2016 PUBLIC ENTITIES 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 ***2016 Knowledge-Based Audits of Public Entities*** reflects current authoritative literature, including PCAOB auditing standards, and is current through Auditing Standard (AS) No. 18, *Related Parties, Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards* and ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, Staff Audit Practice Alert No. 12, *Matters Related to Auditing Revenue in an Audit of Financial Statements* and Staff Audit Practice Alert No. 13, *Matters Related to the Auditor's Consideration of a Company's Ability to Continue as a Going Concern*; and SEC Release No. 34-72087 (May 2014), SEC approval of *Amendments to Conform PCAOB Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications*. The 2016 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Our authors are always looking to improve the flow of the audit engagement through the addition of new tailoring questions, new tips, and new examples. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended U. S GAAP and SEC disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2016 edition of *Knowledge-Based Audits of Public Entities* includes the following updates:

Knowledge-Based Audit Documents (KBAs) have been updated throughout where applicable to include references to PCAOB auditing standards as reorganized as well as before the reorganization.

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	Section 1, Reporting Requirements, Table, Factors to Consider: modified item 4 wording; now reads as follows: Users or expected users of the financial statements (e.g., owners, shareholders, lenders).	Table	N		
Modify	Section 1, Audit Coverage: Added: The auditor may use ***AID-603 Component Identification and Analysis*** to document the entity's components and the auditor's assessment of the significance of each component.	Section 1	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Added step 3, including comment panel and Practice Point: If applicable, the following is our rationale for concluding not to test operating effectiveness of controls: This table will show if the user has answered the following TQ's in AUD-100 as "No": (1) Are you conducting an integrated audit? (2) Does the auditor intend to test the operating effectiveness of internal controls over financial reporting? **Practice Point:** If the auditor is assessing control risk at maximum because testing controls would not be effective (as opposed to efficient), for example, the risk assessment procedures have identified controls that are not designed or implemented effectively, a control deficiency exists that must be evaluated and reported. ***KBA-103 Evaluating and Communicating Internal Control Deficiencies*** may be used to assess the severity of the deficiency.	Section III	N		
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	Modified throughout; added Practice Alerts and Examples; added columns 11 and 14 to table (and modified instructions accordingly); added N/A to column 15.	Purpose; Instructions; text; table	Y	PCAOB AS 5 (as of December 31, 2016, AS 2201)	All columns will retain on roll forward.
KBA-105 Review of Significant Accounting Estimates					
Modify	Modified table, columns have been reorganized so user entry starts with 1st column	Table	N		All columns will retain on roll forward if user uses the default roll forward settings or the user selects to keep all responses.
KBA-200 Entity Information and Background					
Modify	Minor modifications for consistency with wording of related workpapers	Table	N		All will retain on roll forward.
KBA-201 Client/Engagement Acceptance and Continuance Form					
New	The Tailoring Question, "Are you conducting an integrated audit?" has been added and will show step b in Section III if "Yes" is answered.				This TQ will flow the answer from AUD-100.
Modify	Added new steps a, b, c, to Section I table, as follows:	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Management has not identified a main point of contact. Management and those charged with governance do not care about our integrity. Management has not agreed to be available and is unwilling to answer questions and to provide clear answers or requested documentation in a timely fashion. Added threats and safeguards				
Modify	Modified Section I table step “t”, which now reads: Does management lack the commitment to adopt and apply appropriate accounting principles or demonstrate the desire to interpret accounting principles in an aggressive manner?	Table	N		
Modify	Modified Section II table step “f”, which now reads: Is the entity’s industry unfavorable, unusually litigious, highly specialized, or considered risky?	Table	N		
Modify	Modified Section III table step “b”; now reads: If we have been engaged to perform an integrated audit, are we using the same suitable recognized control framework as used by management for its assessment of the effectiveness of the entity’s internal control over financial reporting? This step will show if the TQ, “Are you conducting an integrated audit?” is answered “Yes” in AUD-100.	Table			
Modify	Modified Section III table step “p”; now reads: Are there any services that the firm has already provided, is in the process of providing, or will be providing, during the period of the professional engagement that might impair independence? (See PCAOB Ethics Interpretation 101, 102, and 191, SEC Reg. S-X 2.01, and ET Section 1.295, *Nonattest Services*, of the AICPA Code of Professional Conduct.)	Procedures steps	Y	PCAOB Ethics Interpr. 101, 102, and 191, SEC Reg. S-X 2.01;Code	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified Section III table step “w” and “x” to add threats and safeguards; now read as follows: w. Have we evaluated client and auditor relationships and circumstances to identify potential threats to independence not identified above, including: 1. Adverse interest threat, which is the threat that interests in opposition to the client’s will cause a lack of objectivity? 2. Advocacy threat, which is the threat that the auditor will promote the client’s interests to a point of impairing independence? 3. Familiarity threat, which is the threat that the auditor’s relationship with the client might cause it to be too sympathetic to the client’s interests or to lack professional skepticism when evaluating the client’s work? 4. Management participation threat, which is the threat that the auditor will take on the role of client management or will assume management responsibilities for the client? 5. Self-interest threat, which is the threat that the auditor may be influenced by some benefit, financial or otherwise, that may result from an interest in, or relationship with, the client? 6. Self-review threat, which is the threat that services previously performed for the client will not be adequately reviewed by the auditor in performing the engagement? 7. Undue influence threat, which is the threat that the auditor will subordinate judgment to that of an individual associated with the client or some other party due to their reputation, expertise, or some other factor? x. For any identified threats to independence, have safeguards been created or implemented so that such threats are eliminated or reduced to an acceptable level? (Also, provide additional documentation in step 7 below.)	Procedures steps	Y	Code	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Practice Point: Safeguards may partially or entirely eliminate a threat or reduce the potential influence of a threat. The nature and extent of the safeguards applied depend on many factors, including the size of the firm. However, to be effective, safeguards should eliminate the threat or reduce it to an acceptable level. The AICPA Code of Professional Conduct identifies the following three broad categories of safeguards: • Safeguards created by the profession, legislation, or regulation. • Safeguards implemented by the client; however, it is not possible to rely solely on safeguards implemented by the client to eliminate or reduce significant threats to an acceptable level. • Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements.				
Modify	Added new step 7: For identified threat(s) to independence, the following describes the circumstances and/or relationships giving rise to the threat(s); the nature of the threat(s), for example advocacy threat, self-interest threat; the safeguards that have been applied; and whether the threat(s) was eliminated or reduced to an acceptable level. **Practice Point:** When the auditor applies safeguards to eliminate or reduce significant threats to an acceptable level, the auditor should document the identified threats and safeguards applied. Failure to prepare the required documentation would be considered a violation of the "Compliance with Standards Rule" (ET Section 1.310.001 of the AICPA Code of Professional Conduct).	Table	Y	Code	
KBA-302 Understanding the Entity and Its Environment					
Modify	Added: **Practice Point:** In an integrated audit, since risk assessment underlies the entire audit process for the audit of internal control over financial reporting, the risk assessment procedures described in PCAOB AS 12 (as of December 31, 2016, AS 2110) (and incorporated in this practice aid) support both the financial statement audit and the audit of internal control over financial reporting.	Instructions	Y	PCAOB AS 12 (as of December 31, 2016, AS 2110)	
Modify	Added Practice Point in Section VII	Table	Y	PCAOB AU 316	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Practice Point: For an integrated audit, when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to the requirements of PCAOB AU 316 (as of December 31, 2016, AS 2401), *Consideration of Fraud in a Financial Statement Audit*; (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.			(as of December 31, 2016, AS 2401)	
KBA-303 Inquiries of Management and Others Within the Entity About the Risks of Fraud, Illegal Acts, and Noncompliance with Laws and Regulations					
Modify	Title modified to ***Inquiries of Management and Others within the Entity about the Risks of Fraud, Illegal Acts, and Noncompliance with Laws and Regulations***	Title	Y	PCAOB AU 317	
Modify	Modified Purpose and Instructions language from “risks of fraud” to “risks of fraud, illegal acts, and noncompliance with laws and regulations.” Modified Practice Point, as follows: **Practice Point:** The auditor may wish to define fraud illegal acts, and noncompliance with laws and regulations as a lead-in to any inquiries (e.g., “an intentional act by one or more individuals among management, the audit committee, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage”). PCAOB AU 316 (as of December 31, 2016, AS 2401), *Consideration of Fraud in a Financial Statement Audit*, specifically deals with the risk of material misstatement due to fraud and states that there are two types of intentional misstatements that are relevant to the auditor—misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Both of these should be considered by the auditor when assessing the risk of material misstatement. PCAOB AU 317 (as of December 31, 2016, AS 2405), *Illegals Acts by Clients*, refers to illegal acts as “violations of laws or governmental regulations. Illegal acts by clients are acts attributable to the entity whose financial statements are under audit or acts by management or employees acting on behalf of the entity. Illegal acts by clients do not include personal misconduct by the entity's personnel unrelated to their business activities.” **Practice Point:** For an integrated audit, when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to	Purpose; Instructions	Y	PCAOB AU 317 (as of December 31, 2016, AS 2405); PCAOB AU 316 (as of December 31, 2016, AS 2401); PCAOB AS 12 (as of December 31, 2016, AS 2110)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	the requirements of PCAOB AU 316 (as of December 31, 2016, AS 2401); (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.				
Modify	Added items under Inquiries of Management: Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations?	Table	N		
Modify	Added under Inquiries of Management: Describe the entity's policies and procedures regarding compliance with laws and regulations, and for identifying, evaluating, and accounting for litigation claims resulting from noncompliance: Describe the entity's directives issued and periodic representations obtained from management at appropriate levels of authority concerning compliance with laws and regulations.	Table	N		
Modify	Added (under Inquiries of the Audit Committee or Its Equivalent, or Its Chair): Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations? Modified: Document the identity of the entity's related parties including changes from the previous year, the nature of the relationships between the entity and each related party, and the type and purpose of transactions entered into, including how these transactions are identified, accounted for, disclosed, authorized and approved:	Table			The modified question will be retained on roll forward if user selects to keep all responses.
Modify	1. Added (under Inquiries of Internal Audit Function (if applicable):	Table			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Are you aware of any noncompliance with laws and regulations?				
Modify	2. Added (under Inquiries of Employees Involved in the Financial Reporting Process): Are you aware of any noncompliance with laws and regulations?	Table			
Modify	3. Added (under Inquiries of Others): **Examples:** Per PCAOB AS 12 (as of December 31, 2016, AS 2110), *Identifying and Assessing Risks of Material Misstatement*, examples of others within the entity to whom the auditor may wish to direct these inquiries include: • Employees with different levels of authority in the entity (e.g., entity personnel with whom the auditor comes into contact during the course of the audit (1) in obtaining an understanding of internal control, (2) in observing inventory or performing cutoff procedures, or (3) in obtaining explanations for significant differences identified when performing analytical procedures). • Operational personnel not directly involved in the financial reporting process (e.g., sales or other personnel). • Employees involved in initiating, recording, or processing complex or unusual transactions (e.g., a sales transaction with multiple elements, a significant unusual transaction, or a significant related-party transaction). • Risk management function. • Information systems personnel. • In-house legal counsel. Added: Are you aware of any noncompliance with laws and regulations?	Text	Y	PCAOB AS 12 (as of December 31, 2016, AS 2110)	The modified question will be retained on roll forward if user selects to keep all responses.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Modified: Based upon the above inquiries, we investigated inconsistencies related to inquiries of management, the audit committee or its equivalent, and others, and have considered their impact on our assessment of the risk of fraud and identified risks of material misstatement due to fraud that have been summarized at ***KBA-502 Summary of Risk Assessments***.				
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
Modify	Minor modifications throughout	Text; table, other than procedures	N		
New	New diagnostic in Table 2 if the user answers column 12, "Are Controls Functioning" as "No" but the user hasn't answered column 7, "If Column 6 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to KBA-103.	Table	N		
New	New diagnostic in Table 3 if the user answers column 13, "Are Controls Functioning" as "No" but the user hasn't answered column 8, "If Column 7 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to KBA-103.	Table	N		
New	Added a comments column at end of Table 1: Scoping and Mapping. This column doesn't have to be completed as it will not have an unanswered question diagnostic.				
KBA-401 Understanding Entity-Level Controls					
Modify	Modified Instructions as follows: This form has been designed to provide the auditor with the information necessary to document his or her evaluation of the design effectiveness and implementation of the entity's internal control. This	Instructions	Y	PCAOB AS 5 (as of December 31, 2016, AS 2201);	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	form is based on the requirements and the criteria for an effective internal control as set forth in PCAOB AS 5 (as of December 31, 2016, AS 2201), *An Audit of Internal Control over Financial Reporting That Is Integrated with an Audit of Financial Statements*, and PCAOB AS 12 (as of December 31, 2016, AS 2110), *Identifying and Assessing Risks of Material Misstatement.* It uses the *2013 Internal Control – Integrated Framework* (Framework), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for a structure by which to evaluate the entity's system of internal control. COSO's Framework has been recognized globally as a suitable framework on which management may develop an entity's system of internal control and the standard setters discuss the five components of internal control as outlined in the Framework in the requirements for obtaining an understanding of the entity and its environment, including internal control. Obtaining an understanding of entity-level controls is a continuous, dynamic process of gathering, updating, and analyzing information throughout the audit. Identifying significant changes in entity-level controls from previous periods is particularly important in gaining a sufficient understanding of the entity and to identify and assess risks of material misstatement. To highlight significant changes in the current year, the auditor should designate the degree of change from the previous year. A significant change from the previous year may be an indication of a necessary modification to the assessment of risk and design of further audit procedures related to that item. While performing each audit, the auditor should continually update this form to update the knowledge gained in previous years. Entity-level controls vary in nature and level of precision and the extent to which the auditor may rely on them; therefore, the auditor should consider that:			PCAOB AS 12 (as of December 31, 2016, AS 2110)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	• Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls. • Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls. • Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk.				
Modify	Modified text and first bulleted item under "If "No," Identify the Type of Deficiency": PCAOB AU 325 (as of December 31, 2016, AS 1305), *Communications about Control Deficiencies in an Audit of Financial Statements*, defines deficiencies as follows: *Material weakness*. A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility	Table	Y	PCAOB AU 325 (as of December 31, 2016, AS 1305)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: – *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely. – *Probable*. The future event or events are likely to occur. Modified Instructions under "If "Yes," Are Controls Selected for Operating Effectiveness Testing?" as follows: This column should be used to document the auditor's conclusion as to whether the control will be tested for operating effectiveness. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the auditor should test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting.				
New	New diagnostic if the user answers column 12, "Are Controls Functioning" as "No" but the user hasn't answered column 7, "If Column 6 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to the Conclusion Section.	Table	N		
KBA-402 Understanding General Controls for Information Technology					
