

2015 CIRA AUDIT 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 *2015 Knowledge-Based Audits of Common Interest Realty Associations* tools have been updated to take into account the latest literature, standards, and guidance applicable to audit, preparation, compilation, and review engagements. The 2015 tools include links to detailed analysis related to the steps and processes discussed in the workpapers. Also included are revised financial statement disclosures checklists that provide a centralized resource of the required and recommended U.S. GAAP disclosures and key presentation items currently in effect for common interest realty associations, using the style referencing under the FASB Accounting Standards Codification.™ The toolset has also been updated for the revised AICPA Code of Professional Conduct, often referred as the AICPA Ethics Codification Project. The effective date of the revised code is December 15, 2014; however, the effective date of the new conceptual frameworks is one year later—December 15, 2015. Members are permitted to implement both the revised code and the conceptual frameworks prior to their effective dates; however, members should not implement the relevant conceptual framework prior to implementing the revised code.

The 2015 edition of *Knowledge-Based Audits™ of Common Interest Realty Associations* includes the following updates:

Knowledge-Based Audit Documents (KBAs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-101 Overall Audit Strategy					
Modify	Added a new Factor to Consider to Section I, Reporting Requirements, regarding users of the financial statements.	Table other than procedures	N		Data flows in from KBA-200
Enhancement	Enhanced the flow of content from KBA-200 to KBA-101 to eliminate duplication of work in Section I, Reporting Requirements.	Table other than procedures	N		
Modify	Updated reference to Code in Section I, Use of Other Information, item 4.	Table other than procedures	Y	Code; ET-C Section 12.295	
KBA-103 Evaluating and Communicating Internal Control Deficiencies					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified instructions.	Instructions	N		
New	Added a new column for Description of Potential Effect.	Table other than procedures	Y	AU-C 265	
KBA-200 CIRA Information and Background					
Modify	Added new factors to the CIRA information table.	Table other than procedures	N		Data flows to KBA-101, KBA-302 and/or KBA-302N
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts					
Modify	Updated Rule-of-Thumb percentages to better reflect current industry practice.	Instructions	N		
KBA-302 Understanding the Entity and Its Environment: Complex CIRAs					
New	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I: CIRA Information.	Table other than procedures	N		Data flows in from KBA-200
New	Added Factors to be Considered when performing group audit engagements (New Section IV).	Table other than procedures	Y	AU-C 600 Appendix B	
KBA-302N Understanding the Entity and Its Environment: Noncomplex CIRAs					
New	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I: CIRA Information.	Table other than procedures	N		Data flows in from KBA-200
New	Added Factors to be Considered when performing group audit engagements (New Section IV).	Table other than procedures	Y	AU-C 600 Appendix B	
KBA-303 Inquiries of Management and Others Within the CIRA About the Risks of Fraud					
Modify	Modified instructions to emphasize that this document is a summary document and can be used to either summarize all of the auditor's inquiries or be used multiple times to document each individual inquiry interview.	Instructions	N		
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Disclosures					
New	Added new comment section for the audit areas.	Table other than procedures	N		
Modify	Content update for 2013 Framework.	Instructions Table other than procedures	Y	COSO	Most of the data in the Reconciliation Table and the Risk Table will retain, but some of the columns have been combined. Publish KBA-400 prior to roll forward to ensure you maintain your data. There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
KBA-401 Understanding Entity-Level Controls: Complex CIRAS					
Modify	Content update for 2013 Framework, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	Data in this workpaper needs to be reassessed and reevaluated and will not roll forward due to the changes for the COSO framework. You will need to publish KBA-401 prior to roll forward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
New	Tailoring has been added for the Operating Effectiveness Testing. This tailoring is on a per audit area basis.				Be sure to answer all tailoring questions in AUD-100 before starting the rest of your engagement.
KBA-401N Understanding Entity-Level Controls: Noncomplex CIRAS					
Modify	Content update for 2013 Framework, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	Data in this workpaper needs to be reassessed and reevaluated and will not roll forward due to the changes for the COSO framework. You will need to publish KBA-401 prior to roll forward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
New	Tailoring has been added for the Operating Effectiveness Testing. This tailoring is on a per audit area basis.				Be sure to answer all tailoring questions in AUD-100 before starting the rest of your engagement.
KBA-402 Understanding General Controls for Information Technology					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Content updated to maintain consistency in functionality for the 400 series of workpapers, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	N		There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
KBA-403 Understanding Activity-Level Controls: Revenue, Employer and Employee Contributions Receivable, and Cash Receipts through KBA-410 Understanding Activity-Level Controls: Financial Reporting and Closing Process					
Modify	Content updated for 2013 <i>COSO Internal Control – Integrated Framework</i> , to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
KBA-502 Summary of Risk Assessments					
New	Risk/Area sections updated to correspond to the Audit Programs.	Table other than procedures	N		
KBA-904 Audit Documentation Checklist					
New	New steps added for Internal Audit Function requirements.	Procedures	Y	AU-C 610	

Audit Programs (AUDs)

