



Agenda Item 2D

Comment Letter Responses to Issues for Consideration 4— *Required Emphasis-of-Matter Paragraphs*

Issue 4—Required Emphasis-of-Matter Paragraphs (Paragraph 116)

Respondents are asked to consider whether the situations identified are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report. Respondents are also asked to consider whether there are additional situations that should result in a required emphasis-of-matter paragraph.

Responder	Comment	TF Consideration / Response
Supportive of Proposal		
NJCPA (10)	<p>We noted that the ED requires an emphasis of matter paragraph for the following. There are currently no such requirements.</p> <ul style="list-style-type: none"> A. Significant plan amendments 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 C. Significant changes in the nature of the plan, for example, a plan merger or spin-off that are disclosed in the notes <p>We are in agreement with the above list. We recommend that the ED include sample language for Item A above, significant plan amendments. We also</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2.</p>

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Responder	Comment	TF Consideration / Response
	recommend that an emphasis of matter paragraph should be required for prohibited transactions and certain operational defects, and sample language provided for both.	
S&H (20)	We believe situations identified are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report. We noted no additional situations that should result in a required emphasis-of-matter paragraph.	Noted
BT (29)	<p>The situations identified in paragraph 116 of the proposed SAS seem to be reasonable in implementing an Emphasis-of-Matter paragraph in the opinion.</p> <p>Additional situations that should be considered for this required reporting would be a Plan Termination as well as Plan Merger as identified in paragraph 116.</p>	See issue 4 in agenda item 2.
RSM (30)	<p>We believe the situations identified in paragraph 116 of the proposed SAS are appropriate for requiring the auditor to include an emphasis-of-matter paragraph in the auditor’s report. We do not believe there are additional situations unique to ERISA plan financial statements that should result in a required emphasis-of-matter paragraph. However, we believe it would be helpful to remind practitioners of their responsibility related to emphasis-of-matter paragraphs arising from other auditing standards so they do not misinterpret the listing in paragraph 116 as being comprehensive of all emphasis-of-matter paragraph considerations. We therefore suggest adding an application paragraph related to paragraph 116, such as the following:</p> <p style="padding-left: 40px;">The situations listed in paragraph 116 represent situations unique to ERISA plan financial statements. The auditor should also consider the situations discussed in Exhibit B, “List of Sections Containing Requirements for Emphasis-of-Matter Paragraphs,” of AU-C 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>.</p> <p>Paragraph 116.a. requires the auditor’s report on ERISA plan financial statements to include an emphasis-of-matter paragraph when there are significant plan</p>	See issue 4 in agenda item 2.

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Responder	Comment	TF Consideration / Response
	amendments that affect net assets. We believe it would be helpful if further guidance could be provided regarding what is considered to be “significant.”	
Dufek (31)	<p>We agree that the situations outlined in paragraph 116 of the proposed SAS are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report.</p> <p>One possible addition to the required emphasis-of-matter paragraphs would be when there has been an intent to terminate the Plan. The liquidation basis of accounting discussion could be combined in this paragraph.</p>	See issue 4 in agenda item 2.
HMV (35)	The situations identified are appropriate, and we have identified no other situations that we believe merit specific requirements for emphasis-of-matter paragraphs.	Noted
AAFCPAs (44)	<p>When determining whether an Emphasis of Matter (EOM) paragraph is necessary to be included in the auditor’s report, this is solely based on auditor’s judgement. Further the inclusion of an EOM paragraph is related to the matter presented/disclosed within the financial statements, and specifically relates to the determination of whether the matter is of such importance that it is fundamental to users’ understanding of the financial statements. EOM paragraphs are used to direct the attention of the financial statement users to a matter that is presented or disclosed in the financial statements. Using the present guidance within our professional literature, the use of an EOM paragraph is the auditor’s professional judgement related to the item at hand being of such importance that the user is made aware of this particular item that is contained within the financial statements and to draw attention to it.</p> <p>We agree with the EOM’s suggestion in paragraph 116 sections A125 and A126.</p> <p>We have also identified additional situations that should result in required EOMs paragraphs, without exception (unless clearly not material and not mentioned in any</p>	See issue 4 in agenda item 2.

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	<p>footnote disclosure). We feel that any matter which is material enough to disclose in a footnote meets the threshold of EOM paragraph(s), including:</p> <ul style="list-style-type: none"> • Accounting Principle Adoptions disclosed in the footnotes • Change in Basis of Accounting (i.e. change from modified cash basis to accrual basis) • Plan Termination (this event is significant and results in a change to the liquidation basis from an ongoing basis) 	
KSCPA (45)	We believe the emphasis of a matter paragraphs were appropriate for the examples provided. We have no additional examples to suggest at this time.	Noted
MOCPA (49)	<p>We agree that the situations identified in paragraph 116 of the Exposure Draft are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report. We further submit that the following additional situations should require inclusion of an emphasis-of-matter paragraph: (1) status and terms of a “frozen” defined benefit pension plan; (2) significant subsequent events disclosed in the financial statements that affect net assets or may affect the net assets or funded status of the plan.</p> <p>We further submit that the following additional situations should require inclusion of an emphasis-of-matter paragraph: (1) status and terms of a “frozen” defined benefit pension plan; (2) significant subsequent events disclosed in the financial statements that affect net assets or may affect the net assets or funded status of the plan.</p>	See issue 4 in agenda item 2.
TN state (55)	We agree that the situations identified are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report. We can think of no additional situations that should result in a required emphasis-of-matter paragraph.	noted

