

2013 FINANCIAL INSTITUTIONS OVERVIEW FOR KNOWLEDGE COACH USERS

PURPOSE

This document is published for the purpose of communicating, to users of the toolset, updates and enhancements included in the current version. This document is not, and should not be used as an audit program to update the audit documentation of an engagement started in a previous version of this product

WORKPAPER UPDATES AND ROLL FORWARD NOTES

General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The **2013 *Knowledge-Based Audits of Financial Institutions*** has been updated to help auditors conduct audit engagements of financial institutions in accordance with the new clarified and redrafted auditing standards resulting from the ASB's Clarity Project and related guidance, including the requirements of SAS 127, *Omnibus Statement on Auditing Standards—2013*. Many new tips and examples have been incorporated. The 2013 tools include links to specific guidance that provide instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included are updated U.S. GAAP Financial Statement Disclosures Checklist and Industry-Specific Disclosures Checklist—Depository and Lending Institutions that provide a centralized resource of the current required and recommended U.S. GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2013 edition of *Knowledge-Based Audits of Financial Institutions* includes the following updates:

Knowledge-Based Audit Documents (KBAs)

- **NEW KBA-404 Understanding Activity-Level Controls: Mortgage Banking** designed to help document factors to consider regarding mortgage banking activities activity-level controls and accompanying new **RES-010 Assertions and Examples of “What Can Go Wrong” and Related Controls That Address Example Controls and What Can Go Wrong—Mortgage Banking.**

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	Modified instructions to include guidance on potential effects of deficiencies noted by the auditor.	Instructions	Y	AU-C 265	
KBA-104 Summary and Evaluation of Misstatements and Omitted, Inaccurate, or Incomplete Disclosures					
New	Conclusion on whether disclosures met auditor expectations moved from KBA-400 to the conclusion section of this workpaper.	Procedures Steps	N		
KBA-201 Client/Engagement Acceptance and Continuance Form					

New	Added new questions on assessing the entity's financial viability: m. Is the entity having difficulty meeting regulatory capital requirements? n. Has there been any significant deterioration in the entity's loan and securities portfolios? o. Is the entity under a cease and desist order, supervisory agreement, or any other regulatory restraint?	Procedure steps	N		
New	Added new entity information steps to obtain the following pertinent information about stock for a stock institution: State of incorporation, number of common shares authorized and par value, number of shares issued and outstanding, number of shares in treasury, other types of stock.	Table other than procedures	N		
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts					
Delete	Moved determination of tolerable misstatement to AID-801.	Worksheet	N		
New	Added new worksheet to determine and document component materiality.	Worksheet	N		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Delete	Removed "No" from the Considered column.	Table other than procedures	N		
Delete	Removed duplicative considerations.	Table other than procedures	N		
Modify	Modified considerations to conform to AU-C 315.	Table other than procedures	Y	AU-C 315 and AU-C 240	
New	Added new consideration regarding management's belief that their level of authority justifies certain level of compensation and personal privileges.	Table other than procedures	Y	AU-C 240	
New	Added practice alert about the composition of the audit committee for institutions with assets of \$500 million or more.	Practice points	N		
New	Added new factor on industry conditions: b. The segment of the financial services industry in which	Table other than	N		

	the entity operates,	procedures			
Modify	f. Sensitivity of earnings to changes in interest rates, liquidity, asset quality, fiduciary, and processing risk (including how the entity is affected by federal reserve interest rate policies and other economic, political or social conditions).	Table other than procedures	N		
New	Modified factors on regulatory environment: a. High degree of complex regulation and changes in laws or regulations (e.g., call report instructions, capital requirements). b. Accounting principles (i.e., applicable financial reporting framework) and industry-specific practices (including any special legal, regulatory, or reporting requirements (such as FDIC audit regulations, and HUD reporting requirements). c. Legislation and regulation that significantly affect the entity's operations (regulatory requirements and direct supervisory activities, including the regulatory agencies, i.e., the FDIC, OCC, FRB, NCUA, and state agencies, that have oversight responsibility for the entity and the nature of and compliance with any regulatory agreement the entity is operating under).	Table other than procedures	N		
Modify	Modified factor on regulatory environment: h. Communications from regulatory agencies regarding noncompliance or possible noncompliance including the results of the last regulatory examination and any related correspondence.	Table other than procedures	N		
New	Added new factor on regulatory environment: i. The entity's most recent CAMELS rating and when it was assigned.	Table other than procedures	N		
New	Modified factor on financing: c. Use of off-balance-sheet financing arrangements, special-purpose entities, and other complex financing arrangements (such as use of federal funds purchased and repurchase agreements).	Table other than procedures	N		
KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities					
New	Added practice alert about the composition of the audit committee for institutions with assets of \$500 million or more.	Practice points	N		
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and					

Disclosures					
Delete	Deleted column on "Did Management's Disclosures Meet the Auditor's Expectations." This question was moved to KBA-104. Modified instructions accordingly.	Table other than procedures	N		
New	Added Mortgage Banking to Table I Scoping and Mapping	Table other than procedures	N		
KBA-402 Understanding General Controls for Information Technology					
New	Added Mortgage banking (transfers and servicing) to the entity's applications important to financial reporting.	Table other than procedures	N		
KBA-412 Understanding Controls Maintained by a Service Organization					
New	Added step regarding the evaluation of the date of Type 1 reports.	Table other than procedures	Y	AU-C 402	
Modify	Modified step regarding the time period covered by Type 2 reports to conform to the standards.	Table other than procedures	Y	AU-C 402	
KBA-502 Summary of Risk Assessments					
Modify	Modified instructions to provide clearer guidance on the auditor's approach.	Instructions	N		
KBA-901 Financial Statement Disclosures Checklist					
Modify	This Financial Statement Disclosures Checklist is updated for disclosure and key presentation requirements in effect as of September 30, 2013.	Disclosure Update	Y	Various	

Audit Programs (AUDs)

- Audit programs have been reorganized and reordered for better workflow. Additionally, duplicative steps have been removed throughout the audit program series.
- **NEW AUD-804 Audit Program: Mortgage Banking Activities** has been developed to document the audit plan for further audit procedures to relating to financial reporting of mortgage banking activities

