

AUDITING STANDARDS BOARD (ASB)

Meeting Highlights (DRAFT)

February 22, 2017

Conference Call

MEETING ATTENDANCE

ASB Members

Mike Santay, *Chair*

Gerry Boaz

Jay Brodish

Dora Burzenski

Joseph Cascio

Larry Gill

Steve Glover

Gaylen Hansen

Tracy Harding

Dan Hevia

Ilene Kassman

Alan Long

Rich Miller

Dan Montgomery

Steven Morrison

Rick Reisig

Catherine Schweigel

Jere Shawver

Chad Singletary

AICPA Staff

Linda Delahanty, *Audit & Attest Standards*

Mike Glynn, *Audit & Attest Standards*

Ahava Goldman, *Audit & Attest Standards*

Hiram Hasty, *Audit & Attest Standards*

Kristy Illuzzi, *PCPS TIC*

Chuck Landes, *Professional Standards*

Teighlor March, *Assistant General Counsel*

Andy Mrakovcic, *Audit & Attest Standards*

Judith Sherinsky, *Audit & Attest Standards*

Sue Hicks, *EBP Audit Quality Center*

Jim Brackens, *Member Quality & International Affairs*

Shelly Desbois, *EBP Audit Quality Center*

Ian MacKay, *EBP Audit Quality Center*

Registered Observers

EBP Expert Panel and Audit Quality Center Members:

Jennifer Allen, *Crowe Horwath LLP*

Darlene Bayardo, *BDO*

Eileen Brassil, *Legacy Professionals LLP*

Judy Goldberg, *EY*

Gary Greer, *Dixon Hughes Goodman LLP EBP AQC*

Josie Hammond, *RSM LLP*

Chip Harris, *RubinBrown LLP*

James Haubrock, *Clark, Schaefer, Hackett & Co.*

Robert Lavenberg, *BDO*

Stacy Meyer, *CliftonLarsonAllen LLP*

Bradley Nicklin, *Baker Tilly Virchow Krause, LLP*

Jodi Rinne, *HSMC Orizon LLC*

Beth Thompson, *KPMG LLP*

Michele Weldon, *PwC LLP*

Alice Wunderlich, *Deloitte & Touche LLP*

Others:

Michael Auerbach, *U.S. Department of Labor*

Sally Ann Bailey, *Deloitte & Touche LLP*

Adam Barrow, *EY LLP*

Gwen Bryant, *HoganTaylor LLP*

Jim Dalkin, *GAO*

Kriste DeAngelo

Ian Dingwall

Harrison Green, *FDIC*

Bridget Gyofri, *KPMG LLP*

Cathleen Finneran, *PwC LLP*

Vicki Hellenbrand, *Baker Tilly Virchow Krause, LLP*

Jan Herringer, *BDO*

Susan Jones, *KPMG LLP*

Sara Lord, *RSM LLP*

Nigyar Mamedova, *NASBA*

Lynne McMennamin, *U.S. Department of Labor*

Tammy Mooney, *Thompson Reuters*

Laura Schuetze, *Grant Thornton*

Howard Sibelman
David Steimel, *EKS&H, LLP*
Diane Walker, *Johnson Lambert LLP*
Joseph Wolfe

The call began at 9:00am.

1. Auditor Reports on ERISA Plan Financial Statements

The objective of the agenda item was to approve for exposure a draft of proposed AU-C section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* and related proposed amendments. Mr. Santay noted that this call was in lieu of the ASB seeing a revised draft and voting on it at the last day of an ASB meeting, and accordingly the discussion would focus on proposed revisions in response to comments received from ASB members on the revised draft. Ms. Delahanty led the discussion.

The ASB discussed the following matters which did not result in changes to the proposed standard:

- Paragraph A16 – The ASB discussed including application material to clarify that the auditor is not expected to perform procedures to test every provision within the plan instrument. Certain members of the board believed the proposed application material furthers the confusion and preferred to solicit feedback as part of the wrap document to better determine the extent of additional guidance that is needed to help apply the requirements relating to the procedures in paragraphs .15 and .16 of the proposed SAS.
- Report on Specific Plan Provisions Relating to the Financial Statements – The suggestion was made to change the first sentence as follows (see bold italics):
“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 ***administration of the*** plan and plan transactions are in accordance with specific plan provisions.
The ASB does not believe that all the procedures relate to administration of the plan and did not support this change. The ASB directed the task force not to change the proposed wording of the report and to see what comments are received upon exposure.
- Illustration 7 – Questions raised about illustration 7 including whether the auditor can accept an engagement that would result in the disclaimer of opinion as illustrated; whether the auditor should report findings when issuing a disclaimer of opinion; whether the basis for disclaimer opinion paragraph is too long and could not include the ERISA-permitted scope limitation information. The ASB discussed the need for more application guidance for the limited scope audit and the interaction with AU-C section 705. The ASB decided to expose illustration 7 as is to get feedback as part of the exposure process, with specific questions for respondents on the situation described in illustration 7.

The ASB directed that the following changes be made to the proposed standard:

- Par. A13, change “...with plan provisions. While some of these provisions do not relate to accounts ..., they do affect transactions and balances of the plan and the benefits to which participants are entitled to receive” to “are in accordance with the plan instrument. While some of the provisions of the plan instrument may not relate directly to accounts that are presented as financial statement account balances, they could affect matters such as disclosures, the tax qualified status of the plan, or the benefits that will be paid to participants when they become eligible for a distribution.”
- Par. 15b, change “are complete and accurate and are in accordance” to “are determined in accordance”
- Par. A19, change “often” to “typically”
- Par. 15i, changed “are in accordance with the plan instrument and have been recorded in the proper participants’ and beneficiaries’ accounts (active and inactive or terminated)” to “was recorded in the proper participants’ and beneficiaries’ accounts (active and inactive or terminated) in accordance with the provisions of the plan instrument”
- Par. 16b, changed “administered in accordance with the plan instrument” to “been recorded in the proper participants’ and beneficiaries’ accounts in accordance with the provisions of the plan instrument”
- Par. A39, deleted “failure to remit participant contributions in a timely manner results in a prohibited transaction that is required to be reported separately to the DOL”
- Moved par. A96 into requirements section as new par. 67
- Par. A144, changed “the plan did not contain that matter” to “that matter would not be relevant for that plan”
- Additional editorial changes.

The ASB voted unanimously to ballot the proposed standard for exposure with a 120-day comment period.

The call adjourned at 11:30am.