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## LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

### *PPC’s Guide to Audits of Employee Benefit Plans*

### Twenty-eighth Edition (February 2018)

#### Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC’s Guide to Audits of Employee Benefits Plans*:

- **Updated for New Guidance and Standards.** The audit programs, checklists, letters, other practice aids, and practical guidance throughout your *Guide* have been updated for recently-issued authoritative literature, new regulatory requirements and developments, and other guidance, including the following:
  - ASU 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting.*
  - SAS 132, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern.*
  - The 2017 versions of the Form 5500 and the AICPA Audit and Accounting Guide, *Employee Benefit Plans.*
- **Hosting Services and Independence.** A new ethics interpretation, *Hosting Services* (ET 1.295.143), was issued in August 2017, and was effective on September 1, 2018. Under the new interpretation, the definition of hosting services has been added to encompass a number of services firms may be currently providing to their audit clients, and those services may impact their independence. This edition of your *Guide* and the related practice aids have been updated to address the implications of hosting services on auditor independence.
- **Comprehensive, Up-to-date Disclosure Checklists.** The most effective way to ensure that all of the required information is disclosed in the financial statements you audit is to use our comprehensive disclosure checklists. The separate disclosure checklists for defined benefit plans, defined contribution plans, and health and welfare benefit plans have been thoroughly updated to provide you the most current and comprehensive tools to help you ensure the financial statements you audit comply with authoritative pronouncements. Among other standards, this edition incorporates the disclosure requirements from ASU 2016-02, *Leases (Topic 842).*

<u>Chapter/Practice Aids</u>	<u>Description of Changes/Additions</u>	<u>Guide Reference</u>
CHAPTER 1 Background Information	1. Updated the discussion of the economic significance of employee benefit plans.	Paragraphs 100.1–.2
	2. Updated the penalty amounts for failure to file Form 5500.	Paragraph 108.30
	3. Updated the discussion of the AICPA EBP Audit Quality Center.	Paragraphs 108.57–.59
CHAPTER 2 ERISA and Certain Tax Requirements	1. Updated compensation and contribution limits for plans.	Throughout
	2. Updated the discussion of the changes to the IRS determination letter program.	Paragraphs 201.6–.9
	3. Expanded the discussion of the ratio percentage test.	Paragraph 201.38
	4. Updated a footnote on the DOL regulations regarding the definition of a fiduciary related to investment advice.	Paragraph 202.9
	5. Updated the discussion of plans exempt from filing Form 5500 to clarify for welfare benefit plans.	Paragraph 204.8
	6. Updated PBGC coverage amounts.	Paragraph 205.1
	7. Added a footnote on the revised fees for the Voluntary Correction Program.	Paragraph 207.1
CHAPTER 3 Accounting and Financial Reporting Standards for Employee Benefit Plans	1. Revised a footnote on the requirement for plans to report investments at fair value.	Paragraph 302.20
	2. Revised the discussion of the presentation and disclosure of an interest in a master trust prior to the adoption of ASU 2017-06.	Paragraphs 302.31–.32
	3. Added a discussion of the presentation and disclosure of an interest in a master trust after the adoption of ASU 2017-06.	Paragraph 302.35
	4. Added a footnote on ASU 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> , exempting employee benefit plans from the fair value of financial instruments disclosure requirements of FASB ASC 825-10-50.	Paragraph 302.49
	5. Revised the discussion of fully benefit-responsive investment contracts.	Paragraphs 303.7–9
	6. Added a footnote on ASU 2017-06.	Paragraph 305.45
	7. Revised the illustrative 401(h) account note disclosure.	Appendix 3C-3
CHAPTER 4 Pre-engagement Activities and Audit Planning	1. Added a footnote on revised definitions of <i>attest client</i> and <i>client</i> , as well as other targeted and narrow changes in various independence ethics interpretations.	Paragraph 401.10
	2. Added a discussion of the AICPA's Professional Ethics Executive Committee's (PEEC) new interpretation on hosting services.	Paragraphs 401.19–.21
	3. Added a discussion of proposed changes to independence requirements.	Paragraph 401.27
	4. Expanded the list of matters to be discussed during the engagement team discussion.	Paragraph 404.40
	5. Added a discussion of the AICPA's Technical Question and Answer, <i>Obtaining an Understanding of Internal Control Relevant to the Audit</i> (Q&A 8200.18).	Paragraph 406.3

