

# 2016 CONSTRUCTION CONTRACTORS AND RELATED 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 Construction Contractors and Related Entities** has been updated to help auditors conduct efficient and effective audit engagements in accordance with U.S. GAAS and is current through the most recent auditing standards, AICPA Statement on Auditing Standards (SAS) No. 131, *Amendment to Statement on Auditing Standards No. 122 Section 700, "Forming an Opinion and Reporting on Financial Statements"* (AU-C Section 700), and SAS-130, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AU-C Section 940). 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. 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. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended U.S. GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2016 edition of *Knowledge-Based Audits of Construction Contractors and Related Entities* includes the following updates:

### Knowledge-Based Audit Documents (KBAs)

- **KBA-303** title has been modified to *Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations*
- **KBA-501** title has been modified to *Team Discussion and Consideration of the Risks of Material Misstatement*

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBA-101 Overall Audit Strategy</b>					
Modify	Practice Points added and/or modified for the industry throughout. Section I Item 4 modified; now reads as follows: Users of the financial statements (e.g., owners, shareholders, surety, bonding agents, lenders).	Section I Reporting Requirements, table	N		
Modify	Section I, Audit Coverage, added: The auditor may use <i>AID-603 Component Identification and Analysis</i> to document the entity's components and	Section 1	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	the auditor's assessment of the significance of each component.				
Modify	<p>Section I, under Reliance on Others, added the following to item 4 (Is there a need for specialized skill or knowledge on the audit?):</p> <p>If "Yes," has the auditor prepared documentation to address potential independence considerations in accordance with Interpretation 101-3, <i>Performance of Nonattest Services</i>, of Rule 101, <i>Independence</i>, of the AICPA Code of Professional Conduct? The auditor may use <b>AID-201 Nonattest Services Independence Checklist</b> to document these independence considerations.</p>				
Modify	<p>Section III: Added step 3, including comment table and Practice Point:</p> <p>If applicable, the following is our rationale for concluding not to test operating effectiveness of controls:</p> <p><b>Practice Point:</b> 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. <b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b> may be used to assess the severity of the deficiency.</p>	Section III	N		
<b>KBA-102 Engagement Completion Document</b>					
	<p>Modified wording (customizing for the industry):</p> <p>Item a. now reads as follows:</p> <p>Significant matters involving the selection, application, and consistency of accounting principles, including related disclosures. Significant matters include, but are not limited to, accounting for complex or unusual transactions, contract-related and other accounting estimates, and uncertainties as well as related management assumptions.</p> <p>Item g. now reads as follows:</p>	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Management estimates for uncompleted contracts and other estimates.				
<b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b>					
Modify	SAS-130 updates throughout; modified throughout; modified instructions accordingly; columns have been reorganized; added N/A option to column 15.	Purpose; Instructions; text; table	Y	SAS-130	All columns will retain on roll forward.
<b>KBA-105 Review of Significant Accounting Estimates</b>					
Modify	<p>Modified table as in CORE, adding new column (Retrospective Review Performed, Yes, No) and Workpaper Reference column.</p> <p>Added some new wording to customize to industry; modified Practice Point:</p> <p><b>Practice Point:</b> As noted in the AICPA Audit and Accounting Guide, <i>Construction Contractors</i>, one of the most important phases of the audit of a construction contractor relates to estimated costs to complete contracts in process because that information is used in determining the estimated final gross profit or loss on contracts. Estimated costs to complete involve expectations about future performance, and the auditor should (a) critically review representations of management, (b) obtain explanations of apparent disparities between estimates and past performance on contracts, experience on other contracts, and information gained in other phases of the audit, and (c) document the results of work in these areas.</p> <p>While the AICPA Audit and Accounting Guide <i>Construction Contractors</i> refers to costs to complete, this is only half of the significant accounting estimates for this industry. The other half is the estimated revenues related to the contract costs of whose estimated costs to complete is being considered. To focus only on the consideration of estimated costs to complete on uncompleted contracts is to assume that the related/matching contract revenues are static. In the construction industry for uncompleted contracts, neither is static and both must be part of the audit process on management estimates.</p> <p>Added practice point:</p> <p><b>Practice Point:</b> Retrospective review for a construction industry commonly includes a review of prior period uncompleted contracts expected gross profit percentage compare to the final actual gross profit on those prior period uncompleted contracts. This is known as job gain or fade calculations. This can be</p>	Table; text	N		All columns will retain on roll forward if user uses the default roll forward settings or the 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
	performed using <b>AID-843 Contract Gain or Fade Calculations and History Tracking.</b>				
<b>KBA-200 Entity Information and Background</b>					
Modify	Step 8 now reads as follows: Users of the financial statements (e.g., owners, stakeholders, sureties, bonding agents, lenders):	Instructions (table)	N		This step will retain on roll forward with default roll forward settings.
<b>KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities</b>					
New	The Tailoring Question, “Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?” 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: <ul style="list-style-type: none"> <li>a. Management has not identified a main point of contact.</li> <li>b. Management and those charged with governance do not care about our integrity.</li> <li>c. 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.</li> </ul> Added threats and safeguards	Table			
Modify	Modified as in CORE Modified substep 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 “i”, 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 and available criteria as used by management for its assessment of the	Table	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	effectiveness of the entity’s internal control over financial reporting? (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> , effective for integrated audits for periods ending on or after December 15, 2016).				
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 ET Section 1.295, <i>Nonattest Services</i> , of the AICPA Code of Professional Conduct.)	Table - procedures steps	Y	Code	
Modify	Modified Section III table step “w” and “x” to add threats and safeguards; now read as follows: Have we evaluated client and auditor relationships and circumstances to identify potential threats to independence not identified above, including: <ul style="list-style-type: none"> <li>a. Adverse interest threat, which is the threat that interests in opposition to the client’s will cause a lack of objectivity?</li> <li>b. Advocacy threat, which is the threat that the auditor will promote the client’s interests to a point of impairing independence?</li> <li>c. 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?</li> <li>d. 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?</li> <li>e. 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?</li> <li>f. Self-review threat, which is the threat that services previously performed for the client will</li> </ul>	Table - procedures steps	Y	Code	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>not be adequately reviewed by the auditor in performing the engagement?</p> <p>g. 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?</p> <p>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.)</p> <p><b>Practice Point:</b> 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:</p> <p>Safeguards created by the profession, legislation, or regulation.</p> <p>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.</p> <p>Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements.</p>				
Modify	<p>Added new step 2, after Section III table:</p> <p>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.</p> <p><b>Practice Point:</b> 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).</p>	Table	Y	Code	
<b>KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholders for Trivial Amounts</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Moved “Performance Materiality” section above “Lesser Materiality” on both the Component Materiality tab and the Materiality Calculations tab of the excel version. Also moved this in the word version.	Text	N		
<b>KBA-302 Understanding the Entity and Its Environment: Complex Entities</b>					
Modify	Added: <b>Practice Point:</b> In an integrated audit, since risk assessment underlies the entire audit process for the audit of internal control over financial reporting described by AU-C Section 940, <i>An Audit of Internal Control over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> (effective for integrated audits for periods ending on or after December 15, 2016), the risk assessment procedures described in AU-C Section 315 (and incorporated in this practice aid) support both the financial statement audit and the audit of internal control over financial reporting.	Instructions	Y	AU-C Section 940	
Modify	Section III Nature of the Entity Added substep b (under item 7): Accounting alternatives adopted by the entity (e.g., those provided for private companies).  Also, modified item p for industry; now reads: Inventories or materials on job sites (e.g., locations and quantities).	Table	N		
Modify	Section V, items b and c modified for industry. Item b now reads: Objectives and strategies relating to new products and services and any related business risk (a potential related business risk might be, for example, a contract being performed in a new geographic area or work type). Item c now reads: Objectives and strategies relating to expansion of the business and any related business risk (a potential related business risk might be, for example, that local subcontractors and/or potential direct labor hires are not available and/or do not have sufficient talent in the particular need construction process.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	<p>Added Practice Point in Section VII</p> <p><b>Practice Point:</b> For an integrated audit, AU-C Section 940 states that 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 AU-C Section 240; (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.</p>	Table	Y	AU-C Section 940	
Modify	<p>Section VII, Subsection 1, under 12, Incentives and Pressures, items b modified for the construction industry; item k added.</p> <p>Item b now reads as follows: The entity is highly vulnerable to rapid changes, such as changes in technology, past construction procedures no longer permitted, or required training is constantly being updated, or interest rates.</p> <p>Item k reads as follows: The entity's management is facing pressure to be able to meet the requirements of bonding or surety (i.e. greater working capital or increased or new line of credit).</p>	Table	N		
Modify	<p>Section VII, Subsection 3 Noncompliance with Laws and Regulations, items, modified; now reads as follows:</p> <p>Lack of internal controls over the selection and/or monitoring of the federal "set aside" programs. Even if the DBE, WBW, for example, was qualified in the prior year or years, annual to more frequent verification of qualification may be necessary to match the risk of potential noncompliance to the federal rules and regulations.</p> <p>Practice Point added: <b>Practice Point:</b> Federal entities/agencies have heightened their efforts related to compliance with these "set aside" programs. As such, the importance and focus in the audit process should match this recent increase in risk.</p>	Table	N		
<b>KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>Added Practice Point:</p> <p><b>Practice Point:</b> In an integrated audit, since risk assessment underlies the entire audit process for the audit of internal control over financial reporting described by AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> (effective for integrated audits for periods ending on or after December 15, 2016), the risk assessment procedures described in AU-C Section 315 (and incorporated in this practice aid) support both the financial statement audit and the audit of internal control over financial reporting.</p> <p>Modified Practice Point:</p> <p><b>Practice Point:</b> When reporting on financial statements prepared in accordance with a financial reporting framework that is not GAAP, such as the AICPA Financial Reporting Framework for Small and Medium Enterprises (FRF for SMEs), the auditor should obtain an understanding of such framework.</p>	Instructions	Y	AU-C 940; FRF	
Modify	<p>Added Practice Point under Section VI:</p> <p><b>Practice Point:</b> For an integrated audit, AU-C Section 940 states that 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 AU-C Section 240; (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.</p>	Table	Y	AU-C 940	
<b>KBA-303 Inquiries of Management and Others Within the Entity About the Risks of Fraud and Noncompliance With Laws and Regulations</b>					
Modify	Modified title (as in CORE) to Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations.	Title; text	N		
Modify	<p>Added items under Inquiries of Management:</p> <p>Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity?</p> <p>Are you aware of any noncompliance with laws and regulations?</p> <p>Added Practice Point:</p>	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p><b>Practice Point:</b> When obtaining an understanding of the entity and its environment, the auditor should be alert for and inquire about matters that could give rise to significant risks, including:</p> <ul style="list-style-type: none"> <li>Significant transactions with related parties; and</li> <li>Potential contingencies arising from litigation, claims, assessments, and any history of noncompliance with laws and regulations.</li> </ul> <p>The auditor must consider areas where contractors have risk related to noncompliance with laws and regulations. One way to determine these is through prior knowledge and experience of the auditor with the particular client and/or industry or by inquiry.</p> <p>The following list is noninclusive of those areas to consider for contractors:</p> <ul style="list-style-type: none"> <li>Compliance with “set-asides” (e.g., DBE, WBE, or MBE);</li> <li>Payroll and related withholdings;</li> <li>HR and safety;</li> <li>Independent contractor issues;</li> <li>Licenses and permits;</li> <li>Trust fund issues for monies collected for subcontractors and suppliers (in certain states);</li> <li>Over billing and other types of fraud;</li> <li>Environmental; and</li> <li>Other regulatory (reporting).</li> </ul> <p>Methods to audit these issues can consist of confirmations, legal letters, management representation letters, and inquiry and inspection.</p>				
Modify	<p>Added items under Inquiries of Management:</p> <p>Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity?</p> <p>Are you aware of any noncompliance with laws and regulations?</p>	Table	N		
Modify	<p>Modified/Added under Inquiries of Management:</p> <p>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:</p> <p>Describe the entity’s policies and procedures regarding compliance with laws and regulations, and for</p>	Table			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
	<p>identifying, evaluating, and accounting for litigation claims resulting from noncompliance:</p> <p>Describe the entity's directives issued and periodic representations obtained from management at appropriate levels of authority concerning compliance with laws and regulations.</p>				
Modify	<p>Added (under Inquiries of Those Charged with Governance):</p> <p>Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity?</p> <p>Are you aware of any noncompliance with laws and regulations?</p>	Table	N		
Modify	<p>Added, under Inquiries of Internal Audit Function (if applicable):</p> <p>Are you aware of any noncompliance with laws and regulations?</p> <p>Modified:</p> <p>Describe your understanding of the risks of fraud at the entity, including any specific fraud risks the entity has identified or account balances, classes of transactions, joint ventures or contracts or disclosures for which a risk of fraud may be likely to exist:</p>	Table	N		
Modify	<p>Added (under Inquiries of Employees Involved in the Financial Reporting Process):</p> <p>Are you aware of any noncompliance with laws and regulations?</p>	Table	N		