Modify	Section III, under Objectives and Control Activities, added: Are Controls Present? Indicate whether the relevant controls are present. "Present" refers to the determination that appropriate control activities exist to achieve specified objectives.	Instructions			
Modify	Modified Section III instructions under "Effectively Designed and Implemented?" as follows:	Instructions	Y	PCAOB AU 325	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	If "No," Identify the Type of Deficiency This column should be used to document the auditor's assessment of the magnitude of the deficiency identified; for material weakness, select MW, for significant deficiencies, select SD, and for control deficiencies, select CD. PCAOB AU 325 (as of December 31, 2016, AS 1305) *Communications About Control Deficiencies in an Audit of Financial Statements*, indicates that deficiencies fall into one of the following categories: • *Material weakness*. A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: – *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely. – *Probable*. The future event or events are likely to occur. • *Significant deficiency*. A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the entity's financial reporting. • *Deficiency in internal control.* A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements			(as of December 31, 2016, AS 1305)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	on a timely basis. A deficiency in *design* exists when (*a*) a control necessary to meet the control objective is missing, or (*b*) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively. Control deficiencies noted here should be documented and evaluated at ***KBA-103 Evaluating and Communicating Internal Control Deficiencies***. Compensating Controls, If Any This column should be used to document any compensating controls the auditor may identify. Compensating controls are controls that serve to accomplish the objective of another control that did not function properly, helping to reduce risk to an appropriate level. **Practice Point:** The absence of a single control activity or the ineffective design of a single control activity does not mean that the entity's internal control system does not have an effective design. In many cases, a compensating control may exist to mitigate the risk caused by a missing or ineffective control. For example, a small business entity may lack segregation of duties over a particular function, which by itself, may be a control deficiency. However, the owner-manager's active involvement in and monitoring of the function may effectively compensate for the lack of an appropriate segregation of duties. Do Compensating Controls Adequately Reduce the Risks of Material Misstatement Created by the Deficiency? This column should be used to document the auditor's evaluation of whether the compensating control				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	mitigates the risk of material misstatement to an acceptable level. If "No," Describe the Risks of Material Misstatement This column should be used to document the potential risk of material misstatement as a result of the deficiency identified. Risks of material misstatement should be documented and evaluated at ***KBA-502 Summary of Risk Assessments***. If "Yes," Are Controls Selected for Operating Effectiveness Testing**?** This column should be used to document the auditor's conclusion as to whether the control will be tested for operating effectiveness. For an integrated audit, the auditor should test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting. Modified Section III table (columns and format) in accordance with instructions				
New	New diagnostic in the Less Complex table if the user answers column 8, "Are Controls Functioning" as "No" but the user hasn't answered column 6, "If Not Effectively Designed or Implemented, Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to the Conclusion Section.	Table	N		
New	New diagnostic in the More Complex table if the user answers column 12, "Are Controls Functioning" as "No" but the user hasn't answered column 7, "If Column 6 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to the Conclusion Section.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts					
Modified	Added Practice Point: **Practice Point:** FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* is the culmination of a joint project with the International Accounting Standards Board IIASB) which simultaneously issued IFRS 15, *Revenue from Contracts with Customers*. The new revenue recognition guidance affects all entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or leasing contracts). This ASU, including its related amendments, will supersede the current revenue recognition requirements found in ASC Topic 605, *Revenue Recognition*, and eliminates most industry-specific guidance that has been developed over several decades. The amendments change the revenue recognition model to a five step model to be applied to all transactions involving the transfer of goods and services to customers. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted, however, no earlier than periods beginning after December 15, 2016 (January 1, 2017 for calendar year entities). Entities should begin to prepare for the adoption and to understand the impact to their financial statements for periods which may need to be retroactively restated as of the adoption date.	Instructions	Y	FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606);* IFRS 15, *Revenue from Contracts with Customers*	
KBA-409 Understanding Activity Level Controls: Treasury					
Modify	Added, under "Purchases and Sales of Investments and Derivatives": Financial instrument transactions are initiated in accordance with management's established policies and procedures (Existence or Occurrence). Information relating to financial instruments and financial instrument transactions is complete and accurate (Completeness). The carrying amount of debt, equity securities, and financial instruments is adjusted to fair value, when applicable, and changes in the fair value of those financial instruments are accounted for in accordance with the applicable financial reporting frameworks (Accuracy, Valuation, or Allocation).	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Financial instruments are monitored on an ongoing basis to recognize and measure events affecting related financial statement assertions (Cutoff). Modified: Investment and derivative instruments are properly classified (Understandability, Classification, Presentation, and Disclosure).				
Modify	Added, under "Investment and Derivative Income": The carrying amount of debt, equity securities, and financial instruments is adjusted to fair value, when applicable, and changes in the fair value of those financial instruments are accounted for in accordance with the applicable financial reporting framework (Accuracy, Valuation, or Allocation).	Table	N		
Modify	Added, under "Derivative Hedging": Derivatives accounted for as hedges meet the designation, documentation, and assessment requirements of the applicable financial reporting framework (Understandability, Classification, Presentation, and Disclosure).	Table	N		
Modify	Under "Grants of Share Options/Warrants" moved to correct order: The entity is obliged to issue shares under options and warrants (Rights or Obligations).	Table	N		
KBA-411 Understanding Activity Level Controls: Financial Reporting and Closing Process					
Modify	Under "Prepare Financial Statements and Disclosures" Added "including the statement of cash flows" to two objectives as follows: Balances and details are included in the financial statements accurately, including the statement of cash flows (Accuracy, Valuation, or Allocation). Financial information is classified appropriately in the financial statements, including the statement of cash flows. (Understandability, Classification, Presentation, and Disclosure).				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-412 Understanding Controls Maintained by a Service Organization					
New	New Tailoring Question, "Are you conducting an integrated audit?" that will flow from answer from AUD-100.				
Modify	Added: **Practice Point:** In an integrated audit, if a service organization's services are part of an entity's information system, then they are part of the entity's internal control over financial reporting and the auditor should consider the activities of the service organization when determining the evidence required to support his or her opinion on the effectiveness of an entity's internal control over financial reporting. In such circumstances, the auditor is required to perform the procedures described in PCAOB AU 324 (as of December 31, 2016, AS 2601), with respect to the activities performed by the service organization and obtain evidence that controls at the service organization that are relevant to the auditor's opinion on internal control over financial reporting are operating effectively.	Purpose	Y	PCAOB AU 324 (as of December 31, 2016, AS 2601)	
Modify	Added step 4: We inquired of management to determine if management is aware of any changes in the service organization's controls subsequent to the period covered by the service auditor's report, and evaluated the effect of any such changes on the audit. **Practice Point:** Changes in the service organization's controls may include: • Changes communicated to management from the service organization, including those related to the service organization's processes and information systems. • Changes in personnel at the service organization with whom management interacts. • Changes in the design or implementation of controls that were necessary to achieve the control objectives. • Changes in reports or other data received from the service organization. • Changes in contracts or service level agreements with the service organization. • Errors identified in the service organization's processing or incidents of noncompliance with laws and regulations or fraud.	Procedures steps			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Added step 7: In an integrated audit, we determined whether additional evidence about the operating effectiveness of controls at the service organization is needed based on (a) the procedures performed by management or us and the results of those procedures, and (b) an evaluation of the following risk factors: a. Deficiencies identified as a result of procedures performed. b. The elapsed time between the time period covered by the tests of controls in the service auditor's report and the "as of date" specified in management's assessment. c. The significance of the activities of the service organization. d. Whether there are errors that have been identified in the service organization's processing. e. The nature and significance of any changes in the service organization's controls identified by management or the auditor. If these or similar factors have been found to exist, we determined whether to obtain additional evidence about the operating effectiveness of controls at the service organization. This step will Show if the user answers "Yes" to the new TQ noted above.	Procedures steps			
Modify	Modified step 10 as follows: If we plan to use a Type 1 or a Type 2 report that excludes the services provided by a subservice organization and those services are relevant to the audit of the financial statements, we applied the requirements of PCAOB AU 324 (as of December 31, 2016, AS 2601), *Service Organizations*, (as of December 31, 2016, *Consideration of an Entity's Use of a Service Organization*), with respect to the services provided by the subservice organization.	Procedures steps	Y	PCAOB AU 324 (as of December 31, 2016, AS 2601)	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified first step under "Conclusion", now reads as follows: We determined whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the entity's internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of the risks of material misstatement, or whether we need to perform updating or other procedures with respect to the service organization. Added new step 3 under "Conclusion" as follows: Our assessment of the risk of material misstatement for the affected audit area considers, or has been appropriately updated for, our conclusions reached based on our evaluation of the service organization. ***KBA 502 Summary of Risk Assessments***	Conclusion table			This step will reset on roll forward since it was combined with another step. Step 2 of the conclusion will retain the answer of this combined step from the prior year.
KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts through KBA-411 Understanding Activity Level Controls: Financial Reporting and Closing Process					
	Step 5 instructions, added: • If testing the operating effectiveness of controls, document the *Description of the Identified Key Controls* at ***AID-702 Results of Tests of Controls***. Table column 5 modified: *Description of the Identified Key Controls (Document in AID-702, if applicable)* Table column 9 modified: *Controls Are Not Implemented, Not Designed Effectively, or Only Partially Effective, Describe the Control Deficiency*	Table	N		
New	New diagnostic in the subprocesses table if the user answers column 14, "Are Controls Functioning" as "No" but the user hasn't answered column 9, "If Controls Are Not Implemented, Not Designed Effectively, or Only Partially Effective, Describe the Control Deficiency". This will remind the user to	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	describe the control deficiency if the controls aren't functioning so there is no blank flow to the Conclusion Section.				
Modify	Column 5 header of the subprocesses table was modified to read: Description of the Identified Key Controls (Document in AID-702, if applicable) This part in parenthesis was added to remind the user where to document the key controls that may be tested.				
KBA-501 Team Discussion and Consideration of the Risks of Material Misstatement					
Modify	Modified title to "Team Discussion and Consideration of the Risks of Material Misstatement"	Title	N		
Modify	Added to first paragraph of Instructions: This document is designed to help the auditor respond to those risks and to document the auditor's consideration of fraud in accordance with PCAOB AU 316 (as of December 31, 2016, AS 2401).	Instructions	Y	PCAOB AU 316 (AS 2401).	
Modify	Modified bulleted item in the Instructions as follows: • The susceptibility of a material misstatement of the financial statements due to fraud or error that could result from the entity's related party relationships and transactions, including how related-parties may be involved in fraud, such as: – Entities formed to accomplish a specific purpose and that are controlled by management might be used to facilitate earnings management; – Transactions between the entity and an affiliate of a key member of management could be arranged to misappropriate the entity's assets; – Equity distributions or capital contributions that may be structured as loans; – Transactions between the entity and related parties that may be subject to period-end window dressing (e.g., a	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	stockholder may pay a loan shortly before period-end, but the entity loans the same amount to the stockholder shortly after period-end); and – Certain entities (e.g., governmental entities or entities operating in regulated industries) may circumvent laws or regulations that curb their ability to engage in transactions with related parties.				
Modify	Added Procedures steps 1 to 5 under "Identification of Risks of Material Misstatement": 1. We discussed the following matters that may be relevant in identifying risks of fraud: a. Risk of omitted, incomplete, or inaccurate disclosures. b. Information from the results of procedures relating to the acceptance and continuance of entity relationships and engagements. c. Information from the results of reviews of interim financial statements. d. Inherent risk identified as part of the consideration of audit risk at the relevant assertion level. 2. We reminded all engagement personnel of the need to emphasize professional skepticism, recognizing the possibility that a material misstatement due to fraud may exist, notwithstanding past experience related to the honesty and integrity of management and those charged with governance. 3. We reminded all engagement personnel to critically assess audit evidence, and that if reason exists to doubt the authenticity of documents obtained from management or the contents of those documents, to consult with other team members or experts in the firm where appropriate.	Procedures steps			These steps will retain from AUD-903 if the user selects to keep all responses on roll forward. If KBA-501 wasn't included in the binder before roll forward please insert it so that these steps will retain on roll forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	4. We included the person with final responsibility for the audit and other key members of the audit team (e.g., managers, seniors) in the discussion of the risks of material misstatement, including fraud. 5. If auditor's specialists were assigned to the engagement, we considered involving such specialists in the brainstorming session.				
Modify	Added new step 8: We emphasized the need to discuss the risks of fraud throughout the audit, including when evaluating audit evidence at or near the completion of fieldwork.	Procedures step			
KBA-502 Summary of Risk Assessments					
Modify	Under Instructions, Section I: Financial-Statement-Level Risks, added bulleted items (above the last bulleted item) as follows: • Scrutinizing those accounting principles involving subjective measurements and complex transactions; • Evaluating the entity's selection and application of significant accounting principles; and	Instructions			
Modify	Under Section II: Assertion-Level Risks, modified step 2, adding (d) as follows: and (d) consider the pervasiveness of the risk (i.e., is the risk related to specific financial-statement account balances or classes of transactions and related assertions, or is it related to the financial statements as a whole).	Instructions			
Modify	Modified Column 8 instructions for Section II table as follows: Column 8 to document the assessment of control risk. (*Note*: To assess control risk at less than maximum, the auditor should perform tests of operating effectiveness of internal controls. Where applicable, after testing the operating effectiveness of internal controls, the auditor should re-evaluate and modify, if necessary, the assessed level of control risk and				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	determine whether any change in assessment would require any modification to the nature, timing, and extent of substantive audit procedures.)				
Modify	Added Column 12 instructions and added a "Comments" column to the Section II table: Column 12 to provide additional comments, if necessary. Modified Risk/Areas in column 1 of table to reflect the split of AUD-802 (now 802A and 802B): Investments in Securities Derivative Instruments and Hedging Activities	Table	N		
KBA-905 Audit Documentation Checklist					
Modify	Modified and updated PCAOB AS references throughout.	Text, table	Y	PCAOB AS	
Modify	Deleted former step 29 (the PCAOB rescinded AU 534; accordingly this topic is not included): If the engagement included reporting on financial statements prepared for use in another country, we obtained written representations from management regarding the purpose and uses of such financial statements prepared in accordance with the accounting principles of the other country (PCAOB AU 534).	Text, table procedures steps	Y	PCAOB	

