

2019 Advisory Council on Employee Welfare and Pension Benefit Plans
Beyond Plan Audit Compliance: Improving the Financial Statement Audit Process

Issue Chair: Doug Greenfield

Issue Vice-Chair: Bridget O'Connor

Drafting Team: Bob Lavenberg, Julie Curtis, Bill Johnsen, Marcy Supovitz

The Employee Benefits Security Administration of the Department of Labor (the "Department") has asked the Council to seek out ways through which the audits of employee benefit plans required under section 103 of ERISA and the regulations promulgated thereunder could enhance the safety of the plan's assets, the effectiveness of the plan in satisfying its purpose, the efficiency of the plan's operations, and the plan's compliance with ERISA, the Internal Revenue Code, and other applicable laws.

The Council intends to complement its 2010 Report on Employee Benefit Plan Auditing and Financial Reporting Models, the focus of which was on the auditors and the quality of the audits being performed. In contrast, the focus of this inquiry is on increasing the knowledge and understanding of the plan administrators that procure financial statement audit services and on improving the procedures that such plan administrators implement in selecting an auditor, preparing for the audit, communicating with the auditor before, during, and after the audit, and adopting changes in the plan's documentation, operations, policies, or procedures based on the results of the audit.

In its request to the Council, the Department raised concerns about the "commoditization" of plan financial statement audits, in that plan administrators were not sufficiently availing themselves of the audit process to re-examine inputs provided to the auditors, to take advantage of the routine operational discipline that a proper annual audit process should encourage, or to learn about improvements in the plan's documentation, operations, policies, or procedures that could arise from a robust audit engagement.

The Council will consider testimony gathered from regulators, professional and internal auditors, professional and internal administrators, plan sponsors, human resource managers, academics in the accounting field, and insurance underwriters as to their awareness of, and experience addressing, the Department's concerns, and as to the efficacy of various tools that the Department could make available to plan administrators to enhance the value provided by an improved engagement in the plan's annual financial statement audit process.