Modify	<p>Added, under Inquiries of Others:</p> <p><b>Practice Point:</b> Per AU-C Section 240, <i>Consideration of Fraud in a Financial Statement Audit</i>, examples of others within the entity to whom the auditor may wish to direct these inquiries include:</p> <p>Employees involved in initiating, authorizing, processing, or recording complex or unusual transactions (which may help in evaluating the appropriateness of the selection and application of certain accounting policies);</p> <p>Employees with varying levels of authority within the entity, including, for example, entity personnel with whom the auditor</p>	Table	Y	AU-C Section 240	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>comes into contact during the course of the audit (a) in obtaining an understanding of the entity's systems and internal control, (b) in observing inventory or performing cutoff procedures, or (c) in obtaining explanations for fluctuations noted as a result of analytical procedures;</p> <p>Operating personnel not directly involved in the financial reporting process;</p> <p>Marketing, sales, or production personnel, or other operating personnel not directly involved in the financial reporting process;</p> <p>In-house legal counsel;</p> <p>Risk management function;</p> <p>Information systems personnel;</p> <p>Chief ethics officer or the equivalent position; and</p> <p>The person(s) charged with dealing with allegations of fraud.</p>				
Modify	<p>Added (under Inquiries of Others):</p> <p>Are you aware of any noncompliance with laws and regulations?</p> <p>Modified:</p> <p>Based upon the above inquiries, we investigated inconsistencies related to inquiries of management, those charged with governance, 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 <i>KBA-502 Summary of Risk Assessments</i>.</p>	Table	N		The modified question will be retained on roll forward if user selects to keep all responses.
<b>KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures</b>					
Modify	Modifications throughout (as in COM) and to customize to industry.	Text; table, other than procedures	N		
Modify	<p>Instructions; Table 1, added the following after the last sentence in "Significant Class of Transactions":</p> <p>It is possible that the contractor has not grouped its business cycles or accounts in these particular groupings. In other words, they have different names, "mixes," or combinations of these essential business cycles or processes. If such is the case it will not affect the auditor's ability to apply or perform the appropriate audit procedures or value of the KBA audit process. Use your judgment to adapt as appropriate.</p>	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
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.				
<b>KBA-401 Understanding Entity-Level Controls: Complex Entities</b>					
Modify	<p>Modified throughout as in CORE.</p> <p>Added, to Instructions, after first paragraph:  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.</p> <p>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:</p>	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>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.</p> <p>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.</p> <p>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.</p>				
Modify	<p>Modified bulleted text under “If “No,” Identify the Type of Deficiency”:</p> <p><i>Material weakness.</i> 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:</p> <ul style="list-style-type: none"> <li>— <i>Reasonably possible.</i> The chance of the future event or events occurring is more than remote but less than likely.</li> <li>— <i>Probable.</i> The future event or events are likely to occur.</li> </ul> <p><i>Significant deficiency.</i> A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important</p>	Table	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>enough to merit attention by those charged with governance.</p> <p><i>Deficiency in internal control.</i> 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 on a timely basis. A deficiency in <i>design</i> 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 <i>operation</i> 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 competence to perform the control effectively.</p> <p>Modified Instructions for table (under “If “Yes,” Are Controls Selected for Operating Effectiveness Testing?”):</p> <p>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, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, 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.</p>				
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		
<b>KBA-401N Understanding Entity-Level Controls: Noncomplex Entities</b>					
Modify	Added:	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p>				
Modify	<p>Under “Procedures Performed to Evaluate the Control / Workpaper Reference, modified:</p> <p>AU-C Section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, defines deficiencies as follows:</p> <p><i>Material weakness.</i> 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:</p>	Text	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>--<i>Reasonably possible</i>. The chance of the future event or events occurring is more than remote but less than likely.</p> <p>--<i>Probable</i>. The future event or events are likely to occur.</p> <p>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 charged with governance.</p>				
Modify	<p>Under Controls Selected for Operating Effectiveness, Added after the first paragraph:</p> <p>For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, 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.</p>	Text	Y	AU-C Section 940	
<b>KBA-402 Understanding General Controls for Information Technology</b>					
Modify	<p>Modified Section III instructions under “If No, Identify the Type of Deficiency”:</p> <p>AU-C Section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, defines deficiencies as follows:</p> <ul style="list-style-type: none"> <li>• <i>Material weakness</i>. 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: <ul style="list-style-type: none"> <li>— <i>Reasonably possible</i>. The chance of the future event or events occurring is more than remote but less than likely.</li> </ul> </li> </ul>	Table	Y	AU-C Section 265	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> <li>— <i>Probable</i>. The future event or events are likely to occur.</li> <li>• <i>Significant deficiency</i>. 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 charged with governance. <ul style="list-style-type: none"> <li>• <i>Deficiency in internal control</i>. 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 on a timely basis. A deficiency in <i>design</i> 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 <i>operation</i> 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 competence to perform the control effectively.</li> </ul> </li> </ul>				
Modify	<p>Modified:</p> <p><b>If “Yes,” Are Controls Selected for Operating Effectiveness Testing?</b></p> <p>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, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, 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.</p>	Table	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
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		
<b>KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts through KBA-412 Understanding Activity-Level Controls: Financial Reporting and Closing Process</b>					
	<p>Step 5 instructions, added:</p> <ul style="list-style-type: none"> <li>If testing the operating effectiveness of controls, document the <i>Description of the Identified Key Controls at AID-702 Results of Tests of Controls</i>.</li> </ul> <p>Table column modified: <i>Description of the Identified Key Controls (Document in AID-702, if applicable)</i></p> <p>Also, some wording modifications throughout, e.g., in the Control Objectives column, to customize to industry.</p>	Table; wording throughout	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 describe the control deficiency if the controls aren’t functioning so there is no blank flow to the Conclusion Section.	Table	N		
Modify	Column 5 header of the subprocess table was modified to read: Description of the Identified Key Controls (Document in AID-702, if applicable)				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	This part in parenthesis was added to remind the user where to document the key controls that may be tested.				
<b>KBA-413 Understanding Controls Maintained by a Service Organization</b>					
New	New Tailoring Question, “Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?” that will flow from answer from AUD-100.				
Modify	<p>Added:</p> <p><b>Practice Point:</b> 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 AU-C Section 402 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.</p>	Purpose	Y	AU-C Section 402	
Modify	<p>Added step:</p> <p>1. 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.</p> <p><b>Practice Point:</b> Changes in the service organization's controls may include:</p> <ul style="list-style-type: none"> <li>• Changes communicated to management from the service organization, including those related to the service organization's processes and information systems.</li> <li>• Changes in personnel at the service organization with whom management interacts.</li> <li>• Changes in the design or implementation of controls that were necessary to achieve the control objectives.</li> <li>• Changes in reports or other data received from the service organization.</li> </ul>	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> <li>• Changes in contracts or service level agreements with the service organization.</li> <li>• Errors identified in the service organization's processing or incidents of noncompliance with laws and regulations or fraud.</li> </ul>				
Modify	<p>Added step:</p> <p>In an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), 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:</p> <ol style="list-style-type: none"> <li>a. Deficiencies identified as a result of procedures performed.</li> <li>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.</li> <li>c. The significance of the activities of the service organization.</li> <li>d. Whether there are errors that have been identified in the service organization's processing.</li> <li>e. The nature and significance of any changes in the service organization's controls identified by management or the auditor.</li> </ol> <p>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.</p>	Table	Y	AU-C Section 940	
Modify	<p>Modified first step under Conclusion:</p> <p>We evaluated 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</p>	Table	N		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.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	the risks of material misstatement, or whether we need to perform updating or other procedures with respect to the service organization.				
New	Added new step 3, under Conclusion: 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.	Table	N		
<b>KBA-501 Team Discussion and Consideration of the Risks of Material Misstatement</b>					
Modify	<p>Title modified to “Team Discussion and Consideration of the Risks of Material Misstatement”</p> <p>Some wording modified to customize to industry.</p> <p>Added, to the 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 AU-C Section 240.</p> <p>Modified/added items: 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:</p> <ul style="list-style-type: none"> <li>— Entities formed to accomplish a specific purpose and that are controlled by management might be used to facilitate earnings management;</li> <li>— Transactions between the entity and an affiliate of a key member of management could be arranged to misappropriate the entity’s assets;</li> <li>— Equity distributions or capital contributions that may be structured as loans;</li> <li>— Transactions between the entity and related parties that may be subject to period-end window dressing (e.g., a stockholder may pay a loan shortly before period-end, but the entity loans the same amount to the stockholder shortly after period-end); and</li> </ul>	Instructions	N	AU-C Section 240	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>— 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.</p>				
Modify	<p>Added Procedures steps 1 to 5 under “Identification of Risks of Material Misstatement”:</p> <ol style="list-style-type: none"> <li>1. We discussed the following matters that may be relevant in identifying risks of fraud:               <ol style="list-style-type: none"> <li>a. Risk of omitted, incomplete, or inaccurate disclosures.</li> <li>b. Information from the results of procedures relating to the acceptance and continuance of entity relationships and engagements.</li> <li>c. Information from the results of reviews of interim financial statements.</li> <li>d. Inherent risk identified as part of the consideration of audit risk at the relevant assertion level.</li> </ol> </li> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p>If auditor’s specialists were assigned to the engagement, we considered involving such specialists in the brainstorming session.</p>	Procedures steps	N		<p>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.</p>
Modify	<p>Added (new item 8):</p>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	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				
<b>KBA-502 Summary of Risk Assessments</b>					
Modify	<p>Added the following bullet point items under Section I: Financial-Statement-Level Risks:</p> <ul style="list-style-type: none"> <li>• Scrutinizing those accounting principles involving subjective measurements and complex transactions;</li> <li>• Evaluating the entity’s selection and application of significant accounting principles; and</li> </ul>	Instructions	N		
Modify	<p>Modified step 2 under Section II Assertion-Level Risks, now reads as follows:</p> <p>Document any identified risks specific to each area. The auditor should identify risks specific to an area because audit procedures especially designed to address those risks will often need to be performed. For example, the allowance for inventory obsolescence for an entity that sells highly perishable goods may be a specific risk. In that case, the auditor should design audit procedures to address that risk rather than rely on audit procedures typically performed in audits of other entities. These specific risks may also be fraud risks or significant risks. In determining whether a specific risk should be assessed in this form, the auditor should (a) relate the risk to what can go wrong at the relevant assertion level; (b) consider the magnitude of the potential misstatement; (c) consider the likelihood of its occurrence; 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). For example, a large quantity of highly perishable goods in inventory may be evaluated as a specific risk because (a) goods becoming unusable affect the valuation assertion, which is relevant to inventory; (b) the magnitude of the potential misstatement is high because of the large amount of perishable inventory; and (c) the likelihood of occurrence is high because the goods are highly perishable. Note that the significant risks and fraud risks may have already</p>	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	been identified at <b><i>KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures</i></b> . If not done already, the significant or fraud risks should also be identified at <b><i>KBA-400</i></b> .				
Modify	Modified column 8 instructions: Column 8 to document the assessment of control risk. ( <i>Note:</i> 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 determine whether any change in assessment would require any modification to the nature, timing, and extent of substantive audit procedures.)	Table	N		
Modify	Added Column 12 instructions and added a “Comments” column to the Section II table: Column 12 to provide additional comments, if necessary. There will be no diagnostic on this column and doesn’t require user entry.	Table	N		
Modify	Modified table to reflect split of AUD-802 (now AUD-802A and 802B)	Table	N		
<b>KBA-903 Tax Specialist Review Checklist</b>					
Modify	Added step as in CORE:  Provisions for unrecognized tax benefits (uncertain tax positions), including the related liability, penalties, and interest have been properly accounted for and disclosed.  Deleted: Current and deferred tax provisions exclude any benefit from significant tax positions for which there is no greater than a 50% chance of being sustained upon examination.				
<b>KBA-904 Audit Documentation Checklist</b>					
New	New Tailoring Question, “Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	control over financial reporting that is integrated with the audit of financial statements)?” that will flow from answer from AUD-100.				
Modify	<p>SAS-130 updates.</p> <p>Modified step 1 substep a as follows:</p> <p>The objective and scope of the audit of the financial statements or, if applicable, the audit of internal control over financial reporting that is integrated with an audit of financial statements (“integrated audit”);</p> <p>Added substep e to step 1 as follows:</p> <p style="padding-left: 40px;">A statement that because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS; and</p> <p>Added step 2 as follows:</p> <p style="padding-left: 40px;">For an integrated audit, we requested and obtained from management its written assessment about the effectiveness of the entity’s internal control over financial reporting (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p> <p><b>Practice Point:</b> Management’s refusal to provide a written assessment represents a scope limitation. See <b>RES-001 Knowledge-Based Audit Methodology Overview</b> for further guidance.</p> <p>This step will Show if the user answers “Yes” to the new TQ noted above.</p>	Table	Y	AU-C 940	Due to the changes within step 1 it will reset on roll forward. Step 2 was added as a new step.
Modify	<p>SAS-130 Updates, step 5as follows:</p> <p>The audit documentation includes the following (AU-C 300; AU-C 940):</p> <p>The overall audit strategy for the audit of the financial statements or, if applicable, the integrated audit;</p>	Table	Y	AU-C 300; AU-C 940	Due to the changes in step 5 and 5a these two steps will reset on roll forward.