	6. Revised the discussion of the COSO Framework.	Paragraphs 406.7–.9
	7. Updated the discussion of the nature of the auditor’s understanding of internal control.	Paragraph 406.10
	8. Updated the discussion of the extent of the auditor’s understanding of internal control.	Paragraph 406.14
	9. Added a footnote on the AICPA’s Q&A 8200.19, <i>Obtaining an Understanding of the Controls Relevant to the Audit</i> .	Paragraph 406.16
	10. Updated the discussion of the effect of Information Technology (IT) on internal control.	Paragraphs 406.19 and 406.23
	11. Added a discussion on cybersecurity.	Paragraphs 406.27–.30
	12. Expanded the discussion on identifying related parties and parties-in-interest.	Paragraph 406.36
	13. Revised the discussion on control activities.	Paragraphs 406.70–.73
	14. Revised the discussion on understanding controls related to significant risks.	Paragraph 406.77
	15. Revised the discussion of service auditor’s reports.	Paragraphs 406.100–.101
	16. Updated the discussion of the FASB project related to materiality.	Paragraph 407.5
	17. Added a footnote on accuracy and completeness of opening balances.	Paragraph 407.48
CHAPTER 5 Special Auditing Considerations	1. Revised the footnote on standards with guidance for user auditors and for service auditors.	Paragraph 500.5
	2. Added a footnote on transfers of net assets resulting from plan mergers, spin-offs, or other transfers.	Paragraph 501.11
	3. Added a footnote on ASU 2017-12, <i>Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities</i> .	Paragraph 502.83
	4. Updated the limit on annual contributions in a defined contribution plan.	Paragraph 504.28
	5. Expanded the discussion of defined benefit retirement plan obligations.	Paragraphs 506.10–.11
	6. Revised the discussion on terminating plans.	Paragraphs 508.12–.14
	7. Revised the discussion on frozen plans.	Paragraphs 508.17–.20
	8. Revised the discussion on changes in service organizations.	Paragraph 508.23

CHAPTER 6 Concluding the Audit	1. Updated the discussion of audit procedures for plan tax status.	Paragraphs 601.10–.12
	2. Updated the discussion of going concern considerations.	Section 604
	3. Revised the discussion of written representations.	Paragraphs 605.2–.4
	4. Added a discussion of written representations as audit evidence.	Paragraph 605.8
	5. Updated the discussion of uncorrected misstatements.	Paragraphs 605.9–.11
	6. Updated the discussion of a materiality threshold.	Paragraph 605.13
	7. Added discussions on written representations and qualifying phrases, those charged with governance, and those with specialized knowledge.	Paragraphs 605.14–.16
	8. Revised the discussion of periods covered by the representation letter.	Paragraph 605.18
	9. Updated the discussion of common peer review findings.	Paragraph 608.7
	10. Added a footnote on a proposed Statement on Auditing Standards (SAS), <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i> .	Paragraphs 610.17 and 610.21
	11. Added a footnote on an exposure draft of a proposed interpretation issued by the AICPA Professional Ethics Division, <i>Responding to Non-Compliance With Laws and Regulations</i> .	Paragraph 611.41
CHAPTER 7 Auditor's Reports	1. Added a discussion about a proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i> .	Paragraph 700.5
	2. Added a discussion about an exposure draft of four proposed auditing standards related to auditor reporting.	Paragraph 700.6
	3. Revised the discussion of going concern uncertainty.	Paragraphs 702.30–.34
	4. Updated the illustrative disclaimer of opinion because of a going concern uncertainty.	Appendix 7B-5
	5. Updated the illustrative report of a terminating plan that presents comparative statements.	Appendix 7B-6

CHAPTER 8  
Compilation  
Engagements

1. With this edition of the *Guide*, we have removed the guidance and related practice aids for performing review engagements. The guidance and practice aids for performing compilation engagements remain. In our experience and after conducting research with practitioners, we have determined that review engagements for employee benefit plans are rare. Practitioners interested in review procedures are encouraged to use the guidance and practice aids in *PPC’s Guide to Compilation and Review Engagements*. See further discussion of when compilation or review procedures may be performed in relation to an audit of an employee benefit plan beginning at paragraph 800.1. Throughout
2. Added explanatory content on when a compilation or review engagement might be performed for an employee benefit plan. Paragraphs 800.6–.7
3. Updated the discussion of compilation authoritative literature. Paragraphs 801.3–.5
4. Revised the discussion of Quality Control Standards. Paragraph 801.6
5. Revised the discussion of evaluating engagement acceptance and continuance. Paragraphs 802.2–.5
6. Revised the discussion of nonattest services. Paragraphs 802.6–.7
7. Added a discussion of the trial balance preparation checklist. Paragraph 802.15
8. Revised the discussion of required elements of a compilation report. Paragraphs 805.3–.5
9. Updated the discussion of reporting when there are departures from the applicable financial framework. Paragraphs 805.10–.12

COMPILATION  
PRACTICE AIDS  
(EBP-CR)