Audit Programs (AUDs) have been updated throughout where applicable to include references to PCAOB auditing standards as reorganized as well as before the reorganization.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
AUD-101 Overall Audit Program					
Modify	Modified and updated throughout for ICFR and with new references and Practice Points where applicable. Added step (new step 3) and Practice Point under "Preliminary Engagement Activities":	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	For an integrated audit, determine which suitable, recognized control framework has been used by management for its assessment of the effectiveness of the entity's internal control over financial reporting for use in our evaluation of the effectiveness of the entity's internal control over financial reporting. Step will show if the TQ "Are you conducting an integrated audit?" is Yes. **Practice Point:** The auditor should plan and perform the audit of internal control over financial reporting to obtain appropriate evidence that is sufficient to provide reasonable assurance about whether material weaknesses exist as of the date specified in management's assessment about the effectiveness of internal control over financial reporting. To achieve this objective, the auditor should use the same suitable, recognized control framework to perform the audit of internal control over financial reporting as management uses for its assessment of the effectiveness of the entity's internal control over financial reporting.				
Modify	Added new step (14) and Practice Points: For an integrated audit, obtain from management its written assessment of the effectiveness of the entity's internal control over financial reporting. Step will show if the TQ "Are you conducting an integrated audit?" is Yes. **Practice Point:** Management's refusal to provide the auditor with a written assessment represents a scope limitation. See ***RES-001 Knowledge-Based Audit Methodology Overview*** for further guidance. **Practice Point:** Management's assessment about internal control over financial reporting should include: (1) entities that are acquired on or before the date specified in management's assessment; (2) operations that are accounted for as discontinued operations on the date specified in management's assessment; and (3) for equity-method investment components, controls over the reporting in the entity's financial statements of the entity's portion of the investees' income or loss, the investment balance, adjustments to the income or loss and investment balance, and related disclosures.	Procedures step	Y	ICFR AS 2201, pars. B14 and B15	
Modify	Added Practice Point to step 15: **Practice Point:** If the engagement is an initial audit, this communication should be completed prior to accepting the engagement, including issuance of the engagement letter.	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Added Practice Point to step 19: **Practice Point:** For an integrated audit, the following factors may assist the auditor in developing an audit strategy and planning the audit of internal control over financial reporting: • Knowledge of the entity's internal control over financial reporting obtained during other engagements performed by the auditor or, if applicable, during a review of a predecessor auditor's working papers; • Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes; • Matters relating to the entity's business, including its organization, operating characteristics, and capital structure; • The nature and extent of recent changes, if any, in the entity, its operations, or its internal control over financial reporting; • The auditor's preliminary judgments about financial statement materiality, risk, and other factors relating to the determination of material weaknesses; • Internal control deficiencies previously communicated to those charged with governance or management; • Legal or regulatory matters of which the entity is aware; • The type and extent of available evidence related to the effectiveness of the entity's internal control over financial reporting; • Preliminary judgments about the effectiveness of internal control over financial reporting; • Public information about the entity pertinent to the evaluation of the likelihood of material financial statement misstatements and the effectiveness of its internal control over financial reporting; • Knowledge about specific risks related to the entity that were evaluated as part of the acceptance and retention evaluation of the client; and • Complexity of the entity's operations.	Procedures step	Y	ICFR	
Modify	Deleted the following Practice Point (from step 27 on holding a discussion among the engagement team): **Practice Point:** During the engagement team meeting, the auditor should: a. Discuss the susceptibility of the entity's financial statements to material misstatements. b. Discuss the entity's selection and application of accounting principles, including related disclosure requirements. c. "Brainstorm" about how and where the entity's financial statements might be susceptible to material misstatement due to fraud; consideration of known external and internal factors				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	affecting the entity that might create incentives, pressures, and opportunities; how management could perpetrate and conceal fraudulent financial reporting, and how assets of the entity could be misappropriated; and consideration of risk of management override of internal controls. The discussion should occur setting aside beliefs that management and the individuals responsible for overseeing the accounting and financial reporting processes, are honest and have integrity. d. Emphasize the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement due to fraud and, when issues arise, remind engagement team members of the need to probe the issues, acquire additional evidence, and consult with other team members. e. Enable the engagement partner to determine which matters discussed are to be communicated to the team members not involved in the discussion. f. Discuss relevant information about related parties, including the names of the related parties and the nature of the entity's relationships and transactions with those related parties. The auditor should also inquire of other auditors, as applicable, regarding the other auditor's knowledge of any related-party transactions. Also: added references to AUD-903 and AUD-904.				
Modify	Added step 29: Obtain an understanding of the entity's business rationale for significant unusual transactions and whether that suggests the transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets. In obtaining such an understanding, consider the following: a. Whether the structure of such transactions is unnecessarily complex (e.g., involving multiple entities within a consolidated group or unrelated third parties). b. Whether management has informed those charged with governance about the nature of and accounting for such transactions. c. Whether management is emphasizing the need for a particular accounting treatment over the underlying economics of the transaction.	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	d. Whether those charged with governance have reviewed and approved transactions that involve unconsolidated related parties. e. Whether the transactions involve previously unidentified related parties or parties that are unable to support the transaction without assistance from the entity being audited.				
Modify	Modified step 30, which now reads as follows: Make required fraud and noncompliance with laws and regulations inquiries of those charged with governance, the internal audit function, and others within the entity (e.g., operating personnel not directly involved in the financial reporting process and employees with different levels of authority considered to have information that is likely to assist in identifying risks of material misstatement).	Procedures step	Y	ICFR	Step will reset on Roll Forward due to changes made.
Modify	Added step 36: Presume that there is a risk of material misstatement due to fraud as a result of improper revenue recognition, and develop auditing procedures based on the understanding obtained of the entity and its environment, including the composition of revenues, specific attributes of the revenue transactions, and unique industry considerations.	Procedures step	Y	ICFR	
Modify	Under "Risk-Assessment Procedures: Obtaining an Understanding of the Entity, Its Environment, and Its Internal control over Financial Reporting", the following step (and Practice Point) has been deleted: Evaluate the following matters to determine the effect on our audit of operating effectiveness of the internal control over financial reporting.	Procedures step	Y	ICFR	
Modify	Modified step 66; now reads as follows: Design further audit procedures to respond to the assessed risks of material misstatement at the relevant assertion level, including the risks of management override of internal controls, providing a clear link between the nature, timing, and extent of audit procedures and the risk assessments due to fraud or error. The procedures must address all relevant assertions related to each material account balance, class of transaction, and disclosure, as well as the	Procedures step	Y	ICFR	Step will reset on Roll Forward due to changes made.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	financial statement closing process. Procedures may include: a. Obtaining additional corroborative audit evidence from independent sources outside the entity or physically inspecting certain assets. b. Performing substantive tests closer to or at year-end. c. Increasing sample sizes or using computer-assisted audit techniques. d. Performing substantive analytical procedures using disaggregated data, for example, comparing gross profit by location, by line of business, or by month to expectations developed by the auditor. e. Performing procedures at locations on a surprise or unannounced basis. f. Making oral inquiries of major customers and suppliers in addition to sending written confirmations. g. Interviewing personnel involved in activities in areas where fraud risk has been identified to obtain their insights about the risk and how controls address the risk. h. If other auditors are auditing the financial statements of other components (e.g., subsidiaries, divisions), discussing with them the extent of work that needs to be performed to address the fraud risk resulting from transactions and activities among these components.				
Modify	Under the Evaluating, Concluding, and Reporting Procedures section, Concluding the Audit, added step (106): For an integrated audit, the auditor may issue either separate reports or a combined report on the entity's financial statements and on internal control over financial reporting, and the dates of the reports should be the same when issuing separate reports. ***AID-903***	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	Step will show if the TQ “Are you conducting an integrated audit?” is Yes.				
Modify	Under the Evaluating, Concluding, and Reporting Procedures section, Concluding the Audit, modified step (110) and added Practice Point: Communicate in writing significant deficiencies and material weaknesses to management. Alternatively, if no material weaknesses exist and management requests the auditor to communicate such, a “no material weaknesses” communication may be issued if the auditor is not performing an integrated audit. **Practice Point:** For an integrated audit, the auditor should not issue a report indicating that no material weaknesses were identified during the integrated audit because the auditor is issuing a report that expresses an opinion on the effectiveness of the entity’s internal control over financial reporting.	Procedures step	Y	ICFR	
AUD-601 Audit Program: Testing and Evaluating Internal Auditors’ Work					
Modify	First bullet point under Purpose modified; now reads as follows: Determine whether the work of the internal audit function, or others in a similar function (hereinafter referred to as “internal audit function”), or direct assistance from the internal auditors can be used, and if so, in which areas and to what extent;	Purpose			
Modify	Section I, added substep a. to step 2: An understanding of the work of the internal audit function sufficient to identify those activities related to the audit.	Procedures steps			
AUD-602 Audit Program: Involvement of an Other Auditor					
Modify	Added a “Not Applicable” option to question 10, “If the component prepares financial statements using a different financial reporting framework than that used by the group, we have evaluated following:”	Floatie option			This question will retain on roll forward if the workpaper is set to keep all responses on roll forward.
Modify	Added Practice Point: **Practice Point:** In accordance with PCAOB Release No. 2015-008, issued on December 15, 2015 (and approved by the SEC in May 2016)	Purpose	Y	PCAOB Release No. 2015-008	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	registered public accounting firms will be required to file a new PCAOB form for each issuer audit, disclosing (1) the name of the engagement partner and ID (a 10-digit partner ID number assigned by the firm); (2) the name, location, and extent of participation of each other accounting firm participating in the audit whose work constituted at least 5% of total audit hours; and (3) the number and aggregate extent of participation of all other accounting firms participating in the audit whose individual participation was less than 5% of total audit hours. The information will be filed on a new PCAOB Form AP, *Auditor Reporting of Certain Audit Participants*, and will be available in a searchable database on the PCAOB's website. These requirements for information on other accounting firms involved in the audit will become effective for audit reports issued on or after June 30, 2017. The information disclosure requirement for the engagement partner will be effective for auditor's reports issued on or after January 31, 2017. Therefore, public accounting firms should become familiar with the information required to be included in the Form AP and begin to develop processes to obtain the required information.				
Modify	Added new second paragraph under Instructions and minor modifications in third paragraph, as follows: The auditor may use ***AID-603 Component Identification and Analysis***, to identify, assess significance of, and document all the components included in the group. This audit program contemplates that (1) the principal auditor's engagement team will establish an overall audit strategy and develop audit plan(s), and (2) the principal engagement partner is responsible for reviewing the overall audit strategy and audit plan(s), including the direction, supervision and performance of the audit engagement(s) in compliance with professional standards and applicable legal and regulatory requirements. Added Practice Point: **Practice Point:** The decision about whether to make reference to an other auditor in the auditor's report on internal control over financial reporting over the group financial statements might differ from the corresponding decision as it relates to the audit of the financial statements. For example, the audit report on the group financial statements may make reference to the audit of a significant equity investment performed by an other auditor, but the report on internal control over financial reporting over the group financial statements might not make a similar reference because management's assessment about internal control over financial reporting ordinarily would not extend to controls at the equity method investee.	Instructions			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Step 17; modified Practice Point: **Practice Point:** The decision to make reference to the audit of another auditor is made individually for each other auditor who has performed significant audit work. The principal auditor of the group financial statements may make reference to any, all, or none of the other auditors. For integrated audits, in situations in which management elects to limit its assessment about internal control over financial reporting by excluding certain entities, the auditor should evaluate whether it is appropriate, in the auditor's judgment, to do so. If the auditor concludes that it is appropriate, the auditor should include either in an additional explanatory paragraph or as part of the scope paragraph of the report a disclosure similar to management's regarding the exclusion of an entity from the scope of both management's assessment about internal control over financial reporting and the auditor's audit of internal control over financial reporting. Additionally, the auditor should evaluate the appropriateness of management's conclusion and disclosure related to such a limitation.	Procedures steps			