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Texas CPAs (63)	Our committee felt the situations identified were appropriate. Further, we did not identify any situations that would require inclusion of emphasis of matter paragraphs other than those that had already been identified in the proposed guidance.	noted
Local 478 (72)	The situations identified are appropriate for requiring the inclusion of emphasis-of-matter paragraphs in the auditor's report.	noted
LiUNA (73)	The situations identified are appropriate for requiring the inclusion of emphasis-of-matter paragraphs in the auditor's report.	noted
GJC (82)	<u>Issue 4 – Required Emphasis-of-Matter Paragraphs</u> We do not have any concerns about the types of situations included in paragraph 116 of the proposed SAS that would be included in emphasis-of-matter paragraphs in the auditor's report.	noted
Clark N (84)	Response: The guidance in paragraph 116 is helpful. There will undoubtedly be other examples of matters that warrant the inclusion of an Emphasis of Matter (EOM) paragraph, but the examples provided seem adequate to guide the auditor's decision making in this area.	noted
AccNJ (88)	The situations identified are appropriate for requiring the inclusion of emphasis-of-matter paragraphs in the auditor's report.	noted
NCACPA (97)	A-The three identified emphasis of matter paragraph examples appear appropriate. There should be a more clear connection to AU-C 706, Exhibit B, which lists other considerations when adding an emphasis of matter paragraph.	See issue 4 in agenda item 2.
Eide (107)	Response: We agree that the situations identified in Paragraph 116 of the proposed SAS are appropriate for inclusion of emphasis-of-matter paragraphs in the auditor report.	See issue 4 in agenda item 2.

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Responder	Comment	TF Consideration / Response
	Response: We suggest that the termination of a Plan also be considered as a circumstance requiring inclusion of an emphasis-of-matter paragraph.	
Supportive of Proposal with Concerns		
FICPA (18)	The Committee agrees the situations identified are appropriate for requiring the inclusion of emphasis-of matters paragraphs in the auditor's report. However, we also believe the situations identified in the proposed SAS could be limiting the auditor. Numerous situations may exist in which there may be other information that is important to the user. Therefore, we recommend adding a general sentence that would allow the auditor to include an emphasis-of-matters paragraph at the auditor's discretion (similar to the language used in AU-C section 706.)	See issue 4 in agenda item 2.
WISS (85)	We request further clarity with respect to the term "significant" in paragraph 116A and C. We believe that firms will interpret significant differently and this may lead to inconsistency in practice in determining whether or not to include emphasis matter paragraph in the report.	See issue 4 in agenda item 2.

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Responder	Comment	TF Consideration / Response
WFY (67)	<p>I recommend that in 116a, the phrase "that affect net assets" be deleted. Including that phrase will significantly reduce the number of EOM paragraphs included in audit reports as auditors will probably (correctly or incorrectly) conclude that the amendment has no direct and immediate impact on net assets. Also, including this phrase may lead auditors to attempt to quantify the impact of the amendment which is not necessarily appropriate.</p> <p>I recommend that in 116c, after the phrase "a plan merger," that the words "which results in either a significant increase or decrease in plan assets" be added. I typically see the auditor add an EOM paragraph when plan assets decreased as a result of a plan merger, but not when plan assets increased. I believe that both situations should result in an EOM paragraph.</p> <p>Any filing (actual or in process) under the IRS Voluntary Correction Program should be added as an additional situation when an EOM paragraph should be included in the auditor's report.</p>	<p>TF proposing to remove paragraph 116.</p> <p>See issue 4 in agenda item 2.</p>
KYCPAs (95)	<p>Issue 4 – We believe consideration should be given to an additional circumstance where an emphasis of a matter (EOM) paragraph should be required. This would be when auditing a private company sponsor’s Employee Stock Ownership Plan’s (ESOP) financial statements and the private company sponsor’s shares owned by the ESOP are material to the ESOP’s total Plan assets.</p> <p>We are familiar with EOM wording that emphasizes to the reader “...that xx% of Plan assets are recorded at fair value as estimated by an independent appraiser in the absence of a readily ascertainable market value...and such estimated value may differ significantly from the value that would have been used had an active market for the Sponsor’s shares existed.”</p>	<p>See issue 4 in agenda item 2.</p>
Not Supportive of Proposal		

Responder	Comment	TF Consideration / Response
HS (3)	<p>Regarding (a): I am not sure 116(a) is needed. The presentation and disclosure matters devolving from the plan amendments must have been handled properly. Consider rephrasing paragraph 116(a) to require an emphasis of matter paragraph when “There are plan amendments that have a significant effect on the financial statements, including net assets that are disclosed in the notes to the ERISA plan financial statements in accordance with the applicable financial reporting framework.”</p> <p>Regarding (b): no additional comments.</p>	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2.
Legacy (5)	The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgement regarding the need for an emphasis of matter paragraph.	See issue 4 in agenda item 2
	We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be emphasized, and that the identified situations be presented as examples specific to employee benefit plans.	
	Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to “significant plan amendments that affect net assets and/or benefit obligations .”	Required EOMs were linked to required GAAP disclosures
	Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.	
Legacy (5)	Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following:	See issue 4 in agenda item 2