## Audit Programs (AUDs)

- **AUD-802** has been modified and as two separate audit programs: *AUD-802A Audit Program: Investments and Joint Ventures* and *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
<b>AUD-100 Engagement Level Tailoring Questions</b>					
New	<p>New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?</p> <p>If this TQ is marked as “Yes” then the TQ, “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” will default to “Yes” and will be hidden.</p> <p>If this TQ is marked as “No” then the TQ, “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” will be left for user selection.</p> <p>TQ will affect other workpapers within the title.</p>				<p>If the TQ “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” was answered “Yes” in the prior year then after roll forward this question will be hidden by default but retains the “Yes” answer.</p> <p>The tailoring question above will only show in AUD-100 if you have answered “No” to this new TQ, “Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?”</p> <p>After you answer this new TQ, the TQ, “What audit areas, applicable to the engagement, will you be performing tests of operating effectiveness of controls?” will show and retain your prior year response.</p>
<b>AUD-101 Overall Audit Program</b>					
New	<p>New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)? TQ will flow from AUD-100.</p> <p>New TQ will show/hide multiple steps within AUD-101. Each of these are new steps for this title.</p> <p>TQ answer will flow from AUD-100.</p>				
Modify	Modified as in CORE; customized for industry wording as applicable.	Steps	N		
Modify	Modified first paragraph as follows: This overall audit program has been designed to help the auditor apply an audit methodology to an audit of financial statements (and, if applicable, an audit of internal control over financial reporting) in accordance with professional	Purpose	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	auditing standards by listing the steps that should typically be performed in each phase of an audit. This program is supplemented by forms and practice aids to help the auditor perform various audit process steps. In addition to this program and the accompanying forms and practice aids, the auditor will need to create additional audit documentation during the course of the audit.				
Modify	<p>Modified and updated throughout for ICFR and with new references and Practice Points where applicable.</p> <p>Added step (new step 3) and Practice Point:</p> <p>For an integrated audit, determine which suitable and available criteria 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. (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p> <p><b>Practice Point:</b> 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 and available criteria 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.</p>	Text; procedures steps	Y	AU-C 940	
Modify	<p>Modified Practice Point (in step 13) as follows:</p> <p><b>Practice Point:</b> The required elements of the terms of engagement include:</p> <ol style="list-style-type: none"> <li>a. The objective, timing, and scope of the audit of the financial statements (and, if applicable, the audit of internal control over financial reporting);</li> <li>b. The responsibilities of the auditor;</li> <li>c. The responsibilities of management;</li> <li>d. A statement that because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the</li> </ol>	Procedures step (Practice Point)	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>audit is properly planned and performed in accordance with U.S. GAAS;</p> <p>e. Identification of the applicable financial reporting framework for the preparation of the financial statements; and</p> <p>f. Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.</p> <p>Modified references to other documents (adding references to the new CORs 201A and 202A).</p>				
New	<p>Added new step (14) and Practice Points, step will show if the TQ above is answered “Yes”:</p> <p>For an integrated audit, obtain from management its written assessment of the effectiveness of the entity’s internal control over financial reporting. (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p> <p><b>Practice Point:</b> Management’s refusal to provide the auditor with a written assessment represents a scope limitation. See <b>RES-001 Knowledge-Based Audit Methodology Overview</b> for further guidance.</p> <p><b>Practice Point:</b> 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.</p>	Procedures steps	Y	AU-C 940	
Modify	<p>Step 17 modified:</p> <p>Establish and document the overall audit strategy for the audit of financial statements, and if applicable, the audit of internal control over financial reporting, that sets the scope, timing, and direction of the audit, and that guides the development of the audit plan.</p> <p>Added Practice Point:</p>	Procedures steps	Y	AU-C 940	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
	<p><b>Practice Point:</b> For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), the following factors may assist the auditor in developing an audit strategy and planning the audit of internal control over financial reporting:</p> <ul style="list-style-type: none"> <li>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;</li> <li>Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes;</li> <li>Matters relating to the entity's business, including its organization, operating characteristics, and capital structure;</li> <li>The nature and extent of recent changes, if any, in the entity, its operations, or its internal control over financial reporting;</li> <li>The auditor's preliminary judgments about financial statement materiality, risk, and other factors relating to the determination of material weaknesses;</li> <li>Internal control deficiencies previously communicated to those charged with governance or management;</li> <li>Legal or regulatory matters of which the entity is aware;</li> <li>The type and extent of available evidence related to the effectiveness of the entity's internal control over financial reporting;</li> <li>Preliminary judgments about the effectiveness of internal control over financial reporting;</li> <li>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;</li> <li>Knowledge about specific risks related to the entity that were evaluated as part of the acceptance and retention evaluation of the client; and</li> <li>Complexity of the entity's operations.</li> </ul>				
Modify	<p>Step (23) modified:</p> <p>Hold a discussion among the engagement team, which should include the engagement partner and other key engagement team members, including any component auditors, to emphasize the need to use professional skepticism and to discuss the susceptibility of the entity's financial statements to material misstatements, whether due to error or fraud, and the application of the applicable</p>	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	financial reporting framework to the entity's facts and circumstances.				
Deleted	<p>Deleted Practice Point (as in CORE):</p> <p><b>Practice Point:</b> During the engagement team meeting, the auditor should:</p> <ul style="list-style-type: none"> <li>a. Discuss the susceptibility of the entity's financial statements to material misstatements.</li> <li>b. Discuss the entity's selection and application of accounting principles, including related disclosure requirements.</li> <li>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 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 those charged with governance are honest and have integrity.</li> <li>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.</li> </ul> <p>Enable the engagement partner to determine which matters discussed are to be communicated to the team members not involved in the discussion</p>	Procedures step	Y	ICFR	
Modify	<p>Added new Practice Point to step 24:</p> <p><b>Practice Point:</b> Regarding the term "estimation uncertainty," performance of contract job gain/fade calculations provides valuable insight into the contractor's prior abilities to estimate its anticipated gross profit on uncompleted contracts. As such, the performance of job gain/fade calculations is important when significant uncompleted contracts at the beginning or ending of the audit period are present.</p>	Procedures	N		
Modify	<p>Added step (25) and substeps as follows: 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</p>	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>of assets. In obtaining such an understanding, consider the following:</p> <ul style="list-style-type: none"> <li>a. Whether the structure of such transactions is unnecessarily complex (e.g., involving multiple entities within a consolidated group or unrelated third parties).</li> <li>b. Whether management has informed those charged with governance about the nature of and accounting for such transactions.</li> <li>c. Whether management is emphasizing the need for a particular accounting treatment over the underlying economics of the transaction.</li> <li>d. Whether those charged with governance have reviewed and approved transactions that involve unconsolidated related parties.</li> </ul> <p>Whether the transactions involve previously unidentified related parties or parties that are unable to support the transaction without assistance from the entity being audited.</p>				
Modify	<p>Modified step (26) 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).</p> <p>Modified Practice Point wording for the industry:  <b>Practice Point:</b> Consider inquiring of:</p> <ul style="list-style-type: none"> <li>Those charged with governance, regarding the environment in which the financial statements are prepared, including changes in that environment;</li> <li>Internal audit personnel regarding procedures performed relating to internal controls;</li> <li>Employees involved in initiating, processing, or recording complex or unusual transactions regarding the application of accounting policies;</li> <li>In-house legal counsel regarding litigation, compliance, fraud, and potential liabilities and commitments;</li> </ul>	Procedures step	Y	ICFR	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
	<p>Estimating and project management personnel regarding the uncompleted contracts, bidding, industry trends, and contract agreements; and</p> <p>Management regarding fraud risk factors, risk assessment processes and procedures, and related activities.</p>				
Modify	<p>Modified step (32) as follows:</p> <p>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.</p> <p><b>Practice Point:</b> In the construction industry, the accepted revenue recognition is the cost-to-cost percentage of completion method (POC) for fixed price contracts. If the contractor has other types of contracts, such as service agreements or time and material, the POC method is not applicable for those contract types. If the contractor has fixed price contracts and is employing any other method of revenue recognition, the auditor should carefully consider whether the contractor's revenue recognition method(s) is appropriate.</p>	Procedures step	Y	ICFR	
Modify	<p>Modified step 36, adding the following substep (g):</p> <p>Regulatory or governmental inquiries (e.g., set aside requirements (i.e., DBE, WBE (disabled or women business enterprises)) inquiries or findings);</p>				
Modify	<p>Added step (46) and substeps as follows:</p> <p>Evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and controls intended to address the risk of management override of other controls, including:</p> <ul style="list-style-type: none"> <li>a. Controls over significant, unusual transactions, particularly those that result in late or unusual journal entries;</li> <li>b. Controls over journal entries and adjustments made in the period-end financial reporting process;</li> <li>c. Controls over related party transactions;</li> <li>d. Controls related to significant management estimates; and</li> </ul>	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	Controls that mitigate incentives for, and pressures on, management to falsify or inappropriately manage financial results.				
Modify	<p>Modified substeps c and e (in step 51 under the Assessing the Risks of Material Misstatement) as follows, for industry wording:</p> <ul style="list-style-type: none"> <li>a. Significant risks, including fraud risks, and compliance with laws and regulations not limited to federal or stated “set aside” programs.</li> </ul> <p>The degree of estimation uncertainty associated with accounting estimates focused, but not limited to uncompleted contracts, including whether estimates with high estimation uncertainty give rise to significant risks.</p>	Procedures step	N		
Modify	<p>Modified step (57) as follows:</p> <p>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 significant account balance, class of transactions, and disclosure, as well as the financial statement closing process. Procedures may include:</p> <ul style="list-style-type: none"> <li>a. Obtaining additional corroborative audit evidence from independent sources outside the entity or physically inspecting certain assets.</li> <li>b. Performing substantive tests closer to or at year-end.</li> <li>c. Increasing sample sizes or using computer-assisted audit techniques.</li> <li>d. Performing job site visits.</li> <li>e. 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.</li> <li>f. Performing procedures at locations on a surprise or unannounced basis.</li> </ul>	Procedures step	Y	ICFR	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
	<p>g. Making oral inquiries of major customers and suppliers in addition to sending written confirmations.</p> <p>h. 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.</p> <p>If other auditors are auditing the financial statements of other components (e.g., contracts, joint ventures, 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.</p>				
Modify	<p>Added step (63) and Practice Point:</p> <p>For an integrated audit, test those entity-level controls that (1) support our assessment of control risk, and (2) are important to our conclusion about whether the entity has effective internal control over financial reporting. (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p> <p><b>Practice Point:</b> The auditor should evaluate and test controls over the following:</p> <ul style="list-style-type: none"> <li>• Controls related to the control environment, including whether management’s philosophy and operating style promote effective internal control over financial reporting;</li> <li>• Controls over management override;</li> <li>• The entity’s risk assessment process;</li> <li>• Centralized processing and controls, including shared service environments;</li> <li>• Controls to monitor results of operations;</li> <li>• Controls to monitor other controls, including activities of the internal audit function, those charged with governance, and self-assessment programs;</li> <li>• Controls over the period-end financial reporting process; and</li> </ul> <p>Programs and controls that address significant business risks.</p>	Procedures step	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Added step (92) as follows:            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. (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p>	Procedures step	Y	ICFR	