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-100 Tailoring Question Workpaper					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
New	New tailoring questions have been added.	Tailoring	N	N/A	Review and answer. All of these new tailoring questions will impact other workpapers. Be sure to add additional audit areas, when applicable.
AUD-101 Overall Audit Program					
Modify	Moved much of the detailed information from substeps to practice points so that experienced users familiar with this program have the option to save the time spent reading the detail.	Procedure Steps	N		
Modify	Combined steps to eliminate duplication; new step reads as follows: 4. Evaluate, conclude on, and document whether auditor has the ability to adhere to the fundamental principles and requirements of professional and ethics standards including: a. Integrity; b. Objectivity; c. Independence, d. Professional competence and due care; e. Compliance with firm policies; f. Confidentiality; and g. Professional behavior.	Procedure Steps	N		
Modify	Combined steps to eliminate duplication; new step reads as follows: 6. Perform client acceptance or continuance procedures in accordance with firm policy.	Procedure Steps	N		
Modify	Changed step to include directive to perform opening balance procedures. New step reads as follows: 8. Perform the preliminary engagement activities necessary to establish an appropriate audit strategy and audit plan, including the audit procedures necessary to obtain sufficient appropriate audit evidence regarding the opening balances.	Procedure Steps	N		
Delete	Moved project management step to practice point, deleting the following step: 16. Consider preparing a detailed list of information that is needed to perform the audit, for the client to prepare.	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Delete	Moved project management step to practice point, deleting the following step: 17. Consider preparing a budget for completion of the audit engagement.	Procedure Steps	N		
Modify	Modified materiality step to include AU-C 600 considerations. Modified steps reads as follows: 19. Determine materiality for the financial statements as a whole, the materiality level or levels for particular classes of transactions, account balances, or disclosures, if applicable, and performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This determination should include component materiality and component performance materiality when those provisions of AU-C 600 apply.	Procedure Steps	Y	AU-C 600	
Delete	Deleted the following step: For entities with multiple locations or business units, determine tolerable misstatement at an amount that reduces to an appropriately low level the probability that the total of uncorrected and undetected misstatements would result in material misstatement of the financial statements.	Procedure Steps	N		
Modify	Combined steps. New step reads as follows: 32. Identify and document the following: a. Potential litigation and claims; b. Commitments and contingencies; c. Concentrations of risk; d. Related-party transactions; e. Significant management estimates and judgments; f. New or significant accounting issues; and g. Other areas requiring special audit consideration.	Procedure Steps	N		
Delete	Deleted the following step: Identify financial and nonfinancial information that may be useful for performing substantive analytical procedures.	Procedure Steps	N		
Delete	Deleted the following step: For clients with multiple locations or business units,	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	identify significant accounts, classes of transactions, and disclosures, and their relevant assertions based on the financial statements, and assess the risk of material misstatement to the financial statements to determine the extent to which audit procedures should be performed at selected locations or business units to obtain sufficient appropriate audit evidence about whether the financial statements are free of material misstatement.				
Delete	Added documentation to understanding step above and deleted this duplicate step: Document the understanding obtained of internal controls relevant to the audit and of each of the internal control components, the sources of information from which the understanding was obtained, and the risk assessment procedures performed.	Procedure Steps	N		
Delete	Added documentation to step above and deleted this duplicate step: Document the controls related to the identified risks about which the auditor has obtained an understanding.	Procedure Steps	N		
Modify	Combined steps on response. Modified step reads as follows: 50. Design, document, and implement the auditor's overall responses to the assessed risks of material misstatement at the financial statement level.	Procedure Steps	N		
Delete	Deleted step: 51. Design, document, and implement overall responses to address the assessed risks of material misstatement at the financial statement level.	Procedure Steps	N		
Delete	Deleted step: 52. Determine whether it is necessary to make pervasive changes to the nature, timing, and extent of audit procedures to adequately address the assessed risks of material misstatement; such as: <ul style="list-style-type: none"> Increasing substantive testing of the valuation of numerous significant accounts at year-end because of significantly deteriorating market conditions; and Obtaining more persuasive audit evidence from 	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	substantive procedures due to the identification of pervasive weaknesses in the entity's control environment.				
Modify	Combined steps. New step reads as follows: 57. Determine whether to test the operating effectiveness of internal controls over financial reporting. If testing the operating effectiveness of internal controls for significant audit areas, document the planned approach to testing, results of testing, and conclusions.	Procedure Steps	N		
Delete	Deleted the following duplicate step from the perform procedures section as it appears in the concluding section: Perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.	Procedure Steps	N		
AUD-603 Audit Program: Using the Work of An Auditor's Specialist					
New	Added practice point on referring to the auditor's specialist in the auditor's opinion.	Practice Point	Y	AU-C 620	
AUD-800's Audit Programs					
Modify	Combined disclosures substep in all audit programs. Modified substep to read as follows: c. Financial information is appropriately presented and described and disclosures are clearly expressed at appropriate amounts.	Procedure Steps	N		
AUD-800 Audit Program: Custom					
Modify	Modified practice point language for uniformity.	Procedures Steps	N		
AUD-801 Audit Program: Cash and Due from Banks					Tailoring added and modified to reflect changes noted below.
Modify	Changed title from "Cash" to "Cash and Due from Banks."				
New	We obtained copies of individual teller summary sheets at the balance sheet date and performed the following procedures: a. We reconciled totals to the general ledger control account. b. We tested a sample of teller sheets for accuracy.	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>c. We reviewed the teller sheets for noncash items included in teller funds.</p> <p>d. We reviewed teller fund balances for reasonableness and determined that funds are within prescribed limits.</p> <p>e. We reviewed over/short amounts for significant amounts or patterns.</p>				
New	<p>We obtained a listing of all cash, clearing and exchange items or items comprising suspense accounts, and due from back accounts open as of the balance sheet date and cash accounts opened or closed during the period under audit, showing (a) account number and type, (b) custodian, and (c) balance per the general ledger, and performed the following procedures:</p> <p>a. We reviewed the creditworthiness of correspondents.</p> <p>b. We reconciled totals to the general ledger control account.</p> <p>c. We reviewed significant reconciling items and the aging of reconciling items.</p> <p>d. We traced significant items to subsequent clearings in due from accounts.</p> <p>e. We determined that all accounts opened or closed during the period under audit were approved by appropriate personnel.</p>	Procedure Steps	N		
Delete	Deleted step to request cutoff bank statements.	Procedure Steps	N		
New	We confirmed consigned items with consignors.	Procedure Steps	N		
New	<p>For federal funds sold, we performed the following procedures:</p> <p>a. We obtained a schedule of federal funds sold, tested the clerical accuracy of the schedule, and reconciled it to the general ledger.</p> <p>b. We investigated any unusual reconciling items.</p> <p>c. We confirmed individual federal funds sold with the appropriate financial institutions.</p>	Procedure Steps	N		
Delete	Deleted from step for additional procedures to be performed	Procedure	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	when planned audit procedures were insufficient: a) Performing surprise cash counts (it is included in a step above), and b) Testing teller records which was moved up to a primary step.	Steps			
AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities					Tailoring added and modified to reflect changes noted below.
New	4. We reviewed the entity's reconciliations of statements or data feeds from custodians to the accounting records and determined that: a. Reconciling items were resolved properly. b. Journal entries related to the reconciliations were appropriate and made by authorized persons.	Procedure Steps	N	New	
New	5. We reviewed any master netting arrangements and determined that all related financial instruments were recorded.	Procedure Steps	N	New	
New	Substep added to valuation procedures: b. We determined that the method used to determine the fair value of the securities and derivatives was consistently applied across periods and evaluated any change in such method for propriety and management bias.	Procedure Steps	N	New	
New	Added substeps to impairment procedures: c. When the entity has recognized an impairment loss, we gathered evidence supporting the amount of the impairment adjustment recorded and: (1) Determined that the write-down of the investment to a new cost basis was accounted for as a realized loss; (2) Tested the calculation of the loss recorded; (3) Determined that the new cost basis of investments previously written down is not changed for subsequent recoveries in fair value; (4) Reviewed a summary of investments written down for completeness and unusual items; (5) When applicable, evaluated management's assessment of the credit rating of the counterparty; and (6) Determined whether the entity has appropriately complied with the requirements of the applicable financial	Procedure Steps	N	New	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	reporting framework.				
AUD-803 Audit Program: Accounts Receivable and Revenue					Tailoring added and modified to reflect changes noted below.
New	Added new audit objective: The allowance for loan and lease losses is appropriate for estimated losses.	Audit Objectives	N		
Modify	Modified audit objective to read: Loans receivable, interest income, fees, costs, accrued interest receivable, unearned discount, unamortized purchase premiums and discounts, unamortized net deferred loan fees or costs, and the allowance for loan and lease losses are properly measured and recorded. Disclosures are clearly expressed and at appropriate amounts.	Audit Objectives	N		
New	We analyzed and evaluated the changes in the mix between different types of loans in the loan portfolio.	Procedure Steps	N		
New	We compared average loan balances by type in the current period with average loan balances by type in the prior period.	Procedure Steps	N		
New	We compared the average yield throughout the period computed for each loan category on a monthly or quarterly basis.	Procedure Steps	N		