Responder	Comment	TF Consideration / Response
	<ul style="list-style-type: none"> The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding Improvement or Rehabilitation Plan, based on information provided by the actuary 	
	<ul style="list-style-type: none"> In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values 	
	<ul style="list-style-type: none"> The plan has entered into nonroutine significant prohibited transactions that require correction 	
CalCPA (13)	<p>We believe the following with respect to each of the requests for information:</p> <ul style="list-style-type: none"> Regarding (a): We are not sure that 116(a) is necessary. The presentation and disclosure matters devolving from the plan amendments must have been handled properly. Consider rephrasing paragraph 116(a) to require an emphasis of matter paragraph when: “There are plan amendments that have a significant effect on the financial statements, including net assets that are disclosed in the notes to the ERISA plan financial statements in accordance with the applicable financial reporting framework.” Regarding (b): The Committee has no additional comments. 	See issue 4 in agenda item 2
Novak (14)	Paragraph 116 of the proposed SAS states that "the auditor's report on ERISA plan financial statements should include an emphasis-of-matter paragraph. The wording eliminates auditor's judgement in these situations. Any of these items could be	See issue 4 in agenda item 2

Responder	Comment	TF Consideration / Response
	<p>considered immaterial to the financial statements, as a whole, and an emphasis may actually be misleading. Insisting they be included in the auditor's report could actually decrease transparency as a result.</p> <p>A primary objective of the auditor's report is to opine as to the fairness and reasonableness of the financial statements under Generally Accepted Accounting Principles. Most of the situations identified for emphasis would already be disclosed in the footnotes or readily apparent in the statements themselves. Users relying on the report tend to look directly for the "unmodified" opinion and excessive ancillary information could unintentionally taint the reader's view of the report.</p>	
TIC (15)	<p>These emphasis-of-matter paragraphs are specific to Plan activities, but analogous to certain corporate financial statement activity (i.e. debt refinancing, business combinations, etc.) that are discussed in the notes to the financial statements but not included in the auditor's opinion. TIC feels that if we add an emphasis-of-matter paragraph to a new opinion that already appears to be laden with information, it would not add any additional information that would impact a reader. Having these as required disclosures would appear to be the more appropriate course of action. The only emphasis-of-matter paragraphs TIC may consider as appropriate to require are scenarios of plan merger, plan termination, or a PBGC/DOL order to terminate the plan, although these would likely already be addressed in the notes to the Plan financial statements. Defining a significant plan amendment, as noted in paragraph .116(a) is vague and likely would not result in many EOM paragraphs for this point.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Freyberg (17)	<p>Paragraph 116 requires the auditor to include an emphasis of matter paragraph when any of three specific situations exist. The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgment regarding the need for an emphasis of matter paragraph.</p> <p>We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p>

Responder	Comment	TF Consideration / Response
	<p>emphasized, and that the identified situations be presented as examples specific to employee benefit plans.</p> <p>Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following: [i] The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding Improvement or Rehabilitation Plan, based on information provided by the actuary [ii] In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer [iii] Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values The plan has entered into nonroutine significant prohibited transactions that require correction.</p>	<p>See issue 4 in agenda item 2</p> <p>Also see comments on paragraphs 116a and 116c in appendix A to this document.</p>
LC&T (19)	<p>Paragraph 116 requires the auditor to include an emphasis of matter paragraph when any of three specific situations exist. The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgment regarding the need for an emphasis of matter paragraph.</p> <p>We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be emphasized, and that the identified situations be presented as examples specific to employee benefit plans.</p> <p>Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following:</p> <ul style="list-style-type: none"> The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and 	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p> <p>Also see comments on paragraphs 116a and 116c in appendix A to this document.</p>

Responder	Comment	TF Consideration / Response
	<p>whether the plan is making progress on a Funding Improvement or Rehabilitation Plan, based on information provided by the actuary</p> <ul style="list-style-type: none"> • In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer • Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values • The plan has entered into nonroutine significant prohibited transactions that require correction 	
BMF (21)	<p>I would like to note that I consider the use of expanded emphasis of matter (EOM) paragraphs in the audit report to be duplicative and unnecessary. If such issues exist within the plan, the footnotes to the plan’s financial statements should disclose those matters. I would be supportive of EOM paragraphs if there are significant issues within the plan that the auditor determines should be disclosed but the plan refuses to disclose. My presumption, however, is that plans would add disclosures to keep those EOMs out of auditor reports. Furthermore, I don’t believe that the profession should dictate what does or does not belong in an EOM paragraph, as that detracts from the auditor using professional judgment.</p>	<p>Task force discussed that EOM is not a substitute for disclosure</p>
BB (22)	<p>Paragraph 116 of the proposed SAS states that "the auditor's report on ERISA plan financial statements should include an emphasis-of-matter paragraph..." when specific situations exists. This requirement is too rigid, in that it eliminates auditor's judgement in these situations. Any of these specific situations could be considered immaterial and insignificant to the financial statements, as a whole, and an emphasis-of matter paragraph may actually be misleading. Insisting that these specific situations be included in the auditor's report could actually decrease transparency as</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p>