Modify	<p>Modified step (95) and Practice Point as follows:            Communicate in writing significant deficiencies in internal control and material weaknesses to management and those individuals responsible for financial reporting oversight. Alternatively, if no material weaknesses exist and the client requests the auditor to communicate such, a “no material weaknesses” communication may be issued if the auditor is not performing an integrated audit.</p> <p><b><i>COR-904 Communication to Entity with Significant Deficiencies and/or Material Weaknesses</i></b></p> <p><b><i>COR-904A Communication to Entity with Significant Deficiencies and/or Material Weaknesses: ICFR</i></b></p> <p><b><i>COR-905 Communication to Entity with No Material Weaknesses (Not for Use When Performing an Integrated Audit)</i></b></p> <p><b>Practice Point:</b> 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. (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016).</p>	Procedures step	Y	ICFR	Step will reset on roll forward due to extent of changes
Modify	<p>Modified step (98) as follows:            Obtain a representation letter addressed to the auditor signed by management with appropriate responsibilities for the financial statements and, if applicable, internal control over financial reporting and knowledge of the matters concerned.</p>	Procedures step	Y	ICFR	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
	<b><i>COR-901 Management Representation Letter</i></b> <b><i>COR-901A Management Representation Letter:</i></b> <b><i>ICFR</i></b>				
Modify	Modified step (101): Issue the auditor’s report on the financial statements, and if applicable, on the integrated audit, and document the report release date. <b><i>AID-903</i></b>	Procedures step	N		Step will reset on roll forward due to extent of changes
<b>AUD-201 Audit Program: Opening Balances and Additional Procedures for an Initial Audit Engagement</b>					
Modify	Added or modified procedures as follows:  Under “Opening Balance Procedures”: Modified substep e.: Observed inventory, performed contract site visits where necessary, and analyzed work in process (WIP) and made appropriate test counts and/or verification of subsequent billing of WIP; performed inventory price tests; identified any excess, slow-moving, or obsolete inventory and considered inventory valuations for lower of cost or market.  Modified substep i.: Analyzed the income-tax-related accounts and addressed significant temporary differences and related deferred tax asset valuation allowances. Inquired and obtained information on the implementation of the tangible property regulations, not limited to copies of Form 3115 filings and whether the appropriate 481(a) adjustments were calculated and made timely. If those tangible property regulations were not implemented via the filing of Form 3115s, we determined if Rev. Proc. 2015-20 enabled their adoption with no method change Form 3115 submissions. If the tangible property regulations were not yet adopted, we determined the impact of the lack of compliance on the opening balances.				
<b>AUD-601 Audit Program: Testing and Evaluating Internal Auditors’ Work</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Modified Purpose section (now reads as follows); added a new Practice Point:</p> <p>This audit program has been designed to assist the auditor in accomplishing the following objectives when the auditor expects to use the work of the internal audit function to modify the nature or timing or reduce the extent of audit procedures to be performed during the audit of financial statements or, when applicable, the audit of internal control over financial reporting:</p> <p>Determine whether the work of the entity’s 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; If using the work of the internal audit function to obtain audit evidence, determine whether such work is adequate for the purposes of the audit; and If using internal auditors to provide direct assistance, determine the appropriate level of direction, supervision, and review of their work.</p> <p><b>Practice Point:</b> When the auditor plans to use the work of others in obtaining audit evidence or to provide direct assistance in the audit of internal control over financial reporting, the auditor should apply the requirements in AU-C Section 610, <i>Using the Work of Internal Auditors</i>, as if others were internal auditors.</p>	Purpose	Y	AU-C Section 610	
Modify	<p>Added new substep (2.a.) as follows:</p> <p>An understanding of the work of the internal audit function sufficient to identify those activities related to the audit.</p>	Purpose	Y	ICFR	
<b>AUD-602 Audit Program: Involvement of a Component Auditor</b>					
Modify	<p>Added a “Not Applicable” option to question 9, “If the component prepares financial statements using a different financial reporting framework than that used by the group, we have evaluated following:”</p>	Floatie option			This question will retain on roll forward if the workpaper is set to keep all responses on roll forward.
Modify	<p>Modified Purpose; now reads as follows:</p> <p>This audit program has been designed to help the auditor in the audit of group (or combined) financial statements</p>	Purpose	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>and, if applicable, in the audit of internal control over financial reporting for the group:</p> <ul style="list-style-type: none"> <li>• Plan procedures when involving a component auditor, whether from another office of the firm, correspondent, affiliate, or another independent auditor, in the group financial statement audit and, if applicable, in the audit of internal control over financial reporting for the group;</li> <li>• Document the procedures the group engagement team performed to supervise and review the work performed by the component auditor; and</li> </ul> <p>When applicable, decide whether to make reference to the component auditor in the auditor’s report.</p>				
Modify	<p>Modified instructions:</p> <p>This audit program should be used when the auditor plans to involve another office of the firm, correspondent, affiliate, or independent auditor to audit the financial statements and, if applicable, internal control over financial reporting of one or more subsidiaries, divisions, branches, components, or investments included in the financial statements.</p> <p>The auditor may use <b><i>AID-603 Component Identification and Analysis</i></b>, to identify, assess significance of, and document all the components included in the group.</p> <p>This audit program contemplates that (1) the group engagement team will establish an overall group audit strategy and develop a group audit plan(s), and (2) the group engagement partner is responsible for reviewing the overall group audit strategy and group audit plan(s), including the direction, supervision, and performance of the group audit engagement(s) in compliance with professional standards and applicable legal and regulatory requirements. For more information about group audits, refer to AU-C Section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i> and, for integrated audits, AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial</i></p>	Instructions	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p><i>Statements</i>, which is effective for integrated audits for periods ending on or after December 15, 2016. If the decision is made to assume responsibility for the work of a component auditor, no reference is made to the component auditor's work or report. If the decision is made to not assume that responsibility, the report should reference the audit of the component auditor and should indicate clearly the division of responsibility between the auditor of group financial statements and the component auditor in expressing an opinion on the group financial statements. Regardless of the decision reached, the component auditor remains responsible for the performance of his or her own work and for his or her own report(s). Added:</p> <p><b>Practice Point:</b> The decision about whether to make reference to a component 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 a component 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.</p>				
Modify	<p>Modified Practice Point under step 16:</p> <p><b>Practice Point:</b> The decision to make reference to the audit of a component auditor is made individually for each component auditor. The auditor of the group financial statements may make reference to any, all, or none of the component 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 in the introductory 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 disclosure related to such a limitation.</p>	Procedures step	Y	ICFR	
<b>AUD-603 Audit Program: Using the Work of an Auditor's Specialist</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	Added Practice Point to the Instructions: <b>Practice Point:</b> 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	N		
Added	Modified for the industry: For the purposes of this audit program, an auditor's specialist is defined as an individual or organization possessing expertise in a particular field other than accounting or auditing, whose work is used to assist the auditor in obtaining sufficient appropriate audit evidence. Examples of a specialist include, but are not limited to, engineers, architects, program managers, construction or environmental consultants, geologists, actuaries, appraisers, and lawyers.	Instructions, 1st paragraph	Y	AU-C 315	
<b>AUD-604 Audit Program: Using the Work of a Management's Specialist</b>					
Added	Minor wording modification as in AUD-603: For the purposes of this audit program, a management's specialist is defined as an individual (or organization) possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements. Examples of a management's specialist include, but are not limited to, engineers, architects, program managers, construction or environmental consultants, geologists, actuaries, appraisers, and lawyers.	Instructions, 1st paragraph	Y		
<b>AUD-701 Audit Program: Designing Tests of Controls</b>					
New	New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)? TQ answer will flow from AUD-100				
Modify	Added the following to the Instructions: For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> , effective for integrated audits for periods ending on or	Instructions	Y	SAS-130; AU-C 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>after December 15, 2016), the auditor should design tests of controls to:</p> <ul style="list-style-type: none"> <li>a. Obtain sufficient appropriate audit evidence to support the auditor's opinion on internal control over financial reporting as of the date specified in management's assessment about internal control over financial reporting; and</li> </ul> <p>Obtain sufficient appropriate audit evidence to support the auditor's control risk assessments for purposes of the audit of financial statements.</p>				
Modify	<p>Updated for SAS-130 throughout. Added the following section, steps, and substeps, all steps and substeps will show if the TQ above is answered "Yes":</p> <p><b>Integrating the Audit of Internal Control Over Financial Reporting with the Financial Statement Audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016)</b></p> <p>We have considered the effect of the results of the financial statement auditing procedures on our risk assessments and the testing necessary to conclude on the operating effectiveness of a control.</p> <p>In selecting which internal controls to test for operating effectiveness, we have focused more attention on areas of higher risk and have taken into consideration our assessment of fraud risk (including the risk of management override of other controls).</p> <p>For purposes of identifying significant classes of transactions, account balances, and disclosures, and their relevant assertions, and understanding the likely sources of potential misstatements, we have:</p> <ul style="list-style-type: none"> <li>a. Obtained an understanding of the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, recorded, processed, and reported;</li> <li>b. Identified the points within the entity's processes at which a misstatement due to fraud or error could arise that, individually or in combination with other misstatements, would be material;</li> </ul>	Procedures steps	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>c. Identified the controls that management has implemented to address these potential misstatements; and</p> <p>d. Identified the controls that management has implemented over the prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity’s assets that could have a material effect on the financial statements.</p> <p>For each significant account balance, class of transactions, and disclosure and their relevant assertions, we have obtained an understanding of how IT affects the entity’s flow of transactions and how the entity has responded to risks arising from IT.</p> <p>When, during the audit of internal control over financial reporting, we identified deficiencies in internal control over financial reporting (including deficiencies in controls that are designed to prevent, or detect and correct, misstatements due to fraud), we have determined the effect of the deficiency on the nature, timing, and extent of substantive procedures to be performed in the audit of financial statements to reduce audit risk to an acceptably low level.</p> <p>For tests of the operating effectiveness of controls that we performed at an interim date, we determined the need for additional evidence concerning the operation of the controls for the remaining period under audit and considered the following factors:</p> <ul style="list-style-type: none"> <li>a. The specific control tested prior to the “as of date”, including the risks associated with the control, the nature of the control, and the results of those tests;</li> <li>b. The sufficiency of the evidence of the operating effectiveness obtained at an interim date;</li> <li>c. The length of the remaining period; and</li> <li>d. The possibility that there have been any significant changes in internal control over financial reporting subsequent to the interim date.</li> </ul> <p>When management has implemented changes to the entity’s controls prior to the “as of date”, we determined whether the new controls achieve the related objectives of</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>the criteria and have been in effect for a sufficient period to allow us to assess their design and operating effectiveness by performing tests of controls, and whether it was necessary to test the superseded controls.</p> <p>We have formed an opinion on the effectiveness of internal control over financial reporting by evaluating evidence obtained from all sources including:</p> <ul style="list-style-type: none"> <li>a. Our testing of controls for the audit of internal control over financial reporting;</li> <li>b. Any additional tests of controls performed to achieve the objective related to expressing an opinion on the financial statements;</li> <li>c. Findings or misstatements detected during the financial statement audit;</li> <li>d. Any identified deficiencies; and</li> </ul> <p>Reports issued during the year by the internal audit function (or similar functions) that address controls related to internal control over financial reporting.</p>				