Modify /New	<p>Created new separate step for selecting loans for detailed review and added substeps as follows:</p> <p>We selected individual loans for detailed review. Criteria for selection included: loans exceeding a specified amount; sample from list of new loans made during the period; problem loans exceeding a specified amount; and other loans selected at random, and performed the following procedures:</p> <p>a. We inspected loan documents for evidence about the existence and ownership of the loan.</p> <p>b. We looked for evidence of approvals by the board of directors or the loan committee as required by the institution's written lending policies.</p> <p>c. We determined that a comparison had been made of loan amounts to appraisals.</p> <p>d. We determined that hazard and title coverage met coverage requirements set in the institution's written lending policies.</p>	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>e. For guaranteed loans, we read the financial statements and other evidence of the financial condition of cosignatories and guarantors.</p> <p>f. We determined that the loan is categorized in accordance with the institution's loan review system.</p> <p>g. If the institution records loans at the gross amount with an offsetting loans in process account (LIP), we traced loans to the LIP account.</p> <p>h. For construction loans selected, we:</p> <p>(1) Traced loan amounts to the LIP account.</p> <p>(2) Reviewed disbursements in connection with the percentage of completion noted on inspection reports.</p> <p>(3) Reviewed the LIP ledgers for areas of concern related to the capitalization of loan fees and interest added to the loan balance during construction.</p> <p>i. For classified loans, reviewed updating correspondence, working papers prepared by the institution's internal loan review personnel, and any regulatory examiner reports (including those with information on shared national credits)</p> <p>j. If deemed appropriate, we discussed the status and background of the loan with the responsible loan officer and the loan review officer.</p> <p>k. Considered reviewing the institution's analysis of the borrower's financial resources, liquidity and future cash flows, and other financial forecasts, particularly for unsecured loans for which repayment is dependent on the borrower's ability to generate funds from profitable operations.</p>				
New	Added practice points related to reviewing borrower's financial resources.	Practice Points	N		
Delete	Moved steps related to loans held for sale and mortgage banking activities to new AUD-804 Mortgage Banking Activities.	Procedure Steps	N		
New	<p>If the institution is involved in credit card lending operations, we performed the following procedures:</p> <p>a. We confirmed customer balances and performed steps above for processing the confirmation requests and replies and summarizing the results of confirmation procedures and those for loans receivable confirmed on a date other than</p>	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	the balance sheet date. b. We tested interest and service charges, collections, delinquencies, and chargeoffs.				
New	If the institution processes merchants' deposits where the resulting receivables are owned by other institutions, we performed the following procedures: a. We reviewed the agreement between the institutions. b. We tested service fee income.	Procedure Steps	N		
New	Added the following steps to procedures for material construction loans: a. We determined that construction loans are properly classified as loans rather than real estate investments; b. We determined that origination, approval, inspection, and disbursements were made based on progress of the particular construction project. c. If considered appropriate, we performed on-site inspections of significant construction projects to review the collateral and to determine whether construction has progressed in accordance with the loan terms.	Procedure Steps	N		
New	If the institution is involved in lease financing, we: a. Confirmed the lease terms including cancellation provisions with the lessee. b. For leveraged leases, we also confirmed the information necessary for income tax purposes with the lease trustee, and evaluated whether income for book purposes is being recorded in conformity with the applicable financial reporting framework.	Procedure Steps	N		
Delete	Moved steps related to loan transfers to new AUD-804 Mortgage Banking Activities.				
Modify	Added the following steps for testing the adequacy of the allowance for loan and lease losses (ALLL): a. We considered whether specialized skills or knowledge with regard to one or more aspects of the allowance for loan and lease losses is required in order to obtain sufficient appropriate audit evidence. b. We determined whether: (1) Management has appropriately applied the requirements of the applicable financial reporting framework relevant to	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>the estimate of the ALLL;</p> <p>(2) The methods for estimating the ALLL are appropriate and have been applied consistently; and</p> <p>(3) Changes from the prior period, if any, in the estimate of the ALLL or the method for estimating it are appropriate in the circumstances.</p> <p>c. We tested management's methodology used to estimate the ALLL and the data on which it is based and evaluated whether:</p> <p>(1) The method of measurement used is appropriate in the circumstances.</p> <p>(2) The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework.</p> <p>(3) The data on which the ALLL is based are sufficiently reliable for our purposes.</p> <p>d. We determined whether events occurring up to the date of the auditor's report provide audit evidence regarding the ALLL and performed the following procedures:</p> <p>(1) We reviewed subsequent cash collections of loan balances.</p> <p>(2) We reviewed loans written off during the period.</p> <p>(3) We determined whether write-offs had been properly authorized and examined related supporting documentation.</p> <p>e. If considered necessary, we developed an independent expectation of the ALLL to corroborate its reasonableness. We considered developing a point estimate or range to evaluate management's point estimate.</p> <p>f. We tested management's identification of loans that contain high credit risk or other significant exposures and concentrations.</p> <p>g. We estimated portions of the ALLL that are needed for the following:</p> <p>(1) Classified loans other than those with specific allowances;</p> <p>(2) Loans evaluated on a pool basis; and</p> <p>(3) Other loan losses inherent in the portfolio.</p> <p>h. We determined that credit losses and other items charged or credited to the ALLL, such as loan charge-offs and</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>recoveries, have been included in the financial statements at appropriate amounts and determined that disclosures are adequate.</p> <p>i. We reviewed evidence that the institution has procedures for identifying and reporting potential problem loans (e.g., a watch list) and followed up on such loans, as well as delinquent loan reports and procedures for follow up on delinquencies.</p> <p>j. We examined evidence that credit officers perform a periodic review of potential problem loans and assigned risk ratings that are promptly reflected in a classified loan or other appropriate report.</p> <p>k. We examined evidence that senior management and appropriate board committee review and monitor past due, watch list, classified loans, and assigned risk ratings.</p> <p>l. We evaluated the design and implementation of controls over the preparation of the periodic past due, watch list, and classified loan reports and evaluated the basis for which each report was prepared, including which loans are included and excluded.</p> <p>m. For loans that are pooled for purposes of determining the ALLL, we:</p> <p>(1) Reviewed and tested compliance with the institution's chargeoff and nonaccrual policy.</p> <p>(2) Tested the completeness and accuracy of historical data reports, such as delinquency reports, that are relied upon in estimating the ALLL</p> <p>n. We examined evidence that the delinquent loan report interfaces appropriately with the watch list or problem loan report and tested the reports' accuracy by tracing a sample of loans between the trial balance and the applicable report.</p> <p>o. We examined evidence that the institution has an independent loan review function to review and evaluate credit officers' analysis of significant loans.</p> <p>p. We reviewed the institution's documentation that analyzes the need for and documents each component of the ALLL. For example, we tested the calculation of historical loss experience for one or more periods and one or more pools of loans, or tested the calculation of discounted</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>expected cash flow for one or more impaired loans.</p> <p>q. If the ALLL amount is outside a reasonable range, we treated the difference between the institution's estimate and the closest reasonable estimate as a likely error and aggregated it with other likely errors.</p> <p>r. exposure of particular borrowers, including that related to standby letters of credit, guarantees, commitments to lend, and other off-balance-sheet exposures in addition to the institution's liability for other credit exposures in our evaluation of the propriety of the ALLL.</p> <p>s. We reviewed recent regulatory examination reports.</p>				
New	<p>New Practice Point under c.(2) above:</p> <p>Practice Point: When evaluating management's assumptions, the auditor may wish to consider factors such as:</p> <ul style="list-style-type: none"> • Current local, national, and international economic conditions and trends, particularly as they have affected collateral values; • The amount of recoveries of loans previously charged off; • The composition of the loan portfolio and trends in volume and terms of loans, as well as trends in delinquent and nonaccrual loans that could indicate historical loss averages do not reflect current conditions; • Identified potential problem loans and large groups of problem loans, including delinquent and nonaccrual loans and loans classified according to regulatory guidelines; • Concentrations of loans to individuals or entities and their related interests, to industries, and in geographic regions; • Size of specific credit exposures (a few large loans versus numerous small loans); • Quality of the internal loan review and internal audit functions; • The effects of changes in lending policies and procedures, including those for underwriting, credit monitoring, collection, and chargeoffs that could indicate historical loss averages do not reflect current conditions; • Results of regulatory examinations; • The nature and extent of related-party lending; • The amount of late or partial payments in a particular period and the amount of chargeoffs; • The risk classification and allowance allocation given to problem loans; • Estimates of collateral values, and the related 				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	assumptions that drive the determination of such values, such as cash flow; <ul style="list-style-type: none"> Estimates, discount rates, and projected occupancy rates; Current economic or market conditions that in the future may affect a borrower's ability to meet scheduled repayments; and Contingencies, such as a commitment for funding from a third party. 				
New	31. If improper revenue recognition was not identified as a risk of a material misstatement due to fraud, we documented the reasons regarding how that presumption was overcome.	Procedure Steps	Y	AU-C 240	
AUD-804 Audit Program: Audit Program: Mortgage Banking Activities					
New	New AUD-804 Mortgage Banking Activities Moved the steps on transfers of loans receivable from AUD-803 and added new steps for loan sales and loan servicing.				
AUD-805 Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets, Including Real Estate Investments, Real Estate Owned, and Foreclosed Assets					Tailoring added and modified to reflect changes noted below.
Modify	Changed title to Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets, Including Real Estate Investments, Real Estate Owned, and Foreclosed Assets		N		
New	Added new audit objectives for real estate investments, real estate owned, and foreclosed assets: D. Real estate investments, real estate owned, and foreclosed assets exist and are owned by the institution. E. Sales of real estate assets and recognition of gains and losses have been properly recorded.	Audit Objectives	N		