General

1. With this edition of the *Guide*, we have removed the guidance and related practice aids for performing review engagements. The guidance and practice aids for performing compilation engagements remain. In our experience and after conducting research with practitioners, we have determined that review engagements for employee benefit plans are rare. Practitioners interested in review procedures are encouraged to use the guidance and practice aids in *PPC’s Guide to Compilation and Review Engagements*. See further discussion of when compilation or review procedures may be performed in relation to an audit of an employee benefit plan beginning at paragraph 800.1. Throughout
2. Expanded the instructions to reiterate the frequency of updates. EBP-CR-0

Engagement  
Acceptance and  
Continuance Form

3. Revised the instructions and the format of the form. EBP-CR-1

Illustrative Engagement  
Letter

4. Revised the letter and practical considerations. EBP-CR-3

Client Information Form	5. Added a step to list any AICPA guides or other publications providing information on accounting principles and practices applicable to the plan.	EBP-CR-4
Compilation Procedures, Review, and Approval Form	6. Revised the procedures discussing changes in independence, the accountant's workpapers, and modifications to the compilation report.	EBP-CR-5
Compilation Reporting Checklist	7. Expanded the procedure related to supplementary information.	EBP-CR-8.1
<b>CONFIRMATION AND CORRESPONDENCE LETTERS (EBP-CL)</b>		
General	1. Modified language and practical considerations throughout to incorporate electronic communications.	Various
	2. Expanded the instructions to reiterate the frequency of updates.	EBP-CL-0
Audit Engagement Letters	3. Updated the language in the letter for audit procedures to state the auditor will not express an opinion on internal control. Also, updated letter for management's responsibilities for internal control.	EBP-CL-1.1, EBP-CL-1.2
Management Representation Letter	4. Revised a practical consideration about going concern and SAS 132.	EBP-CL-3.1
Communication with Those Charged with Governance	5. Revised a practical consideration about going concern.	EBP-CL-5.2, EBP-CL-5.3
<b>CHECKLISTS AND PRACTICE AIDS (EBP-CX)</b>		
	1. Expanded the instructions to reiterate the frequency of updates.	EBP-CX-0
Engagement Acceptance and Continuance Form	2. Updated a practical consideration related to going concern.	EBP-CX-1.1
Engagement Independence Compliance and Nonattest Services Documentation Form	3. Updated the instructions to discuss the various parts included in the form.	EBP-CX-1.2
	4. Added a practical consideration discussing the AICPA's new ethics interpretation on hosting services.	EBP-CX-1.2
Financial Statement Materiality Worksheet for Planning Purposes	5. Added practical considerations on selecting a benchmark.	EBP-CX-2

Understanding the Plan and Identifying Risks	6. Added a practical consideration regarding the auditor's response when identifying risks of material misstatement.	EBP-CX-3.1
	7. Added a practical consideration regarding identifying and assessing risk when implementing new accounting standards.	EBP-CX-3.1
	8. Revised a step regarding going concern and added related practical considerations.	EBP-CX-3.1
Engagement Team Discussion	9. Revised a practical consideration on continuing engagements and implementing new accounting standards.	EBP-CX-3.2
Fraud Risk Inquiries Form	10. Added a practical consideration regarding identifying and assessing risk when implementing new accounting standards.	EBP-CX-3.3
Audit Inquiries Summary Form	11. Added steps on the inquiries of management about going concern matters.	EBP-CX-3.4
Understanding the Design and Implementation of Internal Control	12. Added practical considerations regarding the implementation of new accounting standards and the risks associated with such.	EBP-CX-4.1
Documentation Form for Reliance on a SOC 1 Report	13. Updated the instructions for clarity.	EBP-CX-4.4
	14. Revised a practical consideration for SSAE 18, <i>Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting</i> .	EBP-CX-4.4
Entity-level Control Form for General IT Controls	15. Added new internal controls on IT cybersecurity.	EBP-CX-5.5
Checklist of Tax-related Considerations for Defined Benefit and Contribution Retirement Plans	16. Updated a practical consideration on the IRS determination letter program and added a practical consideration on the related Required Amendments List.	EBP-CX-11.7
	17. Updated a practical consideration for amounts of maximum compensation and elective deferrals.	EBP-CX-11.7
	18. Revised practical considerations related to Regulations under ERISA Section 408(b)(2).	EBP-CX-11.7
Disclosure Requirements for Financial Statements of Employee Benefit Plans	19. Updated for changes in the authoritative literature.	EBP-CX-13.1, EBP-CX-13.2, EBP-CX-13.3
Going Concern Checklist	20. Revised for the issuance of SAS 132.	EBP-CX-16.1
Client Billing Information	21. Added a line to the form to indicate who completed the form.	EBP-CX-17.1
CORE AUDIT PROGRAMS (EBP-APDB, EBP-APDC, EBP-APHW)	1. Expanded the instructions to reiterate the frequency of updates.	EBP-APDB-0, EBP-APDC-0, EBP-APHW-0