Responder	Comment	TF Consideration / Response
	<p>a result. These specific situations should be suggested topics for the auditor's consideration of whether an emphasis-of-matter paragraph is appropriate.</p> <p>Other possible emphasis-of-matter paragraphs that should be considered include.</p> <ul style="list-style-type: none"> • For a defined benefit retirement plan, the plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals or application for relief has been made and/or received from the PBGC or other federal agencies which could include benefit reductions. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding Improvement or Rehabilitation Plan • In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer • Plan assets include a significant percentage of hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values • The plan has entered into non-routine significant prohibited transactions that require correction • Termination of the plan. 	<p>See issue 4 in agenda item 2</p>
Purk (24)	<p>Paragraph 116 requires the auditor to include an emphasis of matter paragraph when any of three specific situations exist. The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgment regarding the need for an emphasis of matter paragraph.</p> <p>We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p>

Responder	Comment	TF Consideration / Response
	<p>emphasized, and that the identified situations be presented as examples specific to employee benefit plans.</p> <p>Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to "significant plan amendments that affect net assets and/or benefit obligations."</p> <p>Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.</p> <p>Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following:</p>	<p>See issue 4 in agenda item 2</p>
	<ul style="list-style-type: none"> • The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding • Improvement or Rehabilitation Plan, based on information provided by the actuary • In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer • Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values 	

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Responder	Comment	TF Consideration / Response
	<ul style="list-style-type: none"> The plan has entered into nonroutine significant prohibited transactions that require correction 	
Ross (25)	<p>Required Emphasis of Matter Paragraphs- I do not agree with the proposal to make these emphasis of matter paragraphs mandatory. Rather, I believe that these should be optional, and should be left to the discretion of the auditor. There are many circumstances when some of these types of transactions may not have a material impact on the financial reports, and in such circumstances, an emphasis of matter paragraph may not be justified. For example, if a plan with \$750 million in plan assets had a merger in which a plan with \$ 250,000 in assets merged into the plan, the merger itself would not be material to the financials as a whole and would not justify an emphasis of matter paragraph.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2</p>
BerryD (28)	<p>We are not in agreement that all of the situations identified are appropriate for the inclusion of emphasis-of-matter paragraphs. AU-C section 706 indicates that “emphasis-of-matter paragraphs should be included when the auditor considers it necessary to draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements.” In our opinion, the majority of the items listed in paragraph 116 would not qualify under this definition. We do believe that in the event a minimum funding waiver is pending before the Internal Revenue Service, a necessity may arise for an emphasis-of-matter paragraph as this could be a situation that meets the above definition.</p> <p>Furthermore, paragraph 116 refers to “significant” plan amendments and “significant” changes in the nature of the plan, which is undefined. As a result, there may be instances in which practitioners will unnecessarily include such paragraphs.</p> <p>The intent of this requirement seems primarily to put the DOL on notice regarding such events and is not relevant to all users of the plan’s financial statements. We</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
	believe an amendment to the Form 5500 regarding such inquiries would be more practical.	
PlanteM (32)	We do not believe it is necessary to specifically define when an Emphasis of Matter paragraph is required since the guidance in AU-C 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i> is sufficient to cover situations that should result in an emphasis-of-matter paragraph.	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2
NYSSCPA (37)	Response: We believe that the matters listed in paragraph 116 should be characterized as discretionary “examples of circumstances when the auditor may consider it necessary to include an emphasis-of-matter paragraph” for ERISA-governed EBPs similarly to those listed in AU-C 706.A2. However, we do not believe their inclusion should be mandated by the standard since they do not appear to rise to the level of significance of those listed in AU-C 706.A14 (Exhibit B).	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2
AFTRA (39)	The proposed SAS requires the auditor to include an emphasis-of-matter paragraph when specific situations exist. This requirement is too rigid in that it eliminates auditor's judgement in these situations. Any of these specific situations could be considered immaterial and insignificant to the financial statements, as a whole, and an emphasis-of-matter paragraph may actually be misleading. Insisting that these specific situations be included in the auditor's report could actually decrease transparency as a result.	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2