Modify	Added section headers and created a new section for Real Estate Investments, Real Estate Owned, and Foreclosed Assets	Procedure steps	N		
New	If the institution is a member of the FHLB or Federal Reserve System, we performed the following procedures: a. Confirming stock ownership with the related FHLB or FRB. b. Reconciling the dollar amount of the shares with the	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	general ledger. c. If the institution is holding FHLB stock, we considered the status of the FHLB's redemption of its stock at par value before concluding that income recognition is appropriate for any FHLB stock dividends.				
New	We confirmed material deposit balances and other similar assets held by third parties.	Procedure steps	N		
Modify	For material real estate investments, real estate owned, and foreclosed assets, we performed the following procedures: a. We obtained schedules of real estate investments, real estate owned, and foreclosed assets showing the beginning balances, additions, sales, write-downs, and ending balances and performed the following procedures: (1) Reconciled the balances to the general ledger. (2) Tested additions, deletions, and impairments, if any. (3) We obtained audit evidence about the carrying amount of the foreclosed assets and real estate investments. Practice Point: This may involve a review of appraisals, feasibility studies, forecasts, sales contracts or lease commitments, and information concerning the developer and his or her track record. (4) We compared current-period ending balances per the general ledger to the prior-period balances and investigated any unusual or unexpected variations, taking into consideration economic conditions and known changes in the client's foreclosed asset and real estate investments.	Procedure steps	N		
Modify	c. We determined that adequate provisions have been made for impairment of real estate assets, if any.	Procedure steps	N		
New	e. We tested REO assets sold and determined that such sales, including the recognition of gains and losses, have been properly recognized and recorded. f. We tested the propriety of capitalized interest and other holding costs.	Procedure steps	N		
AUD-806 Audit Program: Intangible Assets					
Modify	Modified substep on impairment analysis. Modified steps read as follows: (2) We reviewed management's analysis of the	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	recoverability of the carrying values for reasonableness.				
New	Added the following substep for intangible assets not subject to amortization: a. If the entity opts to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the asset is less than its carrying amount, we have reviewed and evaluated management's assessment and conclusion.	Procedure Steps	Y	ASU 2012-02	
AUD-807 Audit Program: Property and Equipment, and Depreciation					
Modify	Moved considerations for PPE summary into main step, eliminating 12 sign offs	Procedure Steps	N		
Delete	Deleted duplicate step: d. We scanned the detailed asset listing to determine whether the useful lives are reasonable and depreciation methods are in accordance with the applicable financial reporting framework.	Procedure Steps	N		
Delete	Deleted duplicate step: b. We reviewed the useful lives of the long-lived fixed assets to determine their reasonableness in the current operating environment.	Procedure Steps	N		
Delete	Deleted duplicate step: (8) Evidence is available of obsolescence or physical damage of an asset.	Procedure Steps	N		
AUD-807 Audit Program: Deposit Accounts, Interest Expense, and Accrued Interest Payable					Tailoring added and modified to reflect changes noted below.
New	We performed the following substantive analytical procedures for deposit-related financial statement amounts and investigated any significant fluctuations or deviations from the expected balances: a. We compared the percentage of deposit growth during the period with historical percentages. b. We compared the average deposit account balances during the period with prior periods. c. We reviewed the relative composition of deposits from period to period. d. We compared the amounts and percentage ratio of	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	dormant accounts to total deposits with those of prior periods. e. We compared deposit interest rates with those prevailing in the institution's marketing area for the same periods.				
Modify	g. We performed alternative procedures on nonreplies to positive confirmation requests, negative requests for which the customers indicated that they are unable to confirm, and no-mail accounts, including reviewing the respective period deposit account statements and subsequent statements for unusual activity and investigating any significant or unusual activity noted.	Procedure steps	N		
New	For no-mail accounts, we reviewed the written request from the depositor requesting the no-mail status.	Procedure steps	N		
New	We verified that overdraft balances are properly classified along with the related write-offs of uncollectible balances.	Procedure steps	N		
AUD-810 Audit Program: Payrolls and Other Liabilities					Tailoring added and modified to reflect changes noted below.
New	Added new step on analytical procedures, referencing AID-833.	Procedure Steps	N		
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
Delete	Deleted a duplicative step on search for unrecorded liabilities, as this step is performed in AUD-809.	Procedure Steps	N		
AUD-811 Audit Program: Income Taxes					Tailoring added and modified to reflect changes noted below.
New	For separate financial statements of affiliates, we reviewed terms of all tax-sharing agreements between affiliated entities, to determine proper disclosure and accounting treatment.	Procedures Steps	N		
New	We reviewed the tax status and consolidated return requirements of subsidiaries and the validity of current tax year election changes.	Procedures Steps	N		
New	We reviewed the status of current-year acquisitions of other companies and their preacquisition tax liabilities and exposures.	Procedures Steps	N		
New	Added new step on whether the entity maintained	Procedure	Y	AU-C 500	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	appropriate documentation for the calculation and contents of tax accruals.	Steps			
AUD-812 Audit Program: Debt Obligations					Tailoring added and modified to reflect changes noted below.
Modify	Added deferred issuance costs and premiums and discounts to the step to compare current year's account balances with the prior year's account balances.	Procedure steps	N		
New	We compared the current year's interest expense by major category of debt as a percentage of the average amount of the respective debt outstanding during the year with stated rates on the debt instruments.	Procedures Steps	N		
Modify	Modifying the title of an analytical step to match AID- 826.	Procedure Steps	N		
Modify	Added the following substeps to this step: We obtained copies of new debt agreements and reviewed: (1) Terms and conditions; (2) Underlying collateral, if any; (3) Subordination of the debt; (4) Evidence of regulatory approval; (5) Presence of restrictive covenants; (6) Unusual features; and (7) Embedded derivatives.	Procedure steps	N		
Modify	Modified audit step regarding restrictive covenants to include the consideration of "cross default" provisions.	Procedure Steps	N		
New	For financing transactions resulting from failed sales under FASB ASC 860, we reviewed agreement terms to validate that financing treatment is still appropriate.	Procedure steps	N		
New	For treasury tax and loan accounts, we obtained from the client, reconciliations of the TT&L demand and note accounts and performed the following procedures: a. We tested the arithmetical accuracy of the reconciliations, traced balances to the general ledger, and tested significant reconciling items. b. We determined that TT&L amounts are properly classified and recorded in the demand and note accounts. c. We confirmed the statement balances with the Federal Reserve Bank (see the sample confirmation request at COR-803 Request for Confirmation of Accounts with the	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	Federal Reserve Bank).				
New	10. For CMOs and REMICs, we obtained and reviewed compliance and verification letters prepared by the trustee's auditors, and verified the principal balance of the collateral and bonds, the cash flows associated with the issue, and compliance with the respective terms of the underlying agreements.	Procedure steps	N		
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
AUD-813 Audit Program: Equity and Regulatory Capital					Tailoring added and modified to reflect changes noted below.
Modify	Changed title to "Equity and Regulatory Capital"				
Modify	Added new audit objectives for regulatory capital: C. Regulatory matters are properly and understandably described and disclosures are adequate and made in accordance with the applicable financial reporting framework. D. Capital amounts are determined in accordance with the applicable financial reporting framework, regulatory reporting requirements, and regulatory capital standards.	Audit Objectives	N		
New	We determined that calculations of actual and required regulatory capital ratios, including regulatory capital amounts (ratio numerators) and related asset bases (ratio denominators) are accurate.	Procedure Steps	N		
New	We determined that management has properly handled significant nonrecurring transactions as to the impact on regulatory capital.	Procedure Steps	N		
New	Added substeps to step to determine RAP-GAAP differences: a. We inquired about and discussed with officers having responsibility for regulatory financial reporting, the existence and nature of any differences between the applicable financial reporting framework as applied in the financial statements that differs from reporting in regulatory reports b. We reviewed copies of prior year regulatory reports and, as necessary, the client's supporting workpapers.	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>c. We obtained management's analysis of classification issues concerning preparation of call reports, including risk weighting classification assigned.</p> <p>d. We considered the potential for the applicable financial reporting framework to have been applied differently for any other of the institution's regulatory reports.</p>				
New	<p>We obtained and tested any reconciliation of amounts supporting regulatory capital ratio calculations to amounts in the financial statements prepared in accordance with the applicable financial reporting framework and performed the following procedures:</p> <p>a. We tested the schedules for completeness arithmetical accuracy.</p> <p>b. We agreed amounts reported in accordance with the applicable financial reporting framework to the general or subsidiary ledgers or both.</p> <p>c. We obtained supporting evidence for regulatory amounts.</p>	Procedure steps	N		
New	We reviewed the nature and amount of any material amounts reported in accordance with a regulatory requirement for propriety and consistency with prior years.	Procedure Steps	N		
New	We evaluated current treatment of items that resulted in past corrections or changes to regulatory financial reports.	Procedure Steps	N		
New	We evaluated the impact of any significant nonrecurring transactions on regulatory capital.	Procedure Steps	N		
New	We considered whether significant changes in instructions for preparation of call reports have been applied to material transactions.	Procedure Steps	N		
New	We inquired about, and discussed with officers having responsibility for call reporting, any significant reclassifications of transactions since the last filed regulatory report.	Procedure Steps	N		
New	We considered the implications of capital noncompliance on the financial statements and the auditor's report.	Procedure steps	N		