Audit Program for General Planning Procedures	2. Revised a practical consideration on testing significant estimates for bias.	EBP-APDB-1, EBP-APDC-1, EBP-APHW-1
Audit Program for General Auditing and Completion Procedures	3. Updated the practical considerations on the IRS determination letter program.	EBP-APDB-2, EBP-APDC-2
	4. Revised a practical consideration on inquiries of persons outside the accounting department.	EBP-APDB-2, EBP-APDC-2, EBP-APHW-2
	5. Revised and updated evaluation and other completion procedures and practical considerations for the issuance of SAS 132.	EBP-APDB-2, EBP-APDC-2, EBP-APHW-2
	6. Added a practical consideration on the proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i> .	EBP-APDB-2, EBP-APDC-2, EBP-APHW-2
Other General Auditing and Completion Procedures	7. Revised steps and practical considerations on changing service organizations.	EBP-APDB-2, Other Procedures; EBP-APDC-2, Other Procedures; EBP-APHW-2, Other Procedures
	8. Revised and added steps and related practical considerations on assets transferred from another plan.	EBP-APDB-2, Other Procedures; EBP-APDC-2, Other Procedures; EBP-APHW-2, Other Procedures
	9. Added a step on additional procedures to respond to risks relating to related-party transactions.	EBP-APDB-2, Other Procedures; EBP-APDC-2, Other Procedures; EBP-APHW-2, Other Procedures
Audit Program for Minutes, Plan Documents, Contracts, and Agreements	10. Updated a practical consideration on the IRS determination letter program.	EBP-APDB-3, EBP-APDC-3
Audit Program for Use of Service Organizations	11. Revised a practical consideration on the uses of type 1 and type 2 service auditor's reports.	EBP-APDB-4, EBP-APDC-4, EBP-APHW-4
Audit Program for Contributions Received and Receivable	12. Added practical considerations on allowances for uncollectible contributions.	EBP-APDB-5, EBP-APDC-5, EBP-APHW-5



Audit Program for Investments and Related Income—Full-scope Audit	13. Revised a step on inspection of securities.	EBP-APDB-7, Extended Procedures; EBP-APDC-7, Extended Procedures; EBP-APHW-7, Extended Procedures
Other Audit Procedures for Investments and Related Income—Full-scope Audit	14. Added a practical consideration on ASU 2017-12.	EBP-APDB-7, Other Procedures; EBP-APDC-7, Other Procedures; EBP-APHW-7, Other Procedures
Other Audit Procedures for Benefit Payments	15. Revised steps on termination of the plan.	EBP-APDB-11, Other Procedures; EBP-APDC-11, Other Procedures; EBP-ABHW-11, Other Procedures
	16. Revised steps on frozen plans.	EBP-APDB-11, Other Procedures; EBP-APDC-11, Other Procedures; EBP-APHW-11, Other Procedures
Audit Program for Benefit Obligations	17. Revised a step and added practical considerations on actuary's assumptions, mortality tables, and projection scales.	EBP-APDB-12
Audit Program for Cash	18. Modified a step to the full-scope audit section to determine confirmations are directed to the proper party.	EBP-APDB-13, EBP-APDC-13, EBP-APHW-13
	19. Revised a practical consideration to consider risks associated with the confirmation delivery method and type of confirmation.	EBP-APDB-13, EBP-APDC-13, EBP-APHW-13
	20. Added a practical consideration to verify the validity of nontraditional confirmation replies.	EBP-APDB-13, EBP-APDC-13, EBP-APHW-13
Audit Program for Property and Equipment Used in Operations	21. Updated an existing and added a new practical consideration on ASU 2016-02, <i>Leases (Topic 842)</i> .	EBP-APDB-14; EBP-APDC-14; EBP-APHW-14
	22. Added a practical consideration on events and circumstances that may indicate asset impairment.	EBP-APDB-14, Extended Procedures; EBP-APDC-14, Extended Procedures; EBP-APHW-14, Extended Procedures

Audit Program for Accounts Payable and Accrued Expenses	23. Added a step to update the understanding of the basis for accrued expense accounts.	EBP-APDB-15, EBP-APDC-15, EBP-APHW-15
Audit Program for Loans Payable	24. Added a practical consideration discussing ASU 2016-02.	EBP-APDB-16, EBP-APDC-16, EBP-APHW-16
	25. Revised a step and added practical considerations to determine confirmations are directed to the proper party.	EBP-APDB-16, Extended Procedures; EBP-APDC-16, Extended Procedures; EBP-APHW-16 Extended Procedures
Audit Program for Operating Expenses	26. Added a practical consideration discussing consistency of explanations by management.	EBP-APDB-17, EBP-APDC-17, EBP-APHW-17