- New tailoring questions have been added to the audit programs to further enable user customization for the specific needs of each engagement.
- Audit program steps, as applicable, have been enhanced to emphasize that the auditor evaluates or obtains information from management.
- Updated program step assertions as needed.
- Updated AUD-800s where applicable for consistency with CORE.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-101 Overall Audit Program					
New	Additional links to workpapers have been added to enhance the usability of the checklist.	Procedures Steps	N		
Deleted	Steps on “Differences of Professional Opinion” and “Review Audit Work” have been combined with	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	“Complete the Audit by:” to reduce duplication.				
AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 300 AU-C 510	
AUD-602 Audit Program: Involvement of a Component Auditor					
Added	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
Added	Consideration of whether the component auditor possesses an understanding of the financial reporting framework sufficient to fulfill his or her role in the audit engagement.	Table other than procedures	Y	AU-C 600	
New	Step 8 Table to include whether it is impracticable for the group engagement team to be involved in the work of the component auditor.	Table other than procedures	Y	AU-C 600	
New	Added Step 9, regarding evaluations performed when the component entity reports on a different financial reporting framework than the group entity.	Table other than procedures	Y	AU-C 600	
AUD-603 Audit Program: Using the Work of An Auditor’s Specialist					
Added	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
AUD-604 Audit Program: Using the Work of a Management’s Specialist					
Added	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
AUD-701 Audit Program: Designing Tests of Controls					
Modify	Modified instructions to incorporate reference to a new AID-836 Dual-Purpose Testing Worksheet.	Instructions	N		
Added	Added “The reliability of the data on which the controls testing will be performed” to the determination and the	Procedure Steps	Y	COSO	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	extent of the tests of controls steps.				
AUD-803 Audit Program: Receivables and Revenues					
Delete	Deleted step on considering whether specialized skills are needed, as this question is addressed in planning and therefore duplicate.	Procedures Steps	N		
AUD-805 Audit Program: Intangible Assets					
					A tailoring question have been added to help facilitate a more efficient workflow.
New	Added new steps regarding the entity's election to amortize goodwill.	Procedures Steps	Y	ASU 2014-02	
AUD-815 Audit Program: Fair Value Measurements and Disclosures					
Modify	Modified step "we obtained an understanding of the CIRA's transactions and environment relating to fair value measurements and disclosures" substep c. to incorporate its substeps, reducing the number of signoffs required.	Procedures Steps	N		
AUD-816 Audit Program: Variable Interest Entities					
					A tailoring question have been added to help facilitate a more efficient workflow.
Modify	Added substep a to step 1: We obtained from management a list of the following three groups of identified variable interests: a. Any identified variable interests in common control leasing arrangements that the entity is electing not to consolidate under the Private Company Council (PCC) VIE accounting alternative.	Procedures Steps	N		
Modify	Step 14. For VIEs for which the CIRA is the primary beneficiary and for which the CIRA is not electing the PCC VIE accounting alternative, we performed the following procedures to evaluate whether the CIRA has properly accounted in its consolidated financial statements for a VIE:	Procedures Steps	N		
Modify	Step 15 and substeps and step 16: 15. For VIEs for which the CIRA is electing the PCC VIE accounting alternative, we evaluated whether the VIE meets the following criteria for election: - The CIRA has a lease arrangement with the lessor entity.				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>- The CIRA and the lessor entity are under common control.</p> <p>- Substantially all activities between the CIRA and the lessor entity are related to the leasing activity (which includes supporting leasing activities) between the two entities.</p> <p>-If the CIRA explicitly guarantees or provides collateral for any obligation of the lessor entity related to the leased asset, the principal amount of the obligation at inception of the guarantee or collateral arrangement is not more than the value of the leased asset.</p> <p>16. If the CIRA has elected the PCC VIE accounting alternative, we evaluated whether the entity has properly applied it to all leasing arrangements meeting the above criteria.</p>				
Modify	19. When assessing whether additional audit evidence is needed for VIEs for which the CIRA is not electing the PCC VIE accounting alternative, we considered the following:	Procedures Steps	N		
AUD-903 Audit Program: Consideration of Fraud					
Modify	Combined steps on inquiry of others to reduce the number of signoffs required.	Procedures Steps	N		
AUD-905 Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report					
New	Added headers to the program step list and added new tailoring questions to facilitate streamlining of the audit program.	Procedures Steps	N		
AUD-907 Interim Review Program: Review of Interim Financial Information					
New	Added cross references to other workpapers.	Procedures Steps	N		
AUD-908 Interim Review Program: Management Inquiries					
New	New review program for inquiries of management performed during a review of interim financial information.	Procedures Steps	Y	AU-C 930	

Auditor’s Reports (RPTs)

- NEW RPT-0902 Unmodified Opinion: Comparative Financial Statements sample illustrative report provided for reporting on comparative financial statements.
- RPTs 0902–0947 renumbered as 0903–0948.
- NEW RPT-0985 Qualified Opinion: Departure from U.S. GAAP--Unconsolidated Variable Interest Entity (VIE) Sample qualified opinion due to departure from U.S. GAAP; unconsolidated VIE.