Modify	<p>References to steps (under Results) adjusted:</p> <p>Our planned control reliance for all risks and assertions remains appropriate after completion of our audit procedures to test the operating effectiveness of controls:</p> <p>If “No,” steps 1 and 2 below this table will show.</p>	Procedures steps	N		
<b>AUD-800 Audit Program: Custom through AUD-821 Audit Program: Concentrations</b>					
Modify	<p>Minor wording modifications in text and Practice Points (clarity); audit program step headings added throughout; additional references added (to other tools) where applicable.</p>	Text	N		
<b>AUD-801 Audit Program: Cash</b>					
Modify	<p>Step (4) modified:</p> <p>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 <b><i>COR-802 Standard Form to Confirm Account</i></b></p>	Procedures step	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<b>Balance Information with Financial Institutions</b> ). When not performed electronically, we maintained control of the bank confirmation forms and mailed the forms directly to the bank/custodian.				
<b>AUD-802 Audit Program: Investments and Joint Ventures</b>					
Deleted	The content of this audit program has been split up and reorganized as 802A and 802B.		N		<p>Due to the split of this program only “Investments and Joint Ventures” 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?”</p> <p>Due to only being able to retain the “Investments and Joint Ventures” 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.</p>
<b>AUD-802A Audit Program: Investments and Joint Ventures</b>					
New	Former AUD-802 content for investments in securities; updated; new practice alerts and practice points added.	text	Y	ASU No. 2016-01	<p>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.</p> <p>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.</p>
<b>AUD-802B Audit Program: Derivative Instruments and Hedging Activities</b>					
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.
<b>AUD-803 Audit Program: Contracts, Retentions, Accounts Receivable, Revenues, and Contract Billings</b>					
Modify	Under Receivables (Analytical), modified substep 1.c., now reads as follows:	Procedures steps.	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>We compared revenue total amounts with signed total contracts, the entity's bonding capacity, and other applicable factors (such as labor hours in the job costs of the period to reported labor hours per the payroll reports for the year/period)</p> <p><b>Practice Point:</b> Recorded increases in revenue volume in excess of the various capacity limits should raise a red flag about potential fictitious revenues.</p>				
Modify	<p>Changes made to adapt wording for the industry. Under Receivables (Analytical), modified substep 1.f., now reads as follows:</p> <p>We compared gross margins by contract type, location, or geographic area for the current period with the prior period, the budget, and industry data.</p>	Procedures steps.	N		
Modify	<p>Under Receivables (Analytical), modified step j. (as in CORE), deleting substeps; item now reads as follows:</p> <p>We computed the relevant ratios for the current period and compared them with the prior period's ratios and/or industry data (see the sample analytical procedures for accounts receivable at <i>AID-810 Accounts Receivable: Analytical Procedures</i>).</p>	Procedures steps.	N		
Modify	<p>Policy for Approving Signed Contracts, step/substeps modified as follows:</p> <p>We inquired of the credit manager or other appropriate personnel about the entity's policies for approving contract or service work before providing services, including how:</p> <ol style="list-style-type: none"> <li>New customer's creditworthiness is determined.</li> <li>Standing customer's credit limits are established and reviewed.</li> <li>Exceptions are handled if contract amounts or contract types or terms or predetermined limits are requested.</li> </ol> <p>Management monitors the functioning of controls over the extension of credit.</p>	Procedures steps.	N		
Modify	<p>Credit Authorization Process step modified for industry wording; now reads as follows:</p>	Procedures steps.	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	We inspected documents supporting the various steps of the credit authorization process and observed how the authorization of contracts and change orders are executed by the appropriate personnel.				
Modify	<p>Receivables Aging Testing substep b modified for industry; now reads as follows:</p> <p>We reconciled the total balance to the general ledger account balance and to the contract schedules (see the sample reconciliation to general ledger for accounts receivable at <b>AID-812 Accounts Receivable: Reconciliation to General Ledger</b>).</p> <p>Modified substep d; now reads as follows:</p> <p>We summarized the total of credit balances and, if material, proposed appropriate reclassification entries.</p>	Procedures steps.	N		
Modify	<p>Under “Significant Sales Transactions, Revenues, or Contracts Executed with Related Parties” modified step 13, adding industry wording; now reads:</p> <p>We identified and reviewed significant sales, contract, or revenue transactions executed with related-parties and considered management’s possible motivations for such transactions, including:</p>				
Modify	<p>Under Receivable Transferred, step 33, added new Practice Point:</p> <p><b>Practice Point:</b> If the entity has transferred or factored accounts receivable, the auditor should consider performing the transfers or and Joint Ventures.</p>				
<b>AUD-804 Audit Program: Inventories, Work in Process, and Job Costing of Inventory Items</b>					
Modify	<p>Added new Practice Alert:</p> <p><b>Practice Alert:</b> In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, <i>Inventory (Topic 330): Simplifying the Measurement of Inventory</i>, 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.</p>	Purpose	Y	ASU No. 2015-11	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>ASC Topic 330 currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable 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.</p> <p>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.</p>				
Modify	<p>Modified Practice Points in the Primary Audit Objectives column of table:</p> <p><b>Practice Point:</b> Contractors that typically have inventory that is not assigned or allocated to a contract or contracts are of the following types (a) electrical (where their inventory is various electrical parts and wires); (b) mechanical (HVAC) (where their inventory is sheet metal, copper wires and fittings, plastic pipe and fittings, and plumbing parts); (c) other specialty contractors (such as insulation contractors that purchase truckloads or rail cars of insulation or product, concrete contractors that might purchase large quantities of rebar or metal wire, and guide rail contractors that purchase rails, posts, and wires in large quantities).</p> <p>In those cases, where a contractor has purchased materials specifically for a contract or contracts and those materials are not yet installed but the contractor has the right to bill and be paid for those materials, and the risk of loss on those materials has passed to the owner, the contractor can record the materials as a job cost and revenues, in equal portion of revenue and costs.</p> <p>On the other hand, in those cases where a contractor purchases materials specifically for a contract or contracts, or materials are made specifically for a contract or contracts, and the material are not yet installed, and the risk of loss has not passed to the owner, the contractor should not record these materials as contract job costs until they are installed. These materials should be classified as inventory or otherwise known as "assigned inventory". Assigned inventory/materials should be separately disclosed in the notes if significant. Assigned inventory/materials should also not be subjected to the lower of cost or market adjustments. If assigned inventory/materials were subject to the lower of cost or market write-downs, contract costs would, potentially, be distorted. In construction accounting, all contract costs must be assigned to</p>	Table other than procedures	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>a contract or a group of contracts. Write-downs for lower of cost or market rules, if assignable to a contract, would end up being allocated to the same contract the materials were purchased for.</p> <p>And if the "write-down" was assigned to the contract the materials were purchased for, under the POC formula, the contractor would recognize revenues equal to or greater than the allocated cost, assuming a profitable contract. This is why assigned inventory is not subject to the lower of cost or market rules.</p> <p><b>Practice Point:</b> Regarding the issue of writing down inventory or materials for the construction industry to the lower of cost or market/realizable value, this requirement will only apply to inventory/materials that are not assigned, allocated or job costed. Inventory/materials that are job costed or assigned (i.e., specifically purchased for a contract or a group of similar contracts) should not be adjusted for consideration of lower of cost or market adjustments, as that adjustment would distort the calculation of the percentage of completion earned. When an adjustment to lower of cost or market is made for non-allocated or non-assigned inventory/materials it should be classified as a general and administrative expense and not as a job cost.</p>				
New	<p>Added a new TQ, "Does the entity maintain a perpetual inventory record?" which if answered as "No" will mark the following new step as N/A.</p> <p>Added new step 2 (under "Perpetual Inventory):</p> <p>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.</p> <p><b>Practice Point:</b> 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.</p>	Procedures step	N		
<b>AUD-806 Audit Program: Intangible Assets</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In September 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-16, <i>Business Combinations</i></p>	Purpose	Y	ASU No. 2015-16;	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p><i>(Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.</i> To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the amendments eliminate the requirement to retrospectively account for those adjustments.</p> <p>U.S. GAAP currently requires that during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Those adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. The acquirer also must revise comparative information for prior periods presented in financial statements as needed, including revising depreciation, amortization, or other income effects as a result of changes made to provisional amounts.</p> <p>The amendments in ASU No. 2015-16 require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.</p> <p>In addition, the amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.</p> <p>For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, 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 to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued.</p> <p><b>Practice Alert:</b> In April 2015, the FASB issued Accounting Standards Update No. 2015-05, <i>Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement</i>. Existing U.S. GAAP does not include explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. Examples of cloud computing arrangements include:</p>			ASU 2015-05	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>(a) software as a service; (b) platform as a service; (c) infrastructure as a service; and (d) other similar hosting arrangements.</p> <p>The amendments add guidance to Subtopic 350-40, which will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance already exists in ASC paragraphs 985-605-55-121 through 55-123, but it is included in a Subtopic applied by cloud service providers to determine whether an arrangement includes the sale or license of software.</p> <p>The amendments in ASU No. 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets.</p> <p>For public business entities, the amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments are effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Early adoption is permitted for all entities.</p> <p>An entity can elect to adopt the amendments either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively.</p>				
Modify	<p>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).</p> <p>Deleted substep: We evaluated whether the intangible asset was recorded in accordance with the applicable financial reporting framework.</p>	Procedures steps	N		
Modify	Modified substep (4.c); now reads as follows:	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
	We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework.				
Modify	Deleted previous substep 4.e: If a previously intended sale will not occur, we evaluated the new value for the asset group.	Procedures steps	N		
<b>AUD-807 Audit Program: Property and Equipment, and Depreciation</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, <i>Leases (Topic 842)</i>. 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:</p> <ul style="list-style-type: none"> <li>• A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and</li> <li>• 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.</li> </ul> <p>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, <i>Revenue from Contracts with Customers</i>.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Purpose	Y		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	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.
<b>AUD-808 Audit Program: Accounts, Retainages, Subcontractor Payables, Job Costing</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-04, <i>Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets</i>. 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.</p> <p>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).</p> <p>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</p>	Purpose	Y	ASU No. 2015-04	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>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.</p> <p>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.</p> <p>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.</p> <p>The amendments are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and 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.</p>				
<b>AUD-809 Audit Program: Payroll, Job Costing (of Payroll), and Other Liabilities</b>					
Deleted	Under Ratios, step 2, deleted substeps: Return on equity excluding owners' bonuses. Return on assets excluding owners' bonuses.	Procedures steps	N		
Modify	Modified step 8.g.(6), now reads as follows: We evaluated whether the actuary appears to have the proper professional qualifications and credentials, in accordance with AU-C Section 500, <i>Audit Evidence</i> , and evaluated whether the relationships between the actuary and the entity would impair independence.	Procedures steps	Y	AU-C Section 500	