AUD-603 Audit Program: Using the Work of an Auditor's Specialist					
Modify	Added new Practice Point: **Practice Point:** An auditor's specialist includes either an auditor's internal specialist (who is a partner or staff, including temporary staff**,** of the auditor's firm or a network firm) or an auditor's external specialist.	Instructions			
AUD-701 Audit Program: Designing Tests of Controls					
Modify	Modified step 28 and substeps; now reads as follows: We have formed an opinion on the effectiveness of internal control over financial reporting by evaluating evidence obtained from all sources including: a. Our testing of controls for the audit of internal control over financial reporting; b. Any additional tests of controls performed to achieve the objective related to expressing an opinion on the financial statements; c. Findings or misstatements detected during the financial statement audit; d. Any identified deficiencies; and e. Reports issued during the year by the internal audit function (or similar functions) that address controls related to internal control over financial reporting.	Procedures steps			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	AID-903 Audit Report Preparation Checklist				
AUD-801 Audit Program: Cash					
Modify	Under Cash Confirmations-Prep, modified step (step 4) now reads as follows: For accounts selected for testing, we obtained electronic bank confirmations or requested that the entity prepare bank confirmation forms for bank/custodian accounts used during the period under audit (see the sample confirmation request at ***COR-802 Standard Form to Confirm Account Balance Information with Financial Institutions***). When not performed electronically, we maintained control of the bank confirmation forms and mailed the forms directly to the bank/custodian.				
AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities					
Deleted	The content of this audit program has been split up and reorganized as 802A and 802B.		N		Due to the split of this program only “Investments in Securities” audit area will stay selected in AUD-100 tailoring question, “What financial statement audit areas are applicable to this engagement?”. The user will need to reselect the “Derivative Instruments and Hedging Activities” audit area if this audit area is applicable. The same function will happen in the next TQ, “What audit areas, applicable to the engagement, will you be performing tests of the operating effectiveness of controls?” Due to only being able to retain the “Investments in Securities” audit area and not both due to split, the audit area “Derivative Instruments and Hedging Activities” will be lost from KBA-400 and new flow will need to be established in AUD-100, if applicable.
AUD-802A Audit Program: Investments in Securities					
New	Former AUD-802 content for investments in securities; updated; new practice alerts and practice points added.	Text	Y	ASU No. 2016-01	Make sure to publish AUD-802 from the 2015 title before rolling the file forward as there are many steps that will reset due to this split of this audit program. There are some TQ’s that will reset on roll forward as well since they may be duplicated in these programs now and can’t retain the answer to both places from 2015.
AUD-802B Audit Program: Derivative Instruments and Hedging Activities					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
New	Former AUD-802 content for derivative instruments and hedging activities; updated; new practice alerts and practice points added.	Text	Y	ASU No. 2016-01; AU-C Section 540	Make sure to publish AUD-802 from the 2015 title before rolling the file forward as ALL TQ's and ALL steps will RESET on roll forward.
AUD-803 Audit Program: Accounts Receivable and Revenue					
Modify	Updated with new Practice Point: **Practice Point:** FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, is the culmination of a joint project with the International Accounting Standards Board IIASB) which simultaneously issued IFRS 15, *Revenue from Contracts with Customers*. The new revenue recognition guidance affects all entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or leasing contracts). This ASU, including its related amendments, will supersede the current revenue recognition requirements found in ASC Topic 605, *Revenue Recognition*, and eliminates most industry-specific guidance that has been developed over several decades. The amendments change the revenue recognition model to a five step model to be applied to all transactions involving the transfer of goods and services to customers. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted, however, no earlier than periods beginning after December 15, 2016 (January 1, 2017 for calendar year entities). Entities should begin to prepare for the adoption and to understand the impact to their financial statements for periods which may need to be retroactively restated as of the adoption date.	Text		ASU 2014-09	
Modify	Receivables Analytical step (step 1) modified, eliminating sub-substeps (1) through (6) under 1.g.	Procedures steps	N		
Modify	Reorganized steps 9 through 29.	Procedures steps			
AUD-804 Audit Program: Inventories and Cost of Sales					
Modify	Added new Practice Alert: **Practice Alert:** In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. The amendments in ASU No. 2015-11 do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. ASC Topic 330 currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable	Purpose	Y	ASU No. 2015-11	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	value, or net realizable value less an approximately normal profit margin. Under ASU No. 2015-11, inventory within the scope of the guidance is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.				
Modify	Added new step 2 (under "Perpetual Inventory) and new practice point: a. If the entity maintains perpetual inventory records and verifies them in cycles continually throughout the year, we reviewed the results of the entity's cycle counts to make a preliminary assessment of the reliability of the system. If the system appears reliable, we tested the system. New TQ, "Does the entity maintain a perpetual inventory system?" was added that if answered "No" will mark this step as N/A. **Practice Point:** The auditor's tests typically include a selection of items from the perpetual records for tracing to the physical inventory and a selection from the physical inventory items for tracing to the perpetual records. These tests can be performed on either an interim or a year-end basis. If the system does not appear reliable, the auditor may need to require the entity to take a full physical inventory at year-end.	Procedures step			
Modify	Updated the Practice Point under step 5 as follows: **Practice Point:** Accounting Standards Update No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, changes the current measurement of inventory from the lower of cost or market to the lower of cost or net realizable value. The ASU does not impact entities accounting for inventory using the LIFO or retail inventory method. The amendments to the ASU are effective for public entities for years beginning after December 15, 2016; however, early adoption is permitted.	Procedures steps	Y	ASU 2015-11	
AUD-806 Audit Program: Intangible Assets					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Updated with new Practice Alerts	Text, under title	Y	ASU-2015-16; ASU 2015-05	
Modify	Modified substep 2.d.(3), now reads as follows: We ascertained that capitalized costs are recognized in accordance with the requirements of the applicable financial reporting framework (e.g., technological feasibility met; product design has been completed). Deleted substep: We evaluated whether the intangible asset was recorded in accordance with the applicable financial reporting framework.	Procedures steps	N		
Modify	Modified substep 2.f. now reads: We reviewed valuations (prepared by an independent third party or internally) for intangible assets, obtained an understanding of the methods used, and assessed the reasonableness thereof.	Procedures steps	N		
Modify	Modified substep (4.c); now reads as follows: We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework. Deleted the following substep: We identified fully amortized intangible assets and ascertained whether they are still utilized or held by the entity, and whether they have been de-recognized in accordance with the applicable financial reporting framework.	Procedures steps	N		
Modify	Modified sub-substep 3.d.(9), which now reads as follows: A current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.	Procedures steps	N		
Modify	Deleted sub-substep 3.e. (3): If there is an indication that an asset may be impaired, we evaluated whether the entity reviewed the remaining useful life, the depreciation (amortization) method, and the	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	residual value for the asset and, if needed, adjusted it in accordance with the applicable financial reporting framework, even if no impairment loss is recognized for the asset. Modified substep 3.f, which now reads as follows: If an impairment loss should have been or was recognized, we tested the calculation of the loss in accordance with the applicable financial reporting framework and evaluated whether any impairments or write-offs have been authorized and approved by appropriate officials and examined related supporting documentation (e.g., board minutes, agreements, and correspondence).				
Modify	Modified step 4 and substeps, which now read: For long-lived intangible assets subject to amortization that are to be disposed of by sale, we performed the following procedures to evaluate such assets for impairments or write-offs: a. We evaluated whether long-lived intangible assets (disposal group) classified as to be disposed of by sale meet the criteria for such classification in accordance with the applicable financial reporting framework. b. We verified that held-for-sale assets are measured at the lower of their carrying amount or fair value less cost to sell. c. We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework. d. We evaluated whether any impairments or write-offs have been authorized and approved by appropriate officials and examined related supporting documentation (e.g., board minutes, agreements, and correspondence).	Procedures steps	N		
Modify	Added the following steps and substeps, and Practice Point: Criteria to Amortize Good Will	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	We have evaluated whether the entity has properly made an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level, as part of its election to amortize goodwill. Triggering Events and Goodwill Impairment We evaluated whether management has properly identified triggering events, determined whether management properly tested goodwill for impairment, and performed the following procedures: 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 entity (or reporting unit) is less than its carrying amount, we have reviewed and evaluated management's assessment and conclusion. b. If the entity performed a quantitative goodwill impairment test, we tested management's analysis by comparing the entity's (or the reporting unit's) fair value with its carrying amount. c. If the carrying amount of the entity (or reporting unit) exceeds its fair value, we ascertained that an impairment loss has been properly recognized in the income statement in an amount equal to that excess. d. After any impairment loss is recognized, we ascertained that management appropriately adjusted the carrying amount of the goodwill so the adjusted carrying amount becomes its new accounting basis. **Practice Point:** Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.				
AUD-807 Audit Program: Property and Equipment, and Depreciation					
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date:	Purpose	Y	ASU No. 2016-02	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	• A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and • A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.				
Modify	Deleted previous sub-substeps 2.c.(1) and (2): Depreciation expense to total depreciable fixed assets. Repairs and maintenance expense to total depreciable fixed assets.	Procedures steps	N		
Modify	Modified substep 9.c., now reads as follows: We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
AUD-808 Audit Program: Accounts Payable and Purchases					
Modify	Added new item "C" to the Primary Objectives table: Expenses and costs of products and services are valid, complete, and recorded correctly as to account, amount,	Table other than procedures	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	and period. Recorded expenses include costs that are properly allocable to the year and are properly matched with revenues.				
AUD-809 Audit Program: Payroll and Other Liabilities					
Modify	Added: **Practice Alert:** In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-04, *Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*. For an entity with a fiscal year-end that does not coincide with a month-end (e.g., companies with a 52/53-week fiscal year), the amendments in ASU No. 2015-04 provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. Employee benefit plans are not within the scope of the amendments. If a contribution or significant event (e.g., a plan amendment, settlement, or curtailment that calls for a remeasurement in accordance with existing requirements) occurs between the month-end date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end, the entity should adjust the measurement of defined benefit plan assets and obligations to reflect the effects of those contributions or significant events. However, an entity should not adjust the measurement of defined benefit plan assets and obligations for other events that occur between the month-end measurement and the entity's fiscal year-end that are not caused by the entity (e.g., changes in market prices or interest rates). If an entity applies the practical expedient and a contribution is made between the month-end date used to measure defined benefit plan assets and obligations and the entity's fiscal year-end, the entity should not adjust the fair value of each class of plan assets for the effects of the contribution. Instead, the entity should disclose the amount of the contribution to permit reconciliation of the total fair value of all the classes of plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this ASU. The new guidance includes a similar practical expedient for interim remeasurement for significant events that occur on other than a month-end date, which permits entities to remeasure defined benefit plan assets and obligations using the month-end that is closest to the date of the significant event, adjusted as necessary for the effects of the significant event. The amendments are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and	Purpose	Y	ASU No. 2015-04	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. If elected, the practical expedient amendments should be applied prospectively.				
Modify	Modified step 2 (under Ratios), which now reads as follows: We computed the relevant ratios for the current year and compared them with the prior year's ratios and/or industry data (see the sample analytical procedures for payroll and related liabilities at ***AID-841 Payroll and Related Liabilities: Substantive Analytical Procedures***). Deleted the following (former substeps a. and b.) : a. Return on equity excluding owners' bonuses. b. Return on assets excluding owners' bonuses.	Procedures steps	N		
Modify	Deleted the following (former step 6): We reviewed management's disclosure of payroll and other short-term employee benefits for compliance with the applicable financial reporting framework (e.g., IFRS).	Procedures steps	N		
Modify	Modified sub-substeps 6.g (6) through (8), now read as follows: (6) We evaluated whether the actuary appears to have the proper professional qualifications and credentials, in accordance with PCAOB AU 336 (as of December 31, 2016, AS 1210), *Using the Work of a Specialist.* (7) We compared key plan provisions included in the actuarial valuation report to the latest plan document and inquired about any recent plan amendments. (8) We inquired of the entity as to any intent to terminate the plan.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