New	<p>Audit Procedures for Regulatory Capital of Mortgage Companies and Activities</p> <p>23. We obtained and read new seller-servicer agreements entered into during the period, or amendments to existing</p>	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>agreements, for capital requirements in effect.</p> <p>24. We obtained and tested management's schedules supporting calculation of the entity's actual and required capital amounts.</p> <p>25. We evaluated whether management has properly accounted for significant nonrecurring transactions as to their impact on regulatory capital.</p> <p>26. We obtained and tested any reconciliation of amounts supporting regulatory capital ratio calculations to amounts in the financial statements prepared in accordance with the applicable financial reporting framework and performed the following procedures:</p> <p>a. We tested the schedules for completeness arithmetical accuracy.</p> <p>b. We agreed U.S. GAAP amounts to the general or subsidiary ledgers or both.</p> <p>27. We considered the implications of capital noncompliance on the financial statements and the auditor's report.</p>				
AUD-815 Audit Program: Journal Entries and Financial Statement Review					Tailoring added and modified to reflect changes noted below.
Modify	Moved consideration for selecting journal entries to test into main step eliminating 5 sign offs.	Procedure Steps	N		
New	Whether items selected for testing should include journal entries made throughout the audit period.	Procedure Steps	N		
Modify	Moved consideration for selecting journal entries at components to test into main step eliminating 5 sign offs.	Procedure Steps	N		
Modify	<p>Modified step for JE to test at period end. Modified step reads as follows:</p> <p>Items selected for testing included journal entries and other adjustments made in the course of preparing the financial statements and those made at the end of a reporting period.</p>	Procedure Steps	N		
Delete	<p>Deleted the following step as it duplicates step in another program:</p> <p>We inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, including:</p>	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>a. Accounting and data entry personnel about whether they were requested to make unusual entries during the audit period.</p> <p>b. Certain programmers and IT staff about the existence of any unusual and/or unsupported entries and whether they were initiated directly by top management outside the normal accounting process.</p>				
Delete	<p>Deleted the following step as it duplicates step in another program:</p> <p>We examined material journal entries and other adjustments made in the course of preparing the financial statements and performed the following procedures:</p> <p>a. We agreed any material journal entries or other adjustments to the underlying support for such entries.</p>	Procedure Steps	N		
Modify	<p>Combined steps on financial statement review to read as follows:</p> <p>9. We performed an overall review of the financial statements, including performing analytical procedures to evaluate our conclusions regarding significant accounts and disclosures and to assist in forming an opinion on whether the financial statements as a whole are free of material misstatement.</p>	Procedure Steps	N		
New	<p>a. The financial information and related disclosures are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.</p>	Procedure Steps	N		
AUD-816 Audit Program: Related-Party Transactions, Commitments and Contingencies, Estimates, and Concentrations					Tailoring added and modified to reflect changes noted below.
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
Modify	Step 1 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and modified substeps.	Procedure Steps	Y	AU-C 550	
Delete	Removed duplicative step on VIEs.	Procedure Steps	N		
Modify	Step 2 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and	Procedure	Y	AU-C 550	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	modified substeps.	Steps			
Modify	Step 4 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and modified substeps.	Procedure Steps	Y	AU-C 550	
Modify	Substeps of fraud risk steps removed and replaced by modifications at step 2.	Procedure Steps	Y	AU-C 550	
Delete	Removed duplicative step on transactions not previously identified and on fraud risk.	Procedure Steps	N		
New	Added new step on forming an opinion and the related evaluations.	Procedure Steps	Y	AU-C 550	
New	Added new step on obtaining an understanding of how the entity is complying with the legal and regulatory framework.	Procedure Steps	Y	AU-C 250	
New	Added new step on obtaining sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of laws and regulations generally recognized to have a direct effect on the financial statements.	Procedure Steps	Y	AU-C 250	
Modify	Added the following new inquiries of management: c. Sales commitments (including loans and investments). d. Purchase commitments (including loans and investments). f. Contingent risks associated with custodial, servicing, brokerage, and fiduciary functions. g. Financial arrangements or transactions with other financial institutions. i. Significant unfunded loan commitments. j. Significant pooling and servicing agreement warranties and representations. k. Asset-backed securities warranties and representations. l. Material recourse obligations. m. Material contingencies associated with retail sales contracts that have been sold to the institution. n. Contingencies related to: obligations under standby letters of credit o. Agreements to repurchase receivables (or to repurchase	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>the related property) that have been sold.</p> <p>p. For institutions acting as servicers of loans, contingencies related to noncompliance with investor-servicing requirements.</p> <p>q. Any related contingencies for a bank or saving institution that lends customers' securities.</p> <p>r. Contingencies related to trust activities.</p> <p>s. Commitments or contingencies related to innovative transactions involving securities and loans (such as transfers with recourse or put options).</p>				
New	If there is no indication of actual or potential litigation, claims, or assessments that may give rise to the risk of material misstatement and management has not consulted legal counsel, we determined that obtaining a representation letter from the entity's legal counsel is not necessary and we documented the basis for our determination.	Procedures Steps	Y	AU-C 501	
New	In such circumstances that the entity's legal counsel restricted the use of his or her opinion to the client or to third parties, we evaluated whether the effect of this restriction impacted our ability to obtain sufficient appropriate audit evidence and evaluated the effect of this circumstance on the audit opinion.	Procedures Steps	Y	AU-C 9620	
New	If the entity's legal counsel identifies new litigation or claims, subsequent to the date of the request for the letter of enquiry, we inquired of management as to the matter, prior to signing the auditor's report.	Procedures Steps	N		
New	<p>If we became aware of information that indicates the existence of material liabilities resulting from litigation and claims, we obtained audit evidence relevant to the following:</p> <ul style="list-style-type: none"> a. The period in which the underlying cause for legal action occurred. b. The degree of probability of an unfavorable outcome. c. The amount or range of potential loss. 	Procedures Steps	Y	AU-C 501	
New	If the client had not consulted legal counsel during the period under audit, we included the following item in the	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	representation letter from management: “We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, including contingent liabilities, that are required to be accrued or disclosed in the financial statements in accordance with [<i>insert applicable financial reporting framework</i>], and we have not consulted a lawyer concerning litigation, claims, assessments, or contingent liabilities.”				
New	If our audit procedures led to the discovery of matters of a legal nature not previously identified by management, we considered the impact of each the matters on the financial statements.	Procedures Steps	N		
Modify	Changed section heading to clarify that the estimates section does not apply to the allowance for loan losses which was added to AUD-803				
New	New concentrations to be identified: a. Concentrations in commercial real estate lending. b. High concentrations of real estate or other assets in a particular geographic area. c. Concentrations of loans to individuals and their related interests, industries, and geographic regions. j. Concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties.	Procedures Steps	N		
AUD-817 Audit Program: Fair Value Measurements and Disclosures					Tailoring added and modified to reflect changes noted below.
New	Added review of financial statement disclosures	Procedures Steps	N		
Delete	Removed duplicative steps.	Procedures Steps	N		
New	Added step on the evaluation of third-party pricing services.	Procedure Steps	Y	AU-C 540	
AUD-818 Audit Program: Variable Interest Entities					
New	Added practice point containing requirements for VIE to be consolidated.	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-819 Audit Program: Share-Based Payments					
Delete	Removed step on reasonableness of the entity's valuation model, as this work is done in AUD-816.	Procedures Steps	N		
AUD-901 Audit Program: Subsequent Events					
New	Added new inquiry of management regarding any subsequent loss of major depositors or termination of servicing agreements.	Procedures Steps	N		
New	Added step on the auditor's responsibilities when he or she has identified subsequent events that require adjustment or disclosure.	Procedure Steps	Y	AU-C 560	
AUD-902 Audit Program: Going Concern					
New	Added step on the auditor's consideration on conditions or events identified during the audit and whether those conditions or events were indicative of substantial doubt regarding the entity's ability to continue as a going concern.	Procedure Steps	Y	AU-C 570	
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
Delete	Removed duplicative steps.	Procedures Steps	N		
New	Added step regarding comparative financial statements in which there was substantial doubt regarding the entity's ability to continue as a going concern in the prior period, yet that doubt has been alleviated in the current period.	Procedure Steps	Y	AU-C 570	
New	Added step regarding the auditor's responsibilities when management has asked the auditor to reissue an auditor's report that eliminates the going-concern emphasis-of-matter paragraph.	Procedure Steps	Y	AU-C 570	
Delete	Deleted the yes/no conclusion as it was duplicative of the audit program.	Procedure Steps	N		
AUD-903 Audit Program: Consideration of Fraud					
Modify	Modified the instructions to include Sections and additional guidance.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding brainstorming	Procedures	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	meeting and added reference to KBA-303 where the work is completed, eliminating 9 sign offs.	Steps			
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding identified risks of material misstatement and added reference to KBA-501 and KBA-502 where the work is completed, eliminating 4 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding revenue transactions and added reference to AUD-803 where the work is completed, eliminating 5 sign offs.	Procedures Steps	N		
Delete	Deleted substeps related to unpredictability, retained top-level step, eliminating 4 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding accounting estimates and added reference to AUD-820 where the work is completed, eliminating 3 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding obtaining written representation and added reference to AUD-101 where this step is performed, eliminating 5 sign offs.	Procedures Steps	N		
New	Added a Results section to capture findings as a result of work performed on this audit program.	Procedures Steps	N		
AUD-904 Audit Program: Compliance with Laws and Regulations					
Delete	Removed duplicative steps.	Procedures Steps	N		
AUD-905 Audit Program: Evaluating the Subsequent Discovery of Facts Existing at the Date of the Auditor's Report					
Modify	Modified the instructions to include Sections and additional guidance.	Procedures Steps	N		
New	Added a Results section to capture findings as a result of work performed on this audit program.	Procedures Steps	N		