Deleted	Deleted former substep: We inquired about any relationships between the actuary and the entity that would impair independence.	Procedures steps	N		
Modify	Modified step 8.g.(7), now reads as follows: We compared key plan provisions included in the actuarial valuation report to the latest plan document and inquired about any recent plan amendments.	Procedures steps	N		
Deleted	Deleted former substep 8.g.(8):	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	We inquired about any recent plan amendments considered in preparing the actuarial valuation.				
Deleted	Deleted former substep 6.h.: We evaluated whether the financial statements included adequate disclosures, including proper classification of the type of employee benefit plan, as required by the applicable financial reporting framework.	Procedures steps	N		
Modify	Modified substep 10.b. under Postemployment Benefits; now reads as follows: We ascertained that the postemployment benefits are accrued in accordance with the applicable financial reporting framework.	Procedures steps	N		
Deleted	Deleted former substep: They relate to services already rendered.				
Deleted	Deleted former substep: We evaluated whether management properly disclosed postemployment benefit policies relating to key management personnel, as well as any contingent liabilities relating to postemployment benefits.	Procedures steps	N		
<b>AUD-810 Audit Program: Income Taxes</b>					
Modify	Added: <b>Practice Alert:</b> In January 2016, the FASB issued Accounting Standards Update No. 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> , 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, <i>Income Taxes</i> , 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, <i>Investments—Debt and Equity Securities</i> , to ASC Topic 740 the content addressing presentation of deferred tax assets relating to losses on available-for-sale debt securities.	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
	<p>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.</p> <p><b>Practice Alert:</b> In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, <i>Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes</i>, 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. 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.</p> <p>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.</p> <p>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.</p>				
Modify	<p>Some new wording to customize to industry. (under Additional Guidance): Added:</p> <p><i>Depreciation and Bonus depreciation required for job costing: A contractor is required to "job cost" its federal</i></p>	Text	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>tax depreciation if its prior three year annual gross receipts exceed \$10 million. "Job cost" in this sense is defined as inclusion of the federal depreciation in the percentage of completion cost-to-cost formula. A contractor should generally not job cost its bonus depreciation.</p> <p><i>Prepaid expenses:</i> Certain prepaid expenses may be deductible for tax purposes when paid and not deferred, even for contractors on the accrual method of accounting.</p> <p>Modified:</p> <p>Differences in reporting revenue and expenses between these tax methods and U.S. GAAP POC will be a Form M-1 or M-3 (depending on the entity type and revenue size of the contractor) item.</p>				
<b>AUD-811 Audit Program: Debt Obligations</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, <i>Leases (Topic 842)</i>. 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:</p> <ul style="list-style-type: none"> <li>• A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and</li> <li>• 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.</li> </ul> <p>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, <i>Revenue from Contracts with Customers</i>.</p> <p>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.</p> <p>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</p>	Purpose	Y	ASU No. 2016-02	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance.</p> <p>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.</p>				
Delete	Modified step 1.b., deleting subitems (1) to (5).	Procedures steps	N		
	<p>Modified step 2.d., now reads as follows:</p> <p>We obtained copies of new debt agreements and amendments to existing agreements entered into during the year and reviewed terms, conditions, and restrictive covenants.</p>	Procedures steps	N		Step will reset on roll forward due to extent of changes.
<b>AUD-813 Audit Program: Other Income and Expenses</b>					
	<p>Modified Practice Alert for anticipated date of ASU 2014-09 effective dates, as follows:</p> <p>ASU 2014-09 is effective for public companies for annual reporting periods beginning after December 15, 2017. For nonpublic companies it is effective for annual reporting periods after December 15, 2018. Public business entities, certain not-for-profit entities, and certain employee benefit plans will apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2017 (that is, beginning in the first interim period within the year of adoption). All other entities will apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2019 (that is, all other entities will not be required to apply the guidance in the new revenue standard in interim periods within the year of adoption). All entities are permitted to apply the new revenue standard early, but not before the original effective date for public business entities, certain not-for-profit entities, and certain employee benefit plans (that is, annual periods beginning after December 15, 2017). Public business entities, certain not-for-profit entities, and certain employee benefit plans choosing this option will apply the new revenue standard to all interim reporting periods within the year of adoption. All other entities will not be required to apply the new revenue standard until interim periods after the first year of adoption. Companies using IFRS will be</p>	Practice Alert	Y	ASU 2014-09	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	required to apply the standard for reporting periods beginning on or after January 1, 2017.				
<b>AUD-814 Audit Program: Journal Entries and Financial Statement Review</b>					
Modify	Added the following new Practice Point to Section 1: <b>Practice Point:</b> For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> , effective for integrated audits for periods ending on or after December 15, 2016), because the annual period-end financial reporting process normally occurs after the “as of date” specified in management’s assessment about the effectiveness of internal control over financial reporting, those controls usually cannot be tested until after the “as of date.”	Section 1	Y	AU-C 940	
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	Added substeps 1.f. and 1.g.: f. The nature and extent of the oversight of the process by management. g. Management’s procedures for preparing the financial statements.	Procedures steps	N		
Modify	Former steps 9 to 20 moved down and renumbered as steps 16 – 27.	Procedures steps	N		
<b>AUD-815 Audit Program: Related-Party Transactions</b>					
Modify	Modified step 1.o., now reads as follows: We inquired of the contractor’s bonding agent or surety of their knowledge, if any, of any related-party relationships and transactions.	Procedures steps	N		
Modify	Modified step 2.a., now reads as follows: We inquired of management about the nature of these transactions and whether related parties could be involved.	Procedures steps	N		
Deleted	Deleted substeps 2.a.(1) and (2); (1) The nature of these transactions; and (2) Whether related parties could be involved.	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-816 Audit Program: Fair Value Measurements and Disclosures</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i>, 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.</p> <p><i>Equity investments with readily determinable fair values.</i> 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.</p> <p><i>Equity investments without readily determinable fair values.</i> For equity investments without readily determinable fair values, ASU No. 2016-01 eliminates the cost method of accounting previously allowed in ASC Subtopic 325-20, <i>Investments—Other—Cost Method Investments</i>. 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.</p> <p><i>Simplified disclosures.</i> 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.</p>	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
	<p><i>Using the exit price notion when measuring fair value for disclosure purposes.</i> 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, <i>Fair Value Measurement</i>. 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.</p> <p><i>Financial liabilities measured under the fair value option.</i> 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).</p> <p><i>Separate presentation of financial assets and financial liabilities.</i> 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.</p> <p><i>Deferred tax assets.</i> This amendment clarifies 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.</p> <p><i>Effective date.</i> 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.</p> <p><i>Early adoption.</i> 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</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>statements of annual or interim periods that have not yet been made available for issuance, including those for periods in 2015.</p> <p>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.</p> <p><i>Transition guidance.</i> 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.</p> <p><b>Practice Alert:</b> In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, <i>Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)</i>. 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.</p> <p>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. 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.</p> <p>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.</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	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		
Delete	Deleted 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,	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	transactions, and changes in circumstances (i.e., those occurring between the date of fair value evidence and the reporting date).				
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: <ul style="list-style-type: none"> <li>(1) The purchase price allocation.</li> <li>(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.</li> </ul> The allocation of assets, including goodwill, and liabilities to reporting units.	Procedures steps	N		
<b>AUD-817 Audit Program: Uncompleted and Completed Contracts</b>					
	Completed and Uncompleted Contracts Modified Practice Alert for anticipated date of ASU 2014-09 effective dates: ASU 2014-09 is effective for public companies for annual reporting periods beginning after December 15, 2017, For nonpublic companies it is effective for annual reporting periods after December 15, 2018, Public business entities, certain not-for-profit entities, and certain employee benefit plans will apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2017 (that is, beginning in the first interim period within the year of adoption). All other entities will apply the new revenue standard to interim reporting periods within annual reporting periods beginning after December 15, 2019 (that is, all other entities will not be required to apply the guidance in the new revenue standard in interim periods within the year of adoption). All entities are permitted to apply the new revenue standard early, but not before the original effective date for public business entities, certain not-for-profit entities, and certain employee benefit plans (that is, annual periods beginning after December 15, 2017). Public business entities, certain not-for-profit entities, and certain employee benefit plans choosing this option will apply the new revenue standard to all interim reporting	Practice Alert	Y	ASU 2014-09	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	periods within the year of adoption. All other entities will not be required to apply the new revenue standard until interim periods after the first year of adoption. Companies using IFRS will be required to apply the standard for reporting periods beginning on or after January 1, 2017.				
<b>AUD-818 Audit Program: Share-Based Payments</b>					
Modify	Modified step 13.d., now reads as follows: We considered using a valuation specialist. <b>AUD-603 Audit Program: Using the Work of an Auditor's Specialist</b>	Procedures steps	N		
Modify	Modified and simplified step 14, which now reads as follows: For VIEs for which the entity is the primary beneficiary and for which the entity is not electing the PCC VIE accounting alternative, we determined that the entity has properly accounted for the VIE in its consolidated financial statements in accordance with the applicable financial reporting framework. <b>Practice Point:</b> Additional guidance is provided in AU-C Section 540, <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i> , for auditing fair value measurements.	Procedures steps	N		
<b>AUD-819 Audit Program: Share Based Payments</b>					
Modify	Moved substeps up into step 1.a., reducing signoffs; substep now reads: Requirements of the applicable financial reporting framework, such as: (1) Accounting for discounted options. (2) Accounting for variable plans. (3) Accounting for contingencies. Accounting for tax effects.	Procedures steps	N		
Modify	Modified step 9, now reads as follows: We have evaluated whether the option pricing model (e.g., Black-Scholes, Lattice) was an appropriate model to estimate fair value of employee share options or whether a new model or technique would better meet the fair value objective of the applicable financial reporting framework.	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Modifies step 10, reducing signoffs; now reads as follows:</p> <p>10. Where applicable, we have assessed the effect of the following factors on the fair value measurement:</p> <ul style="list-style-type: none"> <li>a. Expected term of the option;</li> <li>Expected volatility of the price of the underlying share for the expected term of the option;</li> <li>Exercise price of the option;</li> <li>Current price of the underlying share;</li> <li>Risk-free interest rate(s) for the expected term of the option; and</li> </ul> <p>Expected dividends of the underlying share for the expected term of the option</p>	Procedures steps	N		
	<p>Modified step 12 &amp; 13; now read as follows:</p> <p>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.</p> <p>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.</p>	Procedures steps	N		