Modify	Modified step 7.b., which now reads as follows: We ascertained that the postemployment benefits are accrued in accordance with the applicable financial reporting framework. Deleted the following sub-substeps (1) through (4) from step 7: (1) They relate to services already rendered.	Procedures steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	(2) The employee's right to be paid postemployment benefits vests or accumulates. (3) It is probable the benefits will be paid. (4) The amount that will be paid can be reasonably estimated. Deleted former substep 7.g.: We evaluated whether management properly disclosed postemployment benefit policies relating to key management personnel, as well as any contingent liabilities relating to postemployment benefits.				
AUD-810 Audit Program: Income Taxes					
Modify	Added: **Practice Alert:** In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects current U.S. GAAP primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. ASU No. 2016-01 also amends ASC Topic 740, *Income Taxes*, to clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the entity's other deferred tax assets. This amendment is intended to reduce diversity in current practice whereby some entities evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities separately from their other deferred tax assets. In addition, ASU No. 2016-01 moves from ASC Topic 320, *Investments—Debt and Equity Securities*, to ASC Topic 740 the content addressing presentation of deferred tax assets relating to losses on available-for-sale debt securities. ASU No. 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities (including nonpublic entities), the requirements are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. **Practice Alert:** In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which changes how deferred taxes are classified on an entity's balance sheet. The ASU eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities (along with any related valuation allowance) as noncurrent.	Purpose	Y	ASU No. 2016-01; ASU No. 2015-17	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	Consequently, each jurisdiction will now only have one net noncurrent deferred tax asset or liability; however, entities are still prohibited from offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The amendments apply to all entities that present a classified balance sheet. For public business entities, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in ASU No. 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively (i.e., by reclassifying the comparative balance sheets) to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods.				
Modify	Added C. to the Primary Audit Objectives table: C. Provisions for unrecognized tax benefits (uncertain tax positions), including the related liability, penalties, and interest have been properly accounted for and disclosed.	Table, other than procedures	N		
Modify	Under the step heading Income Tax Accruals, modified step 3, deleting former substep b: The entity’s position and support for income-tax-related disclosures, such as (1) its effective tax rate reconciliation and (2) support for its intraperiod allocation of income tax expense or benefit to continuing operations and to items other than continuing operations. Step b modified, now reads: The entity’s basis for assessing deferred tax assets and related valuation allowances in accordance with the applicable financial reporting framework.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
AUD-811 Audit Program: Debt Obligations					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: • A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and • A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.	Purpose	Y	ASU No. 2016-02	
Delete	Modified step 1.b., deleting subitems (1) to (5).	Procedures steps			
Modify	Modified step 2.d., now reads as follows: We obtained copies of new debt agreements and amendments to existing agreements entered into during the year and reviewed terms, conditions, and restrictive covenants.	Procedures steps			Step will reset on roll forward due to extent of changes.
AUD-814 Audit Program: Journal Entries and Financial Statement Review					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Deleted	Deleted: **Practice Point:** Steps 3 through 5 relate to testing journal entries and other adjustments for indications of potential fraud. Step 7 relates to testing journal entries as part of substantive procedures related to the financial statement reporting process. Because of the nature of the testing, the auditor may consider testing the steps in conjunction with each other.	Procedures steps	N		
Modify	Modified step 1, adding substeps 1.f and 1.g as follows: The nature and extent of the oversight of the process by management. Management's procedures for preparing the financial statements.				
Modify	Former substeps 9 through 19 moved down as new steps 19 through 29.	Procedures steps	N		These steps will retain on roll forward if you select to keep all responses on roll forward.
AUD-815 Audit Program: Related-Party Transactions					
Modify	Added new step 2: We performed the following risk assessment procedures to obtain an understanding of the entity's related-party relationships and transactions.	Procedures steps	N		
AUD-816 Audit Program: Fair Value Measurements and Disclosures					
Modify	Added: **Practice Alert:** In January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects current U.S. GAAP primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The following discussion addresses the more significant provisions of ASU No. 2016-01. *Equity investments with readily determinable fair values*. Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are required to be measured at fair value with unrealized holding gains and losses in fair value to be recognized in net income. This amendment supersedes the guidance that requires (1) classification of equity securities with readily determinable fair values into different categories (i.e., trading or available-for-sale), and (2) recognition of changes in fair value of available-for-sale securities in other comprehensive income. *Equity investments without readily determinable fair values*. For equity investments without readily determinable fair values, ASU No. 2016-01 eliminates the cost method of accounting previously allowed in ASC	Purpose	Y	ASU No. 2016-01; ASU No. 2015-07	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	Subtopic 325-20, *Investments—Other—Cost Method Investments*. Rather, under ASU No. 2016-01, an entity has the option to measure these equity investments either at: (1) cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, or (2) fair value. This amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment (similar to the qualitative assessment for long-lived assets, goodwill, and indefinite-lived intangible assets). When a qualitative assessment indicates that impairment exists, an entity is required to measure the equity investment at fair value and recognize an impairment loss in net income. The impairment loss is calculated as the difference between the fair value of the investment and its carrying amount. This impairment assessment reduces the complexity of the other-than-temporary impairment guidance entities were required to follow before ASU No. 2016-01. *Simplified disclosures.* This amendment eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. Although public business entities will still be required to do so, they no longer will have to disclose the methods and significant assumptions used in estimating those fair values. *Using the exit price notion when measuring fair value for disclosure purposes.* This amendment requires public business entities that are required to disclose fair value of financial instruments measured at amortized cost to use the exit price notion when measuring the fair value for disclosure purposes, consistent with ASC Topic 820, *Fair Value Measurement*. This change to U.S. GAAP eliminates the entry price method previously used by some entities to estimate the fair values of certain instruments when a market price is not available. *Financial liabilities measured under the fair value option.* For entities that elect the fair value option to measure financial liabilities, this amendment requires the entity to present separately in other comprehensive income the portion of the total change in the fair value of a financial liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit risk"). Upon derecognition of the financial liability, the accumulated gains and losses due to changes in the instrument-specific credit risk will be reclassified from other comprehensive income to net income. Under current U.S. GAAP, entities that elect the fair value option to measure financial liabilities recognize all changes in fair value in net income (including changes in fair value related to instrument-specific credit risk). *Separate presentation of financial assets and financial liabilities*. This amendment requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements. *Deferred tax assets*. This amendment clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	to available-for-sale debt securities in combination with the entity's other deferred tax assets. This amendment is intended to reduce diversity in current practice whereby some entities evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities separately from their other deferred tax assets. *Effective date*. ASU No. 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities (including nonpublic entities), the requirements are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. *Early adoption*. Nonpublic business entities may early adopt the standard in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years (i.e., as of the effective date for public business entities). Also, nonpublic business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures for financial statements of annual or interim periods that have not yet been made available for issuance, including those for periods in 2015. All entities may early adopt the provisions requiring them to recognize the fair value change in the instrument-specific credit risk in other comprehensive income for financial liabilities measured using the fair value option. These provisions may be early adopted for financial statements of annual or interim periods that have not yet been issued (public business entities) or made available for issuance (nonpublic business entities), including those for periods in 2015. *Transition guidance*. Entities should apply the standard by recording a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year of adoption, except as follows: (1) the provisions related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to all equity investments that exist as of the adoption date; and (2) the provisions that require the exit price notion to be used to measure the fair value of financial instruments for disclosure purposes should be applied prospectively. **Practice Alert:** In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. ASC Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date.				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	For investments that are redeemable with the investee at a future date, a reporting entity must consider the length of time until those investments become redeemable to determine the classification within the fair value hierarchy. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted.				
Delete	Deleted substep 7.b.(3): Whether the valuation technique meets the criteria of the applicable financial reporting framework and is appropriate in the circumstances.	Procedures steps	N		
Delete	Deleted substeps 7.e. thru 7.h.: We determined that the method of estimation and significant assumptions used are adequately disclosed. We evaluated whether the disclosures adequately inform users about any estimation uncertainty (e.g., observable market input and entity-specific input disclosures). We evaluated whether the nature and extent of risks arising from financial instruments are adequately disclosed in accordance with the applicable financial reporting framework. If the required fair value disclosures have been omitted because it is not practicable to determine fair value, we evaluated the adequacy of disclosures required in the circumstances and whether the financial statements are materially misstated.	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Delete	Deleted former step 10: We considered applying additional audit procedures (e.g., inspecting an asset) to obtain adequate evidence about the appropriateness of a fair value measurement.	Procedures steps	N		
Modify	Modified step 10 (formerly step 11); now reads as follows: If the fair value measurement was made as of a date that is different from the date that the entity is required to measure and report that information in its financial statements, we evaluated whether management has appropriately considered the effect of intervening events, transactions, and changes in circumstances (i.e., those occurring between the date of fair value evidence and the reporting date).	Procedures steps	N		This step will retain on roll forward if the user selects to keep responses on roll forward.
Delete	Deleted former substep 14.b.(6): We determined that all tangible and intangible assets acquired and all liabilities assumed have been identified and accounted for in accordance with the applicable financial reporting framework.	Procedures steps	N		
Modify	Modified step 14.c, adding substeps as follows: (1) The purchase price allocation. (2) The methods, assumptions, and inputs used to assign values to the assets acquired and liabilities assumed, particularly those relating to items such as intangibles; complex financial instruments; inventories; executive compensation plans; and plant, property, and equipment. (3) The allocation of assets, including goodwill, and liabilities to reporting units. ***AUD-603 Audit Program: Using the Work of an Auditor's Specialist***	Procedures steps	N		Step will reset on roll forward due to extent of changes.
AUD-817 Audit Program: Variable Interest Entities					
Modify	Deleted the Practice Point about ASU 2014-07 about private companies to avoid confusion.	Procedures steps			
Modify	Modified step 13.d., now reads as follows: We considered using a valuation specialist.	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	AUD-603 Audit Program: Using the Work of an Auditor's Specialist				
Modify	Modified and simplified step 14, which now reads as follows: For VIEs for which the entity is the primary beneficiary, we determined that the entity has properly accounted for the VIE in its consolidated financial statements in accordance with the applicable financial reporting framework.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
AUD-818 Audit Program: Share-Based Payments					
Modify	Added Practice Point: **Practice Alert:** In March 2016, the FASB released Accounting Standards Update (ASU) No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The ASU is a result of the FASB's Simplification Project, and provides amendments to four main provisions within ASC Topic 718, including (1) accounting for income taxes upon the settlement of an award, (2) presentation of the excess tax benefits in the statement of cash flows, (3) accounting for forfeitures, and (4) minimum statutory withholding tax requirements and the presentation of employee taxes paid in the statement of cash flows. In short, the amendments eliminate the excess tax pool as a mechanism to track the reporting for excess tax benefits and shortfalls, and instead require all tax benefits and shortfalls to be recorded as a component of the current tax provision. Excess tax benefits should also be presented as an operating activity in the statement of cash flows and will no longer be presented as a financing activity. Additionally, reporting entities may elect to record forfeitures on an as incurred basis or, as under current GAAP, estimate the number of awards that are expected to vest. Last, the amendments provide for additional tax withholding amounts to be withheld by the employer before triggering liability accounting for the awards. The ASU also provides additional practical expedients for nonpublic entities. Public business entities will be required to adopt the amendments for annual periods and interim periods beginning after December 15, 2016. The transition methods differ for each respective amendment. Early adoption is permitted, however, an entity must elect to early adopt all amendments.	Text, above Purpose	Y	ASU 2016-09	
Modify	Moved substeps up into step 1.a., reducing signoffs; substep now reads: a. Requirements of the applicable financial reporting framework, such as: (1) Accounting for discounted options. (2) Accounting for variable plans. (3) Accounting for contingencies.	Procedures steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	(4) Accounting for tax effects.				