Responder	Comment	TF Consideration / Response
KPMG (46)	<p>We do not support the requirement to include an emphasis-of-matter paragraph in the auditors' report if any of the situations in paragraph 116 of the Proposed Standard exist.</p> <p>We acknowledge that the identified situations are intended to highlight specific situations that a reader of the financial statements, and the auditors' report thereon, may find useful. However, we believe that the situations are not so unique as to require emphasis over and above any other financial statement disclosure, and therefore the examples provided in AU-C section 706.A2 along with the required emphasis-of-matter paragraphs listed in Exhibit B of AU-C section 706 are sufficient for ERISA plan audits. Moreover, EBP financial statements do not have extensive disclosure requirements, which tends to elevate the importance of all disclosures. We believe there is also a risk in these audits that an emphasis-of-matter paragraph might be used to supplant for lack of sufficient disclosure.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Lindquist (50)	<p>The proposed change requires an emphasis-of-a-matter paragraph for the three identified situations, yet each of the three situations should involve auditor judgment to determine the significance of the effect to net assets. We also believe that there are additional situations the auditor should consider and our recommendation is that the verbiage be changed to the following:</p> <p>"The auditor should consider including an emphasis-of-matter paragraph, under an appropriate heading in the auditors report on ERISA plan financial statements, when there are plan amendments, minimum funding waivers were granted by the IRS, plan mergers, plan spin-offs, plan terminations including partial plan terminations, the plan is underfunded, a significant withdrawal of plan participants, significant prohibited transactions or any other issue having a significant effect on net assets and/or benefit obligations. "</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
Williams (51)	<p>We would like to note that we consider the use of expanded emphasis of matter (EOM) paragraphs in the audit report to be duplicative and unnecessary. If such issues exist within the plan, the footnotes to the plan's financial statements should disclose those matters. We would be supportive of EOM paragraphs if there are significant issues within the plan that the auditor determines should be disclosed but the plan refuses to disclose. Our presumption, however, is that plans would add disclosures to keep those EOMs out of auditor reports. Furthermore, we don't believe that the profession should dictate what does or does not belong in an EOM paragraph, as that detracts from the auditor using professional judgment.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
WIPFLI (52)	<p>We believe the situations identified are generally appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor's report; however, we also believe the inclusion of emphasis-of-matters paragraphs in the auditor's report should be subject to auditor judgment.</p> <p>The following additional situations, which are identified in AU-C Section 706.A2, may also be considered by auditors for emphasis-of-matters paragraphs and inclusion of such paragraphs should be subject to auditor judgment:</p> <ul style="list-style-type: none"> • Plan termination or liquidation; • Going concern matter with regard to the plan sponsor or the plan; • Uncertainty relating to future outcome of significant litigation or regulatory action; • Significant transactions with related parties; • Significant subsequent events; and • Other circumstances as determined by auditor judgment. <p>In addition, the guidance in paragraph 116 uses the term “significant” which is not defined. We suggest the Board consider defining that term for purposes of clarification for applicability of emphasis-of-matter paragraphs.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
EY (53)	<p>Emphasis-of-matter paragraphs and reporting on ERISA supplemental schedules</p> <p>We do not support the proposed requirement to include certain emphasis-of-matter paragraphs in the auditor’s report and the additional guidance for reporting on ERISA supplemental schedules. We believe the existing requirements in generally accepted auditing standards (GAAS) are sufficient.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
EY (53)	<p>We do not support the proposed requirement to include an emphasis-of-matter paragraph in the auditor’s report for any of the situations in paragraph 116. We do not believe the items listed in this paragraph are fundamental to the users’ understanding of the financial statements for the following reasons:</p> <ul style="list-style-type: none"> • Significant plan amendments that affect net assets — Other than a plan merger or spin-off, we can’t identify an example of a significant plan amendment that would affect net assets and would be required to be disclosed in the financial statements • Minimum funding waivers — Auditors typically consider unpaid minimum contributions in their assessment of a plan’s ability to continue as a going concern under AU-C 570, The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern. Because any minimum funding waivers would be considered in the going concern assessment under AU-C 570 and AU-C 570 requires an emphasis-of-matter paragraph if the auditor concludes that substantial doubt exists about the plan’s ability to continue as a going concern for a reasonable period of time, it is unnecessary to require this in the proposed SAS. Furthermore, Form 5500 already requires the plan to identify any minimum funding waivers • Significant changes in the nature of the plan (e.g., plan mergers, spin-offs) — When the plan sponsor consummates a merger or spin-off, the auditor of the 	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
	<p>plan sponsor is not required to include an emphasis-of-matter paragraph in its auditor’s report. Therefore, it’s not clear to us why the auditor of the ERISA plan would need to include an emphasis-of-matter paragraph.</p> <p>Furthermore, Form 5500 currently requires the plan to identify transfers of assets to and from the plan in Part II of Schedule H so regulators can easily identify transfers</p> <p>We believe the requirements and application guidance in AU-C 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>, are sufficient for ERISA plan audits. We believe the auditor should apply professional judgment to determine whether a matter is of such importance to users’ understanding of the financial statements that an emphasis-of-matter paragraph is necessary, as the auditor does for other GAAS audits.</p> <p>We also believe that requiring emphasis-of-matter paragraphs for ERISA plans would create an unnecessary difference between the separate reports auditors provide under the Public Company Accounting Oversight Board (PCAOB) standards and GAAS for ERISA plans that are issuers.</p>	
PWC (54)	<p>We are unsure why the ASB considers it necessary to require the auditor to include an emphasis-of-matter paragraph in these situations, as auditors today have the ability to do so in accordance with AU-C section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>, if they believe such a matter would be fundamental to users’ understanding of the financial statements. It may be helpful to remind auditors that, when such circumstances have occurred and the disclosure in the financial statements is inadequate or omitted, there may be implications for the auditor’s report that cannot be resolved by merely including an emphasis-of-matter paragraph.</p> <p>We have not identified additional situations that would always result in the need for an emphasis-of-matter paragraph.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
BFB (56)	<p>Paragraph 116 requires the auditor to include an emphasis of matter paragraph when any of three specific situations exist. The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgment regarding the need for an emphasis of matter paragraph.</p> <p>We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be emphasized, and that the identified situations be presented as examples specific to employee benefit plans.</p> <p>Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to "significant plan amendments that affect net assets and/or benefit obligations."</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
	<p>Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.</p>	
	<p>Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following:</p> <ul style="list-style-type: none"> • The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding Improvement or Rehabilitation Plan, based on information provided by the actuary 	