Auditor's Reports (RPTs)

- **NEW RPT-0923 Unmodified Opinion: Single-Year Financial Statements in Year of Adoption of Liquidation Basis of Accounting** sample illustrative report provided for reporting on financial statements prepared in accordance with the liquidation basis of accounting, single year presentation.

- **NEW RPT-0924 Unmodified Opinion: Comparative Financial Statements in Year of Adoption of Liquidation Basis of Accounting** sample illustrative report provided for reporting on financial statements prepared in accordance with the liquidation basis of accounting, comparative year presentation.
- **New RPT-0952 Unmodified Opinion: Since Inception Report—Development Stage Entity** sample illustrative report provided for an unmodified opinion on financial statements of a development stage entity.
- **RPT-0923 Unmodified Opinion: Single-Year Financial Statements in Year of Adoption of Liquidation Basis of Accounting** through **RPT-0958 Separate Report on Compliance with Aspects of Contractual Agreements When Instances of Noncompliance Are Identified and the Auditor Has Disclaimed an Opinion on the Financial Statements** renumbered accordingly to accommodate new RPT-922, RPT-923, and RPT-0952.
- **New RPT-0964 Qualified Opinion in Current Year, Unmodified Opinion in Prior Year: Departure from U.S. GAAP—Leases Not Capitalized in Accordance with ASC 840 (The Auditor Has Concluded That a Disclaimer of Opinion Is Not Appropriate)** sample illustrative report provided a qualified opinion due to a departure from U.S. GAAP but disclaimer of opinion is not appropriate.
- **RPT-0964 Qualified Opinion in Current Year, Unmodified Opinion in Prior Year: Departure from U.S. GAAP—Leases Not Capitalized in Accordance with ASC 840 (The Auditor Has Concluded That a Disclaimer of Opinion Is Not Appropriate)** through **RPT-0972 Qualified Opinion: Separate Report on Supplementary Information in Relation to the Financial Statements as a Whole—Qualified Opinion on the Financial Statements and Supplementary Information** renumbered accordingly to accommodate RPT-0964
- **RPT-0983 Unmodified Opinion: Special-Purpose Financial Statements Prepared Pursuant to Reporting Provisions Established by a Regulatory Agency—Adverse Opinion: U.S. GAAPaap (Intended For General Use)** renumbered to RPT-0953