Modify	Modified step 10, reducing signoffs; now reads as follows: Where applicable, we have assessed the effect of the following factors on the fair value measurement: Expected term of the option; Expected volatility of the price of the underlying share for the expected term of the option; Exercise price of the option; Current price of the underlying share; Risk-free interest rate(s) for the expected term of the option; and Expected dividends of the underlying share for the expected term of the option.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
Modify	Modified step 12 & 13; now read as follows: For Black-Scholes or other closed form option pricing models, we have considered whether the risk-free interest rate is appropriate in the context of the remaining term of the option. For lattice or binomial option pricing model, we have considered whether the entity’s model incorporates a term structure of expected volatilities that uses an appropriate yield curve for the contractual period.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
Modify	Consolidated substeps in step 19 (reducing signoffs); now reads: We reviewed grant documentation to ensure that the terms conform to “plain vanilla” requirements. Added Practice Point: **Practice Point:** “Plain vanilla” options typically include the following basic characteristics: • Share options are granted at-the money; • Exercisability is conditional only on performing service through the vesting date; • If an employee terminates service prior to vesting, the employee would forfeit the share options; • If an employee terminates service after vesting, the employee would have a limited time to exercise the share options; and • Share options are nontransferable and non-hedgeable.	Procedures steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Consolidated substeps in step 23 (reducing signoffs); now reads: We have considered the criteria established by the applicable financial reporting framework for exclusive reliance on historical volatility, including relevant factors. Added Practice Point: **Practice Point:** Factors that may be considered include the following: • Whether the entity has reason to believe that its future volatility over the expected or contractual term, as applicable, is likely to differ from its past; • Whether the computation of historical volatility uses a simple average calculation method; • Whether a sequential period of historical data at least equal to the expected or contractual term of the share option, as applicable, is used; and • Whether a reasonably sufficient number of price observations are used, measured at a consistent point throughout the applicable historical period.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
Modify	Revised steps 31 and 32; now read as follows: For Black-Scholes or other closed form pricing model, we have evaluated whether the entity used an appropriate risk-free interest rate and an appropriate yield based on the traded price. For lattice or binomial option pricing model, we have verified that the entity properly calculated the yield curve and accurately entered the yields into the model.	Procedures steps	N		
Modify	Modified substep 33.a., and added Practice Point, as follows: 33. With respect to expected dividends: a. We evaluated whether the entity has the intent and ability to pay the dividends that are embodied in the expected dividend assumption. **Practice Point:** Sufficient cash and observable trends provide evidence of the entity's intent and ability to pay dividends.	Procedures steps	N		
Modify	Steps after 36 reorganized (deleted 37 to 60). Step 37 and substeps now read as follows: Existence of Share Option Plans	Procedures steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	We determined the existence of any share option plans, traced authorization and details to board of directors and other appropriate committee meeting minutes, and performed the following procedures: a. We obtained an understanding of the option plan, including the following: • The persons who are entitled to receive options. • The number of shares authorized for grants. • The method for determining the option price. • Vesting requirements. b. We obtained an understanding of the method and significant assumptions used during the year to estimate the fair values of options, including the following: • Risk-free interest rate. • Expected life. • Expected volatility. • Expected dividends. c. We obtained, or prepared, and tested analyses of share options, which include the number and exercise prices of options that were: • Outstanding and exercisable at the beginning of the year. • Granted during the year. • Exercised during the year. • Forfeited during the year. • Expired during the year. • Outstanding and exercisable at the end of the year. • We determined that the appropriate accounting treatment had been applied.				
Modify	Modified step 46.a., reducing signoffs; now reads: a. For awards already accounted for in accordance with the applicable financial reporting framework, we tested that the entity considered	Procedures steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	the impact of the modification on all of the following: • The classification of the award as equity versus liability. • The amount of compensation cost. • The expected life of an option. • The probability of performance targets being achieved.				
Modify	Modified step 47.a., reducing signoffs; now reads: a. Reviewing the terms of executive compensation agreements to see if: • Executives have any latitude in selecting the dates their options are awarded, • Exercise prices are allowed to be less than grant date market price, or • Authority for grants is delegated to management.	Procedures steps	N		Step will reset on roll forward due to extent of changes.
Modify	Modified Disclosure Compliance step (52); now reads: Disclosure Compliance 52. We reviewed financial statement disclosures related to this cycle to ensure: ***KBA-901 Financial Statement Disclosures Checklist*** a. Disclosed events and transactions have occurred and pertain to the entity. b. All disclosures that should have been included in the financial statements have been included. c. Financial information is appropriately presented, classified, and described and disclosures are clearly expressed and at appropriate amounts.	Procedures steps	N		
AUD-819 Audit Program: Commitments and Contingencies					
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required	Purpose	Y	ASU No. 2016-02	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	recognize the following for all leases (with the exception of short-term leases) at the commencement date: • A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and • A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.				
Modify	Modified wording in step 14 substeps b through e; now read as follows: b. Whether the entity is aware of any potential environmental hazards on its site and what steps management has taken to minimize the entity's exposure for environmental remediation liabilities. c. Whether the entity is required to have a permit to transport, treat, store, or dispose of any potential environmental hazards. d. Whether the entity generates any potential environmental hazards or "regulated substances"	Procedures steps	N		These steps will retain on roll forward if the user selects to keep responses on roll forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	in its business and how it disposes of these substances. e. Whether the entity ever used landfills, underground storage tanks, or barrels to dispose of any potential environmental hazards and how management tests and monitors for leakage.				
Modify	Modified step 21; now reads as follows: If the entity had not consulted legal counsel during the period under audit, we included the following item in the representation letter from management: "We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments." ***COR-901 Management Representation Letter***	Procedures steps	N		Step will reset on roll forward due to extent of changes.
AUD-902 Audit Program: Going Concern					
Modify	Added: **Practice Alert:** In August 2014, FASB issued Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* to provide guidance under U.S. GAAP as to whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. Under generally accepted auditing standards (U.S. GAAS), the auditor's responsibility is to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time (AU-C Section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*), which is defined as "a period of time not to exceed one year beyond the date of the financial statements being audited." ASU No. 2014-15 requires the entity's management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for interim periods thereafter. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued.	Instructions	Y	ASU No. 2014-15	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Added (under step 5): **Practice Point:** U.S. GAAP requires an entity's management to assess whether substantial doubt about an entity's ability to continue as a going concern exists within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). Management must evaluate in aggregate whether conditions and events indicate that it is probable the entity will not be able to meet its obligations when they come due. Therefore, auditors should assess management's process for performing the going concern assessment, including any potential implications on internal controls.	Procedures steps	N		
Modify	Added (under step 8, substep a.): **Practice Point:** When performing an audit of financial statements prepared in accordance with U.S. GAAP, the period of evaluation should extend at least one year from the date the financial statements are issued or available to be issued, which is typically the report date.	Procedures steps	N		
AUD-903 Audit Program: Consideration of Fraud					
Modify	Added Practice Point: **Practice Point:** The PCAOB issued its *Inspection Observations Related to PCAOB "Risk Assessment" Auditing Standards (No. 8 through No. 15)* in October 2015. The inspection report details the PCAOB's observations and inspection findings with regard to the implementation of, and compliance with, the Risk Assessment Standards during the 2012 – 2014 inspections of registered public accounting firms. A common finding identified by the PCAOB relates to the inappropriate identification and performance of substantive procedures, including tests of details that were specifically responsive to fraud risks and other significant risks that were identified. In designing and performing substantive tests, auditors should identify tests which are responsive to the specific fraud risks identified in the risk assessment.	Instructions	Y	Risk Assessment Standards	
Modify	Deleted the "Brainstorming" segment (steps 1-27).	Table			The 2015 AUD-903 steps 2, 2a – 2d, 3, 4, 5, and 6 will retain into KBA-501 on roll forward if you have set to keep all responses on roll forward. If KBA-501 wasn't included in the binder before roll forward please insert it so that these steps will retain on roll forward.
AUD-904 Audit Program: Compliance with Laws and Regulations					
Modify	Modified throughout with additional steps:	Procedure steps	N		
Modify	Modified step 1; now reads as follows: 1. We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates,	Procedure steps	N		Step will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	including the identification of instances of noncompliance, by performing the following steps: a. Understanding the entity's policies and procedures for compliance with laws and regulations; b. Inquiring of management regarding compliance with laws and regulations; c. Understanding those laws and regulations that directly determine the reported amounts and disclosures in the financial statements; d. Inspecting correspondence, if any, with the relevant licensing or regulatory authorities; and e. Incorporating our knowledge of the entity's history of noncompliance with laws and regulations.				
AUD-909 Interim Review Program: Management Inquiries					
Modify	Under "General", added steps 12 and 13, as follows: *Do you have any knowledge or suspicion of, or are you aware of any allegations of noncompliance with laws and regulations affecting the entity involving management or others where the noncompliance with laws and regulations could have a material effect on the financial statements? *Are any entities, other than the reporting entity, commonly controlled by the owners?	Procedure steps	N		
Modify	Under "General," added step 19 as follows: *Have any significant transactions occurred or been recognized near the end of the reporting period?	Procedure steps	N		
Modify	Under "Cash and Cash Equivalents," modified step 1; now reads as follows: Have cash and cash equivalent accounts been reconciled with book balances on a timely basis?	Procedure steps	N		This step will retain on roll forward if the user selects to keep responses on roll forward.
Modify	Under "Cash and Cash Equivalents," added new step 8; now reads as follows: Have intercompany transfers, if any, been reported properly?	Procedure steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
Modify	Under "Investments in Marketable Equity Securities," added new step 1 as follows: Has an appropriate basis of accounting been used to determine the value of investments reported in the financial statements and has it been consistently applied across periods?	Procedure steps	N		
Modify	Under "Investments in Marketable Equity Securities," modified step 4 as follows: Have adjustments to fair value, including unrealized gains and losses, been reported in the income statement for the trading portfolio and in owners' equity for the available-for-sale portfolio?	Procedure steps	N		This step will retain on roll forward if the user selects to keep responses on roll forward.
Modify	Under "Inventories," added new steps 2 and 8 as follows: Were adequate procedures used to take the latest physical inventory and what date was that inventory taken? Has inventory been reviewed for obsolescence or cost in excess of net realizable value, and have write-downs for obsolescence or cost in excess of net realizable value been made?	Procedure steps	N		
Modify	Under "Property, Plant, and Equipment," added new step 3 as follows: Has a physical inventory count of property and equipment been taken?	Procedure steps	N		
Modify	Under "Property, Plant, and Equipment," modified steps 5 and 7, which now read as follows: Are repairs and maintenance costs properly reflected as an expense in the income statement and does the repairs and maintenance account only include expenses? Are depreciation methods appropriate and have they been applied in a consistent manner?	Procedure steps	N		Step will reset on roll forward due to extent of changes.
Modify	Under "Intangible Assets," modified steps 4 and 5, which now read as follows: Have goodwill and other intangible assets not subject to amortization been tested for impairment at least once per year?	Procedure steps	N		Steps will reset on roll forward due to extent of changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations and Update Content Considerations
	*Has there been any significant impairment in the value of goodwill or other intangibles not subject to amortization?				
Modify	Under “Accounts and Notes Payable and Accrued Liabilities,” modified step 2: Have loans from financial institutions and other short-term liabilities been properly classified?	Procedure steps	N		This step will retain on roll forward if the user selects to keep responses on roll forward.
Modify	Under “Long-Term Liabilities,” added new steps 6 and 8 as follows: Have collateralized or subordinated liabilities, or noncompliance with loan covenants been properly reflected in the financial statements? Have obligations that, by their terms, are due on demand within one year from the balance sheet date been properly reclassified into the current liability section of the balance sheet?	Procedure steps	N		
Modify	Under “Revenues and Expenses,” added new step 5: *Were any sales recorded under a "bill and hold" arrangement?	Procedure steps	N		
Modify	Under “Other,” added new steps 1, 2, and 3: *Have events occurred subsequent to the date of the financial statements that would require adjustment to, or disclosure in, the financial statements? Has the entity considered whether declines in market values subsequent to the date of the financial statements may be permanent or cause the entity to no longer be in compliance with its loan covenants, or both? *Have actions taken at meetings of stockholders, those charged with governance, or comparable meetings that affect the financial statements been reflected in the financial statements?	Procedure steps	N		