Responder	Comment	TF Consideration / Response
	<ul style="list-style-type: none"> • In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer 	
	<ul style="list-style-type: none"> • Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values 	
	<ul style="list-style-type: none"> • The plan has entered into nonroutine significant prohibited transactions that require correction 	
BDO (57)	<p>In our opinion, the existing auditing standards provide sufficient guidance for Emphasis-of-Matter paragraphs and there is no need for an Emphasis-of-Matter paragraph further identifying specific situations (such as significant plan amendments, minimum funding waivers granted by the IRS, and significant changes in the nature of the plan), as indicated by paragraph 116. Such a requirement for the situations identified in paragraph 116 would require a greater level of reporting for EBPs than would be required for other entities and does not appear to be warranted since this information is generally disclosed in the footnotes to the financial statements.</p> <p>If the ASB decides to prescribe such situations, we recommend that paragraphs 116(a) and 116(c) define or provide guidance as to the terms “significant plan amendments” and “significant changes,” respectively. For plans that are subject to filing Form 11-K, clarification would be appreciated as to how auditors should address the divergence between a report prepared in accordance with the PCAOB standards and with the proposed standard. For example, the PCAOB does not require specific Emphasis-of-Matter paragraphs.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

Responder	Comment	TF Consideration / Response
Q-Zoud (58)	<p>We disagree with the exposure draft on a couple of different levels related to EOM paragraphs.</p> <p>We are not convinced that it is appropriate to mandate EOM paragraphs, and we are not convinced that it is appropriate to mandate EOM paragraphs for the predetermined topics, such as those discussed in the exposure draft.</p> <p>Alternatively, we would suggest the ASB re-think this topic.</p> <p>We recommend that the focus of any EOM paragraphs be more aligned to critical audit matter issues. Such issues might include any subjective and/or judgmental areas, risks and uncertainties, and/or any matters that impact the ability of the Plan to pay benefits as promised.</p> <p>In particular, in Plans which provide defined benefits, the critical issue for the Plan participants is whether the Plan will be able to provide the benefits as promised, when promised.</p> <p>Auditors have been trained to evaluate financial statements through a "going concern" lens for corporate audits. This "going concern" lens is not as applicable to a benefit Plan as the concept of:"the ability to provide promised benefits".</p> <p>Accordingly, in defined benefit plans, the funded status and benefit vesting status should be considered and evaluated. The auditor should consider if there is sufficient concern regarding whether the Plan will ultimately be able to pay the benefits as promised, or whether there is a significant risk of the benefits being reduced or eliminated. If the auditor concludes that there is a significant risk of non-payment, reduced payment, or reduction of promised benefits, this risk and uncertainty should be considered for communication in an EOM paragraph.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Allinial (59)	<p>We would like to note that we consider the use of expanded emphasis of matter (EOM) paragraphs in the audit report to be duplicative and unnecessary. If such issues exist within the plan, the footnotes to the plan's financial statements should disclose those matters. We would be supportive of EOM paragraphs if there are</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on</p>

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Responder	Comment	TF Consideration / Response
	<p>significant issues within the plan that the auditor determines should be disclosed but the plan refuses to disclose. Our presumption, however, is that plans would add disclosures to keep those EOMs out of auditor reports. Furthermore, we don't believe that the profession should dictate what does or does not belong in an EOM paragraph, as that detracts from the auditor using professional judgment.</p>	<p>whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2</p>
H Gluckman (65)	<p>Supports NYSSCPA (37) letter: NYSSPCA Response: We believe that the matters listed in paragraph 116 should be characterized as discretionary “examples of circumstances when the auditor may consider it necessary to include an emphasis-of-matter paragraph” for ERISA-governed EBPs similarly to those listed in AU-C 706.A2. However, we do not believe their inclusion should be mandated by the standard since they do not appear to rise to the level of significance of those listed in AU-C 706.A14 (Exhibit B).</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2</p>
GT (66)	<p>We agree with the Board's desire to drive better consistency in reporting certain matters, but we do not support the required emphasis of matter paragraphs set forth in proposed paragraph .116 of the Proposed SAS. We believe it is overly prescriptive for the current, principles-based auditing standards. We further note the circumstances described in this paragraph would generally be disclosed in the notes to the financial statements and many of those situations would also be referenced in Form 5500 for plan sponsors when applicable. Therefore, we do not see the value to users of the financial statements in requiring further disclosure of those matters in the auditor's report, particularly when the proposed auditor's reports would already be significantly lengthier than the current reports. However, if the Board moves forward, we have provided specific paragraph-level comments to the proposed requirement in the Appendix to this letter.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2 Also see proposed edits in Appendix A to this document.</p>
CLA (68)	<p>We do not believe the proposed SAS should mandate the inclusion of emphasis-of-matters paragraphs in the auditor's report for the situations identified. We believe</p>	<p>TF proposing to remove requirement to include an EOM</p>

