

## Chapter 10

### Concluding the Audit and Other Auditing Considerations

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#### 10.01

Completing the audit is often the most critical, yet most underestimated, phase of the audit in terms of the amount of time required and its importance to achieving the objectives of an audit.

Procedures related to concluding the audit involve more than just the administrative tasks that first come to mind. They involve performing a final analytical review and a final review of the financial statements; summarizing and evaluating audit findings; determining that the audit procedures and working papers conform with authoritative standards and the appropriate audit opinion is based on the sufficiency and appropriateness of audit evidence; and issuing client communications. This chapter discusses procedures for completing the audit that are specific to employee benefit plans.

#### 10.02

The procedures subsequently outlined are typically performed by the independent auditor as he or she concludes the engagement and before the financial statements are issued:

- a. Review the Form 5500, *Annual Return/Report of Employee Benefit Plan*. (See paragraphs 10.03–.08.)
- b. Review for any commitments and contingencies. (See paragraphs 10.09–.10.)
- c. Obtain a legal letter, if applicable. (See paragraphs 10.11–.13.)
- d. Review for any subsequent events. (See paragraph 10.14.)
- e. Consider other matters that have occurred during the audit, such as
  - i. plan mergers. (See chapters 5–7 for plan-specific discussions.)
  - ii. plan terminations. (See chapters 5–7 for plan-specific discussions.)
  - iii. changes in service providers. (See chapters 5–7 for plan-specific discussions.)
  - iv. related party transactions. (See chapter 2, "Planning and General Auditing Considerations," for further guidance.)
  - v. prohibited party in interest transactions. (See chapter 2 for further guidance.)
  - vi. plan amendments.
  - vii. going concern considerations. (See chapter 2 for further guidance and paragraph 11.86 for reporting considerations.)
- f. Review journal entries, if any, and subsequent trust statements.
- g. Summarize audit misstatements.

- h. Perform final analytics.
- i. Obtain management representation letter. (See paragraphs 10.16–.22 and exhibit 10-1.)
- j. Date the auditor's report, and assemble and archive working papers.
- k. Communicate with those charged with governance. (See paragraphs 10.23–.35.)
- l. Communicate internal control matters identified in an audit. (See paragraphs 10.36–.39.)
- m. Access auditors' working papers. (See paragraph 10.40.)

## The Form 5500

### 10.03

Information in the Form 5500 may be relevant to an independent audit or the continuing propriety of the auditor's report. AU-C section 720, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*), addresses the auditor's responsibility with respect to other information in documents containing audited financial statements and the auditor's report thereon. *Other information* is defined as financial and nonfinancial information (other than the financial statements and auditor's report thereon) that is included in a document containing audited financial statements and the auditor's report thereon, excluding required supplementary information. <sup>fn1</sup>

### 10.04

Paragraph .06 of AU-C section 720 states that the auditor should read the other information of which the auditor is aware in order to identify material inconsistencies, if any, with the audited financial statements. If, upon reading the other information the auditor identifies a material inconsistency, the auditor should determine whether the audited financial statements or other information needs to be revised. Paragraphs .09–.15 of AU-C section 720 address the auditor's responsibilities if a material inconsistency has been identified. Paragraph .16 of AU-C section 720 states that if, upon reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor should discuss the matter with management. Paragraphs .16–.18 of AU-C section 720 address the auditor's responsibilities if an apparent misstatement of fact has been identified.

### 10.05

Paragraph .07 of AU-C section 720 states that the auditor should make appropriate arrangements with management or those charged with governance to obtain the other information prior to the report release date. If it is not possible to obtain all the other information prior to the report release date, the auditor should read such other information as soon as practicable. For example, the plan auditor should make arrangements to obtain the Form 5500 prior to the report release date to enable the auditor to resolve possible material inconsistencies and apparent misstatements of fact with management on a timely basis. If it is not possible to obtain the Form 5500 prior to the report

release date, the auditor should read such other information in the Form 5500 as soon as practicable. The auditor may delay the release of the auditor's report until management provides the Form 5500 to the auditor.

#### **10.06**

The auditor should communicate with those charged with governance the auditor's responsibilities with respect to the other information (for example, other information in the Form 5500); any procedures performed relating to the other information; and the results, in accordance with paragraph .08 of AU-C section 720.

### **Reports Issued Prior to the Form 5500 Filing**

#### **10.07**

The auditor may encounter situations in which the auditor's report is issued prior to the auditor's reading of the Form 5500. If such a situation occurs, it is important for the auditor to inform the plan administrator that the auditor's report is not to be attached to the financial statements included with the Form 5500 filing without the auditor's reading of the Form 5500. When the engagement letter is prepared, it may include a statement that in the event that the auditor's report is issued prior to the auditor having read the Form 5500, the plan administrator agrees not to attach the auditor's report to the financial statements included with the Form 5500 filing until the auditor has read the completed Form 5500. See the illustrative engagement letter in chapter 2. The auditor may also consider including a statement in the transmittal letter to the client indicating that the auditor's report, as presented, is not to be attached to the financial statements to be included in the Form 5500 filing without the auditor's reading of that filing.

#### **10.08**

The Employee Retirement Income Security Act of 1974 (ERISA) requires a plan's financial statements to include financial statement disclosures of reconciling differences, if any, between amounts reported in the financial statements and the amounts reported in the Form 5500. If, upon reading the Form 5500 subsequent to the issuance of the plan's financial statements the auditor identifies any such differences, he or she may consider reissuing the auditor's report, dual-dated with respect to the note explaining the differences. If the differences represent a material inconsistency or misstatement of fact in the preparation of the Form 5500, then the guidance in paragraphs 10.03–.06 is appropriate.

### **Commitments and Contingencies**

#### **10.09**

Commitments and contingencies related to an employee benefit plan typically involve plan compliance issues or future plan amendments that affect the plan and its participants. Contingencies may take the form of a gain or loss contingency. Loss contingencies may involve collectability of receivables, tax issues, or litigation claims. Commitments and loss contingencies may result from nontraditional investments, such as limited partnership interests, real estate, or