Correspondence Documents (CORs)

- **2013 Knowledge-Based Audits of Financial Institutions** illustrative example correspondence documents have been updated throughout to include new practice points and examples, and to adopt the new terminology used in the clarified standards.
- **COR-200 Series** has been reorganized to better reflect the order in which these correspondences may be used during the audit engagement, as follows:

2013	2012	Title
COR-201	COR-205	Audit Engagement Letter
COR-202	NA	Audit Engagement Letter When Also Performing Reviews of Interim Financial Information
COR-203	COR-201	Entity Consent and Acknowledgment Letter
COR-204	COR-204	Letter from Financial Institution to Regulators for Change of Auditors
COR-205	COR-214	Communication with Predecessor Auditor Prior to Client/Engagement Acceptance
COR-206	COR-215	Request from Client to Predecessor Auditor to Release Information to Successor Auditor
COR-207	COR-202	Successor Auditor Acknowledgment Letter
COR-208	COR-203	Representation Letter from Successor Auditor to Predecessor Auditor
COR-209	COR-206	Inquiry Letter from the Component Auditor to the Group Engagement Team
COR-210	COR-207	Group Engagement Team's Response Letter to Inquiries from the Component Auditor
COR-211	COR-207	Group Engagement Team's Request for Component Auditor's Confirmations When the Component Auditor Audits the Financial Statements of a Component

COR-212	COR-209	Group Engagement Team's Request for Component Auditor's Confirmations When the Component Auditor Performs Certain Audit Procedures
COR-213	COR-216	Component Auditor's Confirmation Response to Group Engagement Team
COR-214	COR-302	Group Engagement Team's Letter of Instruction to the Component Auditor Who Performs Certain Audit Procedures or Audits the Financial Statements of a Component
COR-215	COR-210	Group Engagement Team's Request for Documentation from Component Auditor
COR-216	COR-301	Letter to Component Auditors Regarding Related Parties
COR-217	COR-217	Communication with Those Charged with Governance during Planning
COR-218	COR-211	Communication to Client When the Auditor Is <i>Not</i> Required by Law, Regulation, or Audit Contract to Provide Access to the Audit Documentation
COR-219	COR-212	Letter to Regulator Prior to Allowing a Regulator Access to the Audit Documentation
COR-220	COR-213	Auditor's Agreement with and Request for Representations from the Auditor's Specialist Who Performs Certain Audit Procedures

- **NEW COR-202 Audit Engagement Letter When Also Performing Reviews of Interim Financial Information** provides a sample illustrative engagement letter to be used when the auditor is performing reviews of interim financial information, in accordance with AU-C 900, *Interim Financial Information*, in addition to the audit engagement.
- **COR-800 Series-11** new CORs added and all COR-800s renumbered as follows:

2013	2012	Title
COR-801	New	Receipt for Cash Counted by Auditor
COR-802	COR-802	Standard Form to Confirm Account Balance Information with Financial Institutions
COR-803	New	Request for Confirmation of Accounts with the Federal Reserve Bank
COR-804	COR-803	Request for Confirmation of Securities Held by Brokers or Other Third Parties When Listing of Securities Is Included in the Confirmation Request
COR-805	COR-804	Request for Confirmation of Securities Held by Brokers or Other Third Parties When Listing of Securities Is <i>Not</i> Included in the Confirmation Request
COR-806	COR-805	Request for Confirmation of Federal Funds Sold
COR-807	New	Request for Confirmation of Federal Funds Purchased
COR-808	COR-806	Request for Confirmation of Commercial Loan Receivable: Positive Request
COR-809	COR-807	Request for Confirmation of Commercial Loan Receivable: Negative Request
COR-810	New	Request for Confirmation of Installment Loan Receivable: Positive Request
COR-811	New	Request for Confirmation of Installment Loan Receivable: Negative Request
COR-812	New	Request for Confirmation of Mortgage Loan Receivable: Positive Request
COR-813	New	Request for Confirmation of Mortgage Loan Receivable: Negative Request