Responder	Comment	TF Consideration / Response
	<p>this is best left to professional judgment based on the facts and circumstances of the particular engagement. While the situations identified are important in some circumstances, mandating the inclusion of emphasis-of-matters paragraphs may result in inappropriate emphasis being placed on a situation where other matters in the financial statements are more critical to the users’ understanding of the financial statements. AU-C section 706.01 addresses additional communications in the auditor’s report when the auditor considers it necessary to draw users’ attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users’ understanding of the financial statements. The presumption is that all disclosures required are important. Thus, choosing one matter to discuss in an emphasis-of-matter paragraph could place undue emphasis on that matter and detract from other important disclosures. We believe AU-C section 706 is sufficient to address users’ needs.</p>	<p>for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
OD (69)	<p>Response: We do not believe emphasis-of-matters paragraph(s) should be mandatory, rather they should be left to the discretion of the auditor.</p>	<p>See issue 4 in agenda item 2</p>
Hemming (71)	<p>Paragraph 116 requires the auditor to include an emphasis of matter paragraph when any of three specific situations exist. The guidance in this paragraph is too prescriptive to allow for the auditor's professional judgment regarding the need for an emphasis of matter paragraph.</p> <p>We suggest that the guidance require the auditor to consider including an emphasis of matter paragraph when certain information in the financial statements should be emphasized, and that the identified situations be presented as examples specific to employee benefit plans.</p> <p>Additional situations which may warrant required consideration for an emphasis of matter paragraph include the following:</p> <ol style="list-style-type: none"> a. The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the 	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p> <p>Also see proposed edits in Appendix A to this document.</p>

Responder	Comment	TF Consideration / Response
	<p>case of multiemployer plans, the funded status of the plan is critical, or critical and declining, within the meaning of the Pension Protection Act of 2006, and whether the plan is making progress on a Funding Improvement or Rehabilitation Plan, based on information provided by the actuary</p> <p>b. In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer</p> <p>c. Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values</p> <p>d. The plan has entered into nonroutine significant prohibited transactions that require correction</p>	
Ohio (76)	Professional standards already permit the auditor to use judgment regarding the inclusion of emphasis-of-matter paragraphs. The examples presented would typically represent a departure from other industries for which there is not prescriptive guidance. If the guidance is overly prescriptive, there is heightened risk that only the specific guidance will be considered rather than utilizing professional judgment. Committee members anticipated significant variation in practice on this matter.	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2
SAGAFTRA (79)	The proposed SAS requires the auditor to include an emphasis-of-matter paragraph when specific situations exist. This requirement is too rigid in that it eliminates auditor's judgement in these situations. Any of these specific situations could be considered immaterial and insignificant to the financial statements, as a whole, and an emphasis-of-matter paragraph may actually be misleading. Insisting that these specific situations be included in the auditor's report could actually decrease transparency as a result.	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.

Responder	Comment	TF Consideration / Response
		See issue 4 in agenda item 2
DT (80)	<p>D&T believes that the situations required in paragraph 116 of the proposed SAS are appropriate to be included in an emphasis-of-matter paragraph; however, we believe that these situations should be included as application material. Essential to the determination of whether an emphasis-of-matter paragraph is necessary, is the ability of the auditor, based on the “the auditor’s professional judgment,” to include in the auditor’s report those matters that are fundamental to the users’ understanding of the financial statements. We believe that requiring these situations to be included as emphasis-of-matter paragraphs is overly prescriptive and does not allow for auditor judgment. It is also not clear whether the list is complete. Consequently, we believe that the examples should instead be included as application material. Further, it should be made clear that paragraph 116 of the proposed SAS does not preclude the auditor from including any other emphasis-of-matter paragraphs in accordance with AU-C 706.</p> <p>Refer to Appendix C for edits to paragraph 116 of the proposed SAS.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p> <p>Also see proposed edits in Appendix A to this document.</p>
MSCPA (89)	<p>MA ERISA Committee's Comment:</p> <p>We agree that the items listed in paragraph 116 would warrant the addition of an Emphasis of Matter paragraph. In addition we feel that the use of such a paragraph is based on the auditor's judgement about the significance of the matter. Other situations that would warrant an Emphasis of Matter paragraph include a change in accounting method or adoption of a new accounting principle.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Calibre (90)	<p>The wording in paragraph 116 of the proposed SAS is that “the auditor’s report on ERISA plan financial statements should include an emphasis-of-matter paragraph...”. The wording eliminates auditor’s judgement in these situations. Any of these items could be considered immaterial to the financial statements, as a whole,</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on</p>

Responder	Comment	TF Consideration / Response
	<p>and an emphasis of matter paragraph may actually be misleading. These situations identified should be suggested topics for an emphasis-of-matter paragraph.</p> <p>Other possible emphasis-of-matter paragraphs that should be considered might include:</p> <ul style="list-style-type: none"> • The plan is significantly underfunded and requires increased contributions and/or has implemented limitations on benefit increases and accruals. In the case of multiemployer plans, the funded status of the plan is critical, or critical and declining within the meaning of the Pension Protection Act of 2006. • The plan has entered into significant nonroutine prohibited transactions that require correction. • In the case of multiemployer plans, a mass withdrawal, withdrawal of a significant number of employers or withdrawal of a major contributing employer. • Plan assets include a significant percentage of alternative or hard-to-value investments whose fair values have been estimated in the absence of readily determinable fair values. 	<p>whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
LBMC (93)	<p>We do not believe that the situations identified in Paragraph 116 should be required for inclusion of emphasis-of-matter paragraphs. We believe that AU-C 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report, provides sufficient guidance in this area. The required situations in Paragraph 116 are normally included in the footnotes to the financial statements, and we do not believe that an EOM paragraph in the opinion should be required</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Crowe (91)	<p>Emphasis-of-Matter Paragraphs (Paragraph 116)</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF</p>

