

## Employee Benefit Plans Alert

# Impact of SAS 136 on Audits of Employee Benefit Plans

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Statement on Auditing Standards (SAS) 136 addresses the audit of employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) and deals with the form and content of the audit report.

### Backdrop

The [AICPA Auditing Standards Board](#) voted to delay the effective date of [SAS No. 136, Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA](#). The delay provides relief to audit firms as a result of the COVID-19 pandemic. The original effective date of the SAS was for audits of plan financial statements for periods ending on or after December 15, 2020. The new effective date, as a result of the relief, is for audits of plan financial statements for periods ending on or after December 15, 2021. Early implementation is allowed as of the original effective date.

### Expanded Auditor Responsibility

The SAS prescribes certain new performance requirements for an audit of financial statements of employee benefit plans subject to ERISA and changes the form and content of the related auditor's report. This SAS is geared toward improving the quality of employee benefit plan audits. As a result, additional audit requirements were added with regard to the auditor's responsibility for the following areas:

- Client engagement acceptance
- Audit risk assessment and responses, including consideration of the plan's provisions and overall audit strategy
- Communication with management and those charged with governance
- Reporting on supplemental schedules and considerations relating to the Form 5500
- Procedures for an ERISA §103(a)(3)(C) Audit
- Auditor's report on ERISA financial statements, audits conducted in accordance with both GAAS and another set of standards

### Audit Report

The audit report will be rearranged, clarified and expanded. As a result, the audit report will look significantly different once the SAS has been implemented. Changes to the auditor's report aim to provide readers with better transparency around the scope and nature of the audit, as well as to make clear the responsibilities of the plan sponsor and the auditor.

Limited scope audits will now be referred to as ERISA §103(a)(3)(C) audits. When an ERISA §103(a)(3)(C) audit is selected by the plan sponsor, the first paragraph of the audit opinion addresses the nature and scope followed by a two-part opinion (the first part addresses the information not covered by the certification, and the second part addresses the information covered by the certification), and a new basis for opinion section.

### Audit Planning

With the issuance of SAS No. 136, it is important to make sure that all members of the audit team and the plan sponsor are aware of their responsibilities. This understanding can and should be documented during the planning stage of the audit.

## Contact Us

The Employee Benefit Services Group at PKF O'Connor Davies is available to assist employers with the various compliance reporting and other requirements imposed by federal agencies. We also provide a full spectrum of compliance services for qualified retirement plans, non-qualified deferred compensation plans, and welfare plans. For more information, please contact your client services partner or either of the following:

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