Correspondence Documents (CORs)

- COR-907 Preapproval of Nonaudit Services has been renumbered as **COR-220**.

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-201	Modify	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-202	Modify	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-901	Modify	Added illustrative representation regarding long-lived assets.	Additional Guidance and Practice Points		
COR-907	Delete	Number is no longer in use.			

Practice Aids (AIDs)

- **AID-201 Nonaudit Services Independence Checklist** modified for the Nonattest Services interpretation (ET Section 101.05, and 191-.015-016; as of December 15, 2014, ET Section 1.295); added new Practice Alert for AICPA Code of Professional Conduct (Code); Section II - streamlined General Considerations steps to reduce signoffs; correlated with CORE 9 changes as a result of the AICPA revised Code of Professional Conduct.
- **NEW AID-603 Component Identification and Analysis** designed to aid the auditor in identifying and analyzing significant component entities.
- **AID-814 Allowance for Uncollectible Accounts Analysis** added new Recoveries section.
- **AID-815 Notes Receivable Allowance** added new “Past Due” column.
- **AID-826 Debt Obligations and Interest Analysis** added new “Past Due” column.
- **AID-833 Analysis of Legal Fees** added new “Letter Sent” column.
- **AID-831 Carryforward Share Book Analysis** added column for Certificate Cancelled or Transferred.
- **New AID-835 Board Minutes Review Checklist** designed to aid the auditor in documenting his or her review of the entity’s committee meeting minutes.
- **New AID-836 Dual-Purpose Testing Worksheet** designed to enable the auditor to document the sample items and test results when performing tests of internal controls attributes and substantive test criteria at the same time.
- **AID-901 Differences of Professional Opinion** added a signoff for the Engagement Quality Control Reviewer.

Resource Documents (RESs)

- **RES-001 Knowledge-Based Audit Methodology Overview** modified as appropriate and in accordance with COSO Framework changes and industry-specific considerations.
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and realignment of workpaper numbering schemes.
- **RES-008 Entity-Level Controls: Examples of Control Objectives and Related Control Activities** updated for COSO's 2013 Internal Control—Integrated Framework.

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-128, *Using the Work of Internal Auditors*.
- FASB Accounting Standards Codification as of December 31, 2014, and through Accounting Standards Update No. 2014-18.

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements conducted using this product.

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>
KBAs	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-200	CIRA Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex CIRAs		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex CIRAs		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the CIRA and Its Environment: Complex CIRAs		
KBA-302N	Understanding the CIRA and Its Environment: Noncomplex CIRAs		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-303	Inquiries of Management and Others within the CIRA 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 CIRAs		
KBA-401N	Understanding Entity-Level Controls: Noncomplex CIRAs		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Revenues, Receivables, and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Property and Equipment		
KBA-405	Understanding Activity-Level Controls: Other Assets		
KBA-406	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-407	Understanding Activity-Level Controls: Payroll		
KBA-408	Understanding Activity-Level Controls: Treasury		
KBA-409	Understanding Activity-Level Controls: Income Taxes		
KBA-410	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-411	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
AUDs	AUDIT PROGRAMS		
AUD-100	Tailoring Question Workpaper	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for Initial Audit Engagements and Transition Periods		
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		
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Receivables and Revenues		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-804	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-805	Audit Program: Intangible Assets		
AUD-806	Audit Program: Property and Equipment, and Depreciation		
AUD-807	Audit Program: Accounts Payable and Purchases		
AUD-808	Audit Program: Payroll and Other Liabilities		
AUD-809	Audit Program: Income Taxes		
AUD-810	Audit Program: Debt Obligations		
AUD-811	Audit Program: Equity/Fund Balances		
AUD-812	Audit Program: Other Income, Operating Expenses, and Major Repairs and Replacements Expenditures		
AUD-813	Audit Program: Journal Entries and Financial Statement Review		
AUD-814	Audit Program: Related-Party Transactions		
AUD-815	Audit Program: Fair Value Measurements and Disclosures		
AUD-816	Audit Program: Variable Interest Entities		
AUD-817	Audit Program: Commitments and Contingencies		
AUD-818	Audit Program: Accounting Estimates		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-819	Audit Program: Concentrations		
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-905	Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report		
AUD-906	Audit Program: Consideration of Omitted Procedures after the Report Release Date		
AUD-907	Interim Review Program: Review of Interim Financial Information		
AUD-908	Interim Review Program: Management Inquiries		
AIDs	PRACTICE AIDs		
AID-302	Understanding the CIRA's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering the Use of the Work of Internal Auditors		
AID-603	Component Identification and Analysis		
AID-602	Understanding and Preliminary Assessment of the CIRA's Internal Audit Function		
AID-702	Results of Tests of Controls		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AID-802	Audit Sampling Worksheet for Substantive Tests of Details		
AID-901	Differences of Professional Opinion		
AID-903	Audit 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-411 Understanding Ctrl: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the CIRA use service organizations? Shows the " Document the service organizations used by the CIRA." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the CIRA.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend 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	Does the auditor intend 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