Responder	Comment	TF Consideration / Response
	<p>We believe that the requirement to include emphasis-of-matter paragraphs in the auditor’s report including considerations for matters to be included is sufficiently addressed by the existing guidance in AU-C section 706: Emphasis-of-Matter Paragraph and Other-Matter Paragraphs in the Independent Auditor’s Report (AU-C 706), and therefore additional specific requirements for EBPs in this proposed SAS are unnecessary. We do not believe that paragraph 116 would lead to improved audit quality or improved reporting. By listing within the Proposed SAS specific items which require an emphasis-of-matter paragraph, we believe there is a risk that auditors will only consider these items and could overlook other items which are worthy of inclusion in the auditor’s report as an emphasis-of-matter or that are required by other standards.</p>	<p>asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Anders (100)	<p>Anders’ Response: No. We feel that the situations identified in paragraph 116 of the proposal are not appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report and we are concerned that the guidance does not clearly allow for auditor judgement in other areas. We strongly recommend that the proposal be modified to allow for more auditor’s professional judgement. Furthermore, as discussed in Issue 6, we feel that if reporting of these types of matters is to be required, a separate report (similar to reports submitted in Uniform Guidance engagements) would be much more appropriate than EOM paragraphs.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>
Draffin (103)	<p>We believe the situations identified are appropriate.</p> <p>We believe the standard should provide a conceptual framework allowing for engagement specific professional judgement rather than an exhaustive list of procedures.</p>	<p>TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent.</p> <p>See issue 4 in agenda item 2</p>

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Responder	Comment	TF Consideration / Response
MBAF (106)	We do not agree with the required emphasis-of-matter (“EOM”) paragraphs. EOM paragraphs should be left to auditor judgement. We believe that being overly prescriptive can force the auditor to spend time complying with what could possibly be immaterial disclosures, and can take time away from executing a high-quality audit.	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2

APPENDIX A — Comments by Paragraph (Paragraph 116)

Paragraph No.	Commenter	Comment	Response to Comment
Emphasis-of-Matter Paragraphs (pars.116)			
116	GT (66)	If the Board moves forward with requiring certain emphasis of matter paragraphs, it is unclear whether the sub-bullets in this paragraph are intended to be an exhaustive list. We do not believe the footnote reference to AU-C section 706 is sufficient in conveying that there may be other circumstances where the auditor is required to include an emphasis of matter paragraph in the auditor's report. We recommend the footnote be replaced with more specific application guidance in this paragraph.	TF proposing to remove TF proposing to remove paragraph 116. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2
116	DT (80)	<p>Emphasis-of-Matter Paragraphs (paragraph 116)</p> <p>The following edits are recommended to otherwise reflect the required emphasis-of-matter as application material in the proposed SAS (Refer Appendix A—Issue 4 for further discussion).</p> <p>116. <u>In addition to complying with the requirements of AU-C section 706, the auditor should determine whether any situations specific to the ERISA plan financial statements should be disclosed in the auditor's report.</u> The auditor's report on ERISA plan financial statements should include an emphasis-of-matter paragraph, under an appropriate heading, when the following situations exist:</p>	TF proposing to remove requirement to include an EOM for ERISA engagements. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2

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Paragraph No.	Commenter	Comment	Response to Comment
		Note: Paragraphs 116a–c would be included as examples in the application material to paragraph 116 of the proposed SAS.	
116a	Freyberg (17)	Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to "significant plan amendments that affect net assets and/or benefit obligations."	See issue 4 in agenda item 2
116a	LC&T (19)	Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to "significant plan amendments that affect net assets and/or benefit obligations. "	See issue 4 in agenda item 2
116a	GT (66)	If the Board moves forward with requiring certain emphasis of matter paragraphs, we believe application guidance regarding the meaning/intention of “significant” would make the requirement more operational and provide for more consistent interpretation.	TF proposing to remove paragraph 116. TF asking ASB for direction on whether to include application material with considerations for ERISA plans or to be silent. See issue 4 in agenda item 2
116a	Hemming (71)	Paragraph 116a describes the situation when there are significant plan amendments that affect net assets. Because plan amendments often affect only the benefit obligations disclosed in the notes, we suggest that the guidance be revised to "significant plan amendments that affect net assets and/or benefit obligations."	See issue 4 in agenda item 2

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Paragraph No.	Commenter	Comment	Response to Comment
116c	Freyberg (17)	Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.	See issue 4 in agenda item 2
116c	LC&T (19)	Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.	See issue 4 in agenda item 2
116c	Hemming (71)	Paragraph 116c describes the situation where there are significant changes in the nature of the plan. The effects of a plan termination, partial termination or hard or soft freeze, would also warrant required consideration for an emphasis of matter paragraph.	See issue 4 in agenda item 2