Practice Aids (AIDs)

- **AID-201** modified and updated sample correspondence to reflect the provisions of AICPA ET Section 1.295, *Nonattest Services*, of the AICPA Code of Professional Conduct, including independence considerations and threats to independence and safeguards.
- **AID-302** modified with new practice point and additional references.
- **AID-601** modified and updated throughout to reflect the provisions of AS 3, *Audit Documentation*, and AS 2605, *The Auditor’s Consideration of the Internal Audit Function in an Audit of Financial Statements*.

- **AID-701** modified Purpose to add consideration, if applicable, for an audit that is integrated with an audit of internal control over financial reporting. New Practice Point added regarding the auditor's assessment of control risk; Section III table modified to add a column for "Assertion Is Relevant/Not Relevant."
- **AID-702** modified to add a new Practice Point under Instructions and an Appendix illustrating a recommended workflow when evaluating and testing controls.
- **AID-806** modified to add new column for "Number of Shares of Stock."
- **AID-810** modified title to ***Accounts Receivable: Substantive Analytical Procedures***
- **AID-821** modified title to ***Inventory Substantive Analytical Procedures***
- **AID-823** modified title to ***PPE Substantive Analytical Procedures***
- **AID-829** modified title to ***Accrued Liabilities: Substantive Analytical Procedures***
- **AID-831** modified title to ***Accounts Payable: Substantive Analytical Procedures***
- **AID-833** modified title to ***Debt Obligations and Interest: Substantive Analytical Procedures***
- **AID-835** modified to add a section for "Permanent Differences."
- **AID-837** modified to add a column for "Transferred to Certificate No."
- **AID-838** modified to add a line for "Share-based compensation" under "Additions."
- **AID-839** modified to add a column for "Attorney Representation."
- **AID-840** modified title to ***Revenue and Expense: Substantive Analytical Procedures***
- **AID-841** modified title to ***Payroll and Related Liabilities: Substantive Analytical Procedures***
- **DELETED:** Former **AID-843** ***Operating Lease vs. Own Analysis*** and **AID-844** ***Operating Lease vs. Capital Lease Analysis***.
- **AID-903** modified with new references.