COR-814	New	Request for Confirmation of Construction Loan Receivable: Positive Request
COR-815	COR-809	Standard Confirmation Inquiry for Life Insurance Policies
COR-816	COR-810	Request for Confirmation of Insurance Policies Other Than Life Insurance
COR-817	COR-811	Confirmation of Demand Deposit and Savings Account: Positive Request
COR-818	COR-812	Confirmation of Demand Deposit and Savings Account: Negative Request
COR-819	New	Confirmation of Certificate of Deposit Account: Positive Request
COR-820	New	Confirmation of Certificate of Deposit Account: Negative Request
COR-821	New	Request for Confirmation of Public Funds Deposited in the Institution
COR-822	COR-813	Request for Confirmation of Accounts Payable
COR-823	COR-814	Request for Confirmation of Notes Payable
COR-824	COR-815	Request for Confirmation of Mortgage Debt
COR-825	COR-816	Request for Confirmation of Lines of Credit
COR-826	COR-817	Request for Confirmation of Lease Agreement
COR-827	COR-818	Request for Confirmation of Contingent Liabilities
COR-828	COR-819	Request for Confirmation of Compensating Balances
COR-829	COR-820	Request for Confirmation of Capital Shares: Transfer Agent or Registrar
COR-830	COR-821	Request for Confirmation of Defined Benefit Plan Information
COR-831	COR-822	Related-Party Confirmation Letter

- **COR-804 Request for Confirmation of Securities Held by Brokers or Other Third Parties When Listing of Securities Is Included in the Confirmation Request** added new column for Maturity Date to table.
- **Old COR-808 Confirmation of Notes Receivable Deleted**
- **COR-823 Request for Confirmation of Notes Payable** added new consideration of the nature and details of actual or technical defaults on debt.
- **COR-824 Request for Confirmation of Mortgage Debt** added new consideration of the nature and details of actual or technical defaults on debt.
- **COR-906 Communication to Board of Directors of Material Weaknesses: Ineffective Oversight by Those Charged with Governance.** modified introductory paragraph and reformatted this letter to confirm to clarified format.

Practice Aids (AIDs)

- **All AIDs** have been updated with formulas that perform automatic calculations, wherever applicable.
- **AID-301 Preliminary Analytical Procedures: Fluctuation and Ratio Analysis** columns added to “Fluctuation” tab to document the auditor’s expectations and the basis for the auditor’s expectation. Additionally, three new ratios have been added to the “Ratio Analysis” tab.
- **New AID-834 Payroll and Related Liabilities: Analytical Procedures** designed to help the auditor perform analytical procedures of payroll and related liability accounts.

- **New AID-835 Example Loan Review Form** example loan review form to help the auditor perform and document detailed loan reviews.
- **AID-903 Report Preparation Checklist** developed to help determine whether the auditor's report contains the elements required by professional standards when the auditor is not using the provided illustrative report examples.

Resource Documents (RESs)

- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and realignment of workpaper numbering schemes.
- **New RES-010 Assertions and Examples of “What Can Go Wrong” and Related Controls That Address What Can Go Wrong—Mortgage Banking** New resource document designed to aid the auditor in completing KBA-404 Understanding Activity-Level Controls: Mortgage.
- **NEW RES-021 Examples of Conditions or Events that May Be Indicative of Risks of Material Misstatement of Group Financial Statements** New resource document providing examples of conditions and events that may be indicative of risk of material misstatements of the group financial statements.

In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:

New literature, standards, and developments, reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

SAS-127, *Omnibus Statement on Auditing Standards – 2013*

FASB Accounting Standards Codification as of June 30, 2013, and through Accounting Standards Update No. 2013-07, *Presentation of Financial Statements (Topic 205) —Liquidation Basis of Accounting*.

RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

Related workpapers are Knowledge Coach Word workpapers where information flows in or out of tables within the workpaper. Some of these related workpapers are Foundation workpapers or associated workpapers.

Foundation Workpapers include most of the Communication Hub workpapers, which are central to the Knowledge-Based Audit Methodology used by the Knowledge Coach titles.

Associated workpapers require you to associate them with custom values, such as audit areas, specialists, service organizations, and other items. Workpapers require an association when you need to have more than one instance of a particular Knowledge Coach workpaper in your binder for each type of item to which the workpaper is related. Making this association allows Knowledge Coach information to flow properly between workpapers.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA s	KNOWLEDGE-BASED AUDIT DOCUMENTS		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-201	Client/Engagement Acceptance and Continuance Form		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud		
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Lending and Interest Income		
KBA-404	Understanding Activity-Level Controls: Mortgage Banking		
KBA-405	Understanding Activity-Level Controls: Customer Deposits and Interest Expense		
KBA-406	Understanding Activity-Level Controls: Property and Equipment		
KBA-407	Understanding Activity-Level Controls: Other Assets		
KBA-408	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-409	Understanding Activity-Level Controls: Payroll		
KBA-410	Understanding Activity-Level Controls: Treasury		
KBA-411	Understanding Activity-Level Controls: Income Taxes		
KBA-412	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-413	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
KBA-905	Review and Approval Checklist: Interim Review of Financial Information		
AUDs	AUDIT PROGRAMS		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X
AUD-801	Audit Program: Cash and Due from Banks		
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Loans Receivable, Interest Income, and Accrued Interest Receivable		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-804	Audit Program: Mortgage Banking Activities		
AUD-805	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets, Including Real Estate Investments, Real Estate Owned, and Foreclosed Assets		
AUD-806	Audit Program: Intangible Assets		
AUD-807	Audit Program: Property and Equipment, and Depreciation		
AUD-808	Audit Program: Deposit Accounts, Interest Expense, and Accrued Interest Payable		
AUD-809	Audit Program: Accounts Payable and Purchases		
AUD-810	Audit Program: Payrolls and Other Liabilities		
AUD-811	Audit Program: Income Taxes		
AUD-812	Audit Program: Debt Obligations and Other Borrowings		
AUD-813	Audit Program: Equity and Regulatory Capital		
AUD-814	Audit Program: Noninterest Income and Noninterest Expense		
AUD-815	Audit Program: Journal Entries and Financial Statement Review		
AUD-816	Audit Program: Related-Party Transactions, Commitments and Contingencies, Estimates, and Concentrations		
AUD-817	Audit Program: Fair Value Measurements and Disclosures		
AUD-818	Audit Program: Variable Interest Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-819	Audit Program: Share-Based Payments		
AUD-901	Audit Program: Subsequent Events		
AUD-902	Audit Program: Going Concern		
AUD-903	Audit Program: Consideration of Fraud		
AUD-904	Audit Program: Compliance with Laws and Regulations		
AUD-907	Interim Review Program: Review of Interim Financial Information		
AIDs	PRACTICE AIDs		
AID-302	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering Reliance on the Work of Internal Auditors		
AID-702	Results of Tests of Controls		
AID-901	Differences of Professional Opinion		
AID-903	Report Preparation Checklist		

Additional Information for Associated Workpapers

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

<i>Workpaper Requiring Association</i>	<i>What is it associated with?</i>		
	<i>Workpaper</i>	<i>Table/Question</i>	<i>Association Item (Custom Value)</i>
KBA-412 Understanding Ctrls: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the client use service organizations? Shows the "Document the service organizations used by the entity." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the entity.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Are any of the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors? is "Yes" Shows the "Document the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Do we expect to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Auditor's Specialist from the Type of Specialist Column	Specialist Firm Name
AUD-604 Audit Program: Management's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Do we expect to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the Type of Specialist Column.	Specialist Firm Name
AUD-800 Audit Program: (Custom)	AUD-100 Tailoring Question Workpaper	What financial statement audit areas are applicable to this engagement? "Customize Audit Area" link within the answer selection box.	Custom Audit Area