Modify	<p>Consolidated substeps in step 19 and added Practice Point (reducing signoffs); now reads:</p> <p>We reviewed grant documentation to ensure that the terms conform to “plain vanilla” requirements.</p> <p><b>Practice Point:</b> “Plain vanilla” options typically include the following basic characteristics:</p> <ul style="list-style-type: none"> <li>• Share options are granted at-the money;</li> <li>• Exercisability is conditional only on performing service through the vesting date;</li> <li>• If an employee terminates service prior to vesting, the employee would forfeit the share options;</li> <li>• If an employee terminates service after vesting, the employee would have a limited time to exercise the share options; and</li> </ul> <p>Share options are nontransferable and non-hedgeable.</p>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Consolidated substeps in step 23 and added Practice Point (reducing signoffs); now reads:</p> <p>We have considered the criteria established by the applicable financial reporting framework for exclusive reliance on historical volatility, including relevant factors.</p> <p><b>Practice Point:</b> Factors that may be considered include the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Whether the computation of historical volatility uses a simple average calculation method;</li> <li>• 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</li> </ul> <p>Whether a reasonably sufficient number of price observations are used, measured at a consistent point throughout the applicable historical period.</p>	Procedures steps	N		
Modify	<p>Revised steps 31 and 32; now read as follows:</p> <p>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.</p> <p>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.</p>	Procedures steps	N		
	<p>Steps after 37 reorganized (deleted 37 to 60). Step 37 and substeps now read as follows:</p> <p>Existence of Share Option Plans</p> <p>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:</p> <ol style="list-style-type: none"> <li>a. We obtained an understanding of the option plan, including the following: <ul style="list-style-type: none"> <li>• The persons who are entitled to receive options.</li> <li>• The number of shares authorized for grants.</li> </ul> </li> </ol>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<ul style="list-style-type: none"> <li>• The method for determining the option price.</li> <li>• Vesting requirements.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• Risk-free interest rate.</li> <li>• Expected life.</li> <li>• Expected volatility.</li> <li>• Expected dividends.</li> </ul> <p>c. We obtained, or prepared, and tested analyses of share options, which include the number and exercise prices of options that were:</p> <ul style="list-style-type: none"> <li>• Outstanding and exercisable at the beginning of the year.</li> <li>• Granted during the year.</li> <li>• Exercised during the year.</li> <li>• Forfeited during the year.</li> <li>• Expired during the year.</li> <li>• Outstanding and exercisable at the end of the year.</li> </ul> <p>d. We determined that the appropriate accounting treatment had been applied.</p>				
Modify	<p>Modified step 46.a., reducing signoffs; now reads:</p> <p>a. For awards already accounted for in accordance with the applicable financial reporting framework, we tested that the entity considered the impact of the modification on all of the following:</p> <ul style="list-style-type: none"> <li>• The classification of the award as equity versus liability.</li> <li>• The amount of compensation cost.</li> <li>• The expected life of an option.</li> </ul> <p>The probability of performance targets being achieved.</p>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Modified step 47.a., reducing signoffs; now reads:</p> <p>a. Reviewing the terms of executive compensation agreements to see if:</p> <p>Executives have any latitude in selecting the dates their options are awarded,</p> <p>Exercise prices are allowed to be less than grant date market price, or</p> <p>Authority for grants is delegated to management.</p>	Procedures steps	N		
Modify	<p>Modified Disclosure Compliance step (52); now reads:</p> <p>Disclosure Compliance</p> <p>We reviewed financial statement disclosures related to this cycle to ensure:</p> <p>Disclosed events and transactions have occurred and pertain to the entity.</p> <p>All disclosures that should have been included in the financial statements have been included.</p> <p>Financial information is appropriately presented, classified, and described and disclosures are clearly expressed and at appropriate amounts.</p>	Procedures steps	N		
<b>AUD-820 Audit Program: Commitments and Contingencies</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, <i>Leases (Topic 842)</i>. 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:</p> <ul style="list-style-type: none"> <li>• A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and</li> <li>• 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.</li> </ul> <p>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, <i>Revenue from Contracts with Customers</i>.</p> <p>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.</p>	Purpose	Y	ASU No. 2016-02	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>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.</p> <p>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.</p>				
Modify	<p>Modified step 15 substeps a-h now read as follows:</p> <p>Whether the entity has policies and procedures in place to help identify environmental remediation liabilities.</p> <p>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.</p> <p>Whether the entity is required to have a permit to transport, treat, store, or dispose of any potential environmental hazards.</p> <p>Whether the entity generates any potential environmental hazards or “regulated substances” in its business and how it disposes of these substances.</p> <p>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.</p> <p>Whether the entity has undergone any cleanup activities on its premises (e.g., tank or pump removal, removal of contaminated soil, installation of new tanks or pumps).</p> <p>Whether the entity has been designated a potentially responsible party (PRP) and the status of such matters.</p>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	Whether the entity is involved in any civil or criminal investigations involving environmental issues and the status of the investigations				
Modify	<p>Modified step 22; now reads as follows:</p> <p>If the entity had not consulted legal counsel during the period under audit, we included the following item in the representation letter from management:</p> <p>“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.”</p>	Procedures steps	N		
<b>AUD-901 Audit Program: Subsequent Events</b>					
New	<p>New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?</p> <p>This TQ will show/hide multiple steps, see below.</p>				
Modify	<p>Modified Instructions, Section I, General Procedures, paragraph one; now reads as follows:</p> <p>Many audit procedures that normally are integrated as part of the verification of year-end account balances, provide evidence of subsequent events. For example, subsequent-period sales and purchases transactions are tested to determine whether the cutoff is accurate. Likewise, the auditor often tests the collectibility of accounts receivable by reviewing subsequent-period cash receipts. However, in addition to these normal audit procedures, AU-C Section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>, requires the auditor to perform other audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor’s responsibility for reviewing for subsequent events normally is limited to the period from the date of the financial statements to the date of the auditor’s report. When performing an integrated</p>	Instructions	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>audit of financial statements and internal control over financial reporting, AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> (effective for integrated audits for periods ending on or after December 15, 2016), provides additional direction with respect to subsequent events in an audit of internal control over financial reporting. In an integrated audit, the auditor is also concerned about changes in internal control over financial reporting, or other conditions that might significantly affect internal control over financial reporting, that have occurred subsequent to the date specified in management’s assessment about the effectiveness of internal control over financial reporting but before the date of the auditor's report. The procedures in this audit program incorporate the audit requirements discussed in both AU-C Section 560 and AU-C Section 940 and are designed to help the auditor address those requirements.</p>				
Modify	<p>Added step 5: For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), we inquired of management, and where appropriate those charged with governance, and obtained information about any changes in, or conditions that might significantly affect, internal control over financial reporting that have occurred subsequent to the “as of date” but before the date of the auditor’s report on internal control over financial reporting.</p>				
Modify	<p>Added step 6: For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), we inquired about, and if available, obtained and read the following for the subsequent period:</p>	Procedures steps	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>a. Relevant internal audit (or similar functions) reports issued;</p> <p>b. Reports regarding deficiencies in internal control over financial reporting issued by other independent auditors;</p> <p>c. Regulatory agency reports on the entity’s internal control over financial reporting; and</p> <p>Information about the effectiveness of the entity’s internal control over financial reporting obtained through other engagements performed for the entity.</p>				
Modify	<p>Modified steps 13 to 16; now read as follows:</p> <p>We reviewed the entity’s financial statement disclosures related to subsequent events to ensure the disclosures are complete and accurate, and that the date through which management evaluated subsequent events is on or before the date of the auditor’s report.</p> <p>For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), if we have become aware of a subsequent event and have determined that this event materially and adversely affected the operating effectiveness of the entity’s internal control over financial reporting, as of the date of management’s assessment, we have issued an adverse opinion on the internal control over financial reporting.</p> <p>For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or after December 15, 2016), if we were unable to determine the effect of the subsequent event on the operating effectiveness of internal control over financial reporting, we disclaimed an opinion.</p> <p>For an integrated audit (AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, effective for integrated audits for periods ending on or</p>	Procedures steps	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>after December 15, 2016), if we have become aware of a material subsequent event with respect to conditions that did not exist as of the date of management’s assessment but arose subsequent to that date and before the release of the audit report, we included in the auditor’s report either: (1) an emphasis-of-matter paragraph directing the reader’s attention to the subsequently discovered fact and its effects as disclosed in management’s report, or (2) an other-matter paragraph describing the subsequently discovered fact and its effects.</p>				
<b>AUD-902 Audit Program: Going Concern</b>					
Modify	<p>Added:</p> <p><b>Practice Alert:</b> In August 2014, FASB issued Accounting Standards Update (ASU) No. 2014-15, <i>Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern</i> 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, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i>), 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).</p> <p>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.</p> <p>In January 2015, the Auditing Standards Board issued four interpretations of AU-C Section 570 (see AU-C Section 9570). Interpretation No. 2 (<i>Definition of Reasonable Period of Time</i>) addresses how an auditor should apply the definition of “reasonable period of time” when the applicable financial reporting framework requires management to evaluate whether there are conditions and events that raise substantial doubt for a period of time greater than one year from the date of the financial statements. It states that, if under the entity’s applicable financial reporting framework management is required to evaluate whether there are conditions and events that raise substantial doubt for a</p>	Instructions	Y	ASU No. 2014-15	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	period of time greater than one year from the date of the financial statements, the auditor's assessment of management's going concern evaluation would be for the same period of time as required by the applicable financial reporting framework.				
<b>AUD-903 Audit Program: Consideration of Fraud</b>					
Modify	Purpose modified; now reads: This audit program is designed to help the auditor address the risk of fraud in a financial statement audit or, when applicable, in an integrated audit of financial statements and internal control over financial reporting.	Purpose	Y	ICFR	
Modify	First paragraph of instructions modified and new Practice Point added; now reads: This audit program is based on the requirements and guidance set forth in AU-C Section 240, <i>Consideration of Fraud in a Financial Statement Audit</i> , and when applicable, AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i> (effective for integrated audits for periods ending on or after December 15, 2016). Refer to this guidance for additional information.  <b>Practice Point:</b> For an integrated audit, AU-C Section 940 states that 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 AU-C Section 240; (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.	Instructions	Y	AU-C Section 940	
Modify	Deleted the "Brainstorming" segment (steps 1-26).	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.
<b>AUD-904 Audit Program: Compliance with Laws and Regulations</b>					
Modify	Step 1 modified; now reads as follows: We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates,	Table	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
	<p>including the identification of instances of noncompliance, by performing the following steps:</p> <ol style="list-style-type: none"> <li>Understanding the entity’s policies and procedures for compliance with laws and regulations;</li> <li>Inquiring of management regarding compliance with laws and regulations;</li> <li>Understanding those laws and regulations that directly determine the reported amounts and disclosures in the financial statements;</li> <li>Inspecting correspondence, if any, with the relevant licensing or regulatory authorities; and</li> <li>Incorporating our knowledge of the entity’s history of noncompliance with laws and regulations.</li> </ol> <p><b><i>KBA-303 Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations</i></b></p>				
<b>AUD-908 Interim Review Program: Management Inquiries</b>					
Modify	Modified throughout with additional steps.	Text; steps	N		

