to continue moving forward. The ASB discussed considerations for revising performance requirements. The proposed standard will be brought to the ASB at its October meeting for further deliberation.

Other Items Discussed

The ASB discussed preliminary feedback from the comment letters received on the exposure draft *Proposed Statements on Auditing Standards—Auditor Reporting and Proposed Amendments—Addressing Disclosures in the Audit of Financial Statements*, and provided the Task Force with direction on how to proceed in revising the proposed SASs. Revised drafts will be brought to the ASB at its October meeting for deliberation.

The ASB reviewed drafts of proposed standards to revise AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*, and AU-C 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. The purpose of the revisions to be make these standards consistent with changes proposed to the AU-C 700 sections on auditor reports. The ASB discussed issues related to the applicability of the going concern basis of accounting to audits of financial statements prepared in accordance with a special purpose framework, and audits of single financial statements, specific elements, accounts, or items of a financial statement.

The ASB discussed revisions to proposed Statement on Auditing Standards, *Omnibus Statement on Auditing Standards —2018*, based on comment letters received in response to the exposure draft thereof, which were generally supportive. A revised draft will be brought to the ASB at its October meeting, when a vote to issue the final standard is expected.