Auditor's Reports (RPTs)

- **RPT-0929** Title has been modified to ***Unqualified Opinion: Report in Connection with an Audit Conducted in Accordance with PCAOB Standards and in Accordance with the International Standards on Auditing***
- **NEW RPT-929A Unqualified Opinion: Report in Connection with an Audit Conducted in Accordance with PCAOB Standards and in Accordance with U.S. GAAS** sample illustrative report in connection with an audit conducted in accordance with PCAOB Standards and in accordance with U.S. GAAS.

Correspondence Documents (CORs)

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-201; COR-202	Modify	Added, under "Other": You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.	Text		
COR-601; COR-602	Modify	Added, under "Response": Should our auditors require an update to your response, please furnish the requested update.	Text		
COR-803	Modify	Modified column headings in table; added CUSIP and fair value.	Table		
COR-804	Modify	Modified, including CUSIP and fair value.	Test of Letter		

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
CORs 907–911, 913, and 914	Modify	Modified, adding “Reasonably possible” and “Probable” considerations	Text of Letter		

Resource Documents (RESs)

- **RES-001** modified as appropriate reflecting AS 18 & SEC Rule 17A-5.
- **RES-002** modified as appropriate to incorporate new workpapers and title modifications.
- **NEW RES-021** ***Special Considerations in Auditing Financial Instruments*** provides examples of questions that may be helpful to the auditor in obtaining an understanding of an entity's controls over its financial instrument activities.

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:

- PCAOB Auditing Standard No. 18 (AS 18), *Related Parties, Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards.*
- Staff Audit Practice Alert No. 12, *Matters Related to Auditing Revenue in an Audit of Financial Statements*.
- Staff Audit Practice Alert No. 13, *Matters Related to the Auditor’s Consideration of a Company’s Ability to Continue as a Going Concern*.
- Staff Audit Practice Alert No. 14, *Improper Alteration of Audit Documentation*.
- SEC Release No. 34-72087 (May 2014), SEC approval of *Amendments to Conform PCAOB Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications*.
- ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.
- FASB Accounting Standards Codification as of June 30, 2016.

The 2016 edition of ***Knowledge-Based Audits of Public Entities*** is current through standards and rules issued and approved through June 30, 2016.

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.

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
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-104	Summary and Evaluation of Misstatements and Omitted, Inaccurate, or Incomplete Disclosures	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form		
KBA-301	Worksheet for Determination of Materiality and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment		
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	

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
KBA-401	Understanding Entity-Level Controls		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Revenue; Contracts, Retentions, and Accounts Receivable; and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Inventory		
KBA-405	Understanding Activity-Level Controls: Property, Plant, and Equipment		
KBA-406	Understanding Activity-Level Controls: Other Assets		
KBA-407	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-408	Understanding Activity-Level Controls: Payroll and Other Liabilities		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-412	Understanding Controls Maintained by a Service Organization		X
KBA-501	Team Discussion of the Risks of Material Misstatement		
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
KBA-905	Audit Documentation Checklist		
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-601	Audit Program: Testing and Evaluating Internal Auditors' Work		
AUD-602	Audit Program: Involvement of Other Auditors		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-802A	Audit Program: Investments in Securities		
AUD-802B	Audit Program: Derivative Instruments and Hedging Activities		
AUD-803	Audit Program: Accounts Receivable and Revenue		
AUD-804	Audit Program: Inventories and Cost of Sales		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
AUD-805	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-806	Audit Program: Intangible Assets		
AUD-807	Audit Program: Property and Equipment, and Depreciation		
AUD-808	Audit Program: Accounts Payable and Purchases		
AUD-809	Audit Program: Payroll and Other Liabilities		
AUD-810	Audit Program: Income Taxes		
AUD-811	Audit Program: Debt Obligations		
AUD-812	Audit Program: Equity		
AUD-813	Audit Program: Other Income and Expense		
AUD-814	Audit Program: Journal Entries and Financial Statement Review		
AUD-815	Audit Program: Related-Party Transactions		
AUD-816	Audit Program: Fair Value Measurements and Disclosures		
AUD-817	Audit Program: Variable Interest Entities		
AUD-818	Audit Program: Share-Based Payments		
AUD-819	Audit Program: Commitments and Contingencies		
AUD-820	Audit Program: Accounting Estimates		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
AUD-821	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-907	Interim Review Program: Review of Interim Financial Information		
AUD-908	Audit Program: Previously Reported Material Weakness Continues to Exist		
AUD-909	Interim Review Program: Management Inquiries		
AIDs	**PRACTICE AIDS**		
AID-302	Understanding the Entity'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-702	Results of Tests of Controls		
AID-801	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.

Workpaper Requiring Association	*What is it associated with?*		
	Workpaper	*Table/Question*	*Association Item (Custom Value)*
KBA-412 Understanding Ctrls: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the entity 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: Involvement of Other Auditors (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 expect to use a specialist on this engagement? 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 expect to use a specialist on this engagement? 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