**Practice Aids (AIDs)** have been modified and updated, where applicable, with additional tips, references, and examples, for consistency with CORE, and to customize wording for the construction industry.

- **AID-201 *Nonattest Services Independence Checklist*** - modified and updated to reflect the provisions of 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 for construction industry.
- **AID-302 *Understanding the Entity’s Revenue Streams and Revenue Recognition Policies*** - modified with additional references.
- **AID-601 *Considering the Use of the Work of Internal Auditors*** - updated in accordance with the requirements of AU-C Section 610, *Using the Work of Internal Auditors*, and AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*.
- **AID-602 *Understanding and Preliminary Assessment of the Entity’s Internal Audit Function*** - updated in accordance with the provisions of AU-C Section 610, *Using the Work of Internal Auditors*.
- **AID-603** – *wording modification for construction industry.*
- **AID-701 *Audit Sampling Worksheet for Tests of Controls*** - 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 II, step 8 table modified to add a column for “Assertion Is Relevant/Not Relevant.” This column will flow its answer into the Section III, step 12 table. There will be no diagnostic in either table if the user states an assertion is not relevant. The user will not need to respond in the 3<sup>rd</sup> column if the assertion is not relevant.

- **AID-702 Results of Tests of Controls** - modified to add an Appendix illustrating a recommended workflow when evaluating and testing controls.
- **AID-802** – *wording modification for construction industry.*
- **AID-806 Count Sheet of Securities** - modified to add new columns for “Number of Shares of Stock” and “Face Value of Debt.”
- **AID-835 Deferred Taxes Analysis** - modified to add a section for “Permanent Differences.”
- **AID-837 Carryforward Share Book Analysis** - modified to add a column for “Transferred to Certificate No.”
- **AID-838 Analysis of Equity Accounts** - modified to add a line for “Share-based compensation” under “Additions,”
- **AID-840 Analysis of Legal Fees** - modified to add a column for “Attorney Representation.”
- **AID-903 Audit Report Preparation Checklist** - modified with new tips and references and updated with additional new steps reflecting the provisions of AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*.

**Auditor’s Reports (RPTs)** have been modified and updated, where applicable, in accordance with standards, for consistency with CORE, and to customize wording for the industry.

- **NEW RPT-0901A Unmodified Opinion: Single-Year Financial Statements—Combined Report Expressing an Unmodified Opinion on ICFR** - sample unmodified report for single-year financial statements with a combined opinion on internal control over financial reporting.
- **NEW RPT-0901B Unmodified Opinion: Single-Year Financial Statements with Reference Made to Separate Report on ICFR** - Sample unmodified report for single-year financial statements with a separate opinion on internal control over financial reporting.
- **NEW RPT-0902A Unmodified Opinion: Comparative Years Financial Statements—Combined Report Expressing an Unmodified Opinion on ICFR** - Sample unmodified report for comparative-years financial statements with a combined opinion on internal control over financial reporting.
- **NEW RPT-0902B Unmodified Opinion: Comparative Financial Statements with Reference Made to Separate Report on ICFR** - Sample unmodified report for comparative-year financial statements with a separate opinion on internal control over financial reporting will be issued
- **NEW RPT-0918A Unmodified Opinion on Internal Control over Financial Reporting When Making Reference to the Report of a Component Auditor** - Sample unmodified opinion on internal control over financial reporting when part of the opinion is based in part on the report of a component auditor
- **NEW RPT-0930 Unmodified Opinion: Special-Purpose Financial Statements Prepared in Accordance with the Financial Reporting Framework for Small- and Medium-Sized Entities** - Sample unmodified opinion for special-purpose financial statements prepared in accordance with the Financial Reporting Framework for small- and medium-sized entities
- **Renumbered:** RPT-0930 renumbered as 0931; RPT-0932 Not in Use.
- **Renumbered:** RPTs 0932 through 0958 renumbered as RPTs 0933 through 0959.
- **Former RPT-0958 (Unmodified Opinion: Since Inception Report—Development Stage Entity)** has been **deleted**.
- **NEW RPT-0960 Unmodified Opinion: Separate Report on ICFR** - Sample separate unmodified opinion on internal control over financial reporting.
- **RPT-0988:** minor change in title - Qualified Opinion: Entity's External Counsel Not Responding to Audit Inquiry Letter
- **NEW RPT-1004 Adverse Opinion: Separate Report on ICFR** - Sample adverse opinion: internal control over financial reporting.
- **NEW RPT-1019 Disclaimer of Opinion: Separate Report on ICFR** - Sample disclaimer of opinion: internal control over financial reporting.
- **NEW RPT-1033 Unmodified Opinion: U.S.-Form Report on an Audit Conducted in Accordance with Both U.S. GAAS and the Standards of the PCAOB When the Audit Is Not Within the Jurisdiction of the PCAOB** - Sample consolidated report in connection with an audit conducted in accordance with U.S. GAAS and in accordance with the auditing standards of the PCAOB.

**Correspondence Documents (CORs)** have been modified and updated, where applicable, in accordance with standards.

- **NEW COR-201A Audit Engagement Letter: Integrated Audit** - Sample letter from auditor to client confirming scope of audit engagement that includes both an audit of the financial statements and an audit of internal control over financial reporting.

- **NEW COR-202A Audit Engagement Letter: Integrated Audit When Also Performing Reviews of Interim Financial Information** - Sample letter from auditor to client confirming scope of audit engagement that includes both an audit of the financial statements and an audit of internal control over financial reporting, when the auditor is also performing reviews of interim financial information.
- **NEW COR-901A Management Representation Letter: ICFR.**
- **NEW COR-904A Communication to Entity with Significant Deficiencies and/or Material Weaknesses: ICFR**
- **COR-905** modified with new title *Communication to Entity with No Material Weaknesses (Not for Use When Performing an Integrated Audit)* and

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-201	Modify	Modified section on Auditor Responsibilities.	Text		
COR-202	Modify	Modified Auditor Responsibilities.	Text		
COR-216	Modify	Modified for ICFR			
COR-820	Modify	Added Additional Guidance Note for ASU No. 2015-04, <i>Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets</i>		Y	ASU No. 2015-04
COR-901	Modify	Minor modification for Information Provided (Illustrative Letter); and wording of the note concerning litigation, claims, and assessments.			
COR-904	Modify	Modified, adding “Reasonably possible” and “Probable” considerations.			
COR-906	Modify	Modified, adding “Reasonably possible” and “Probable” considerations; added additional guidance notes, including considerations when the engagement is also performed in accordance with Government Auditing Standards.			AU-C Section 940

### Resource Documents (RESs)

- **RES-001 Knowledge-Based Audit Methodology Overview** - modified and updated
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** - modified as appropriate to incorporate new workpapers.
- **NEW RES-023 Special Considerations in Auditing Financial Instruments** has been added to illustrate questions that may be helpful to the auditor in obtaining an understanding of an entity's controls over its financial instrument activities.
- **NEW RES-024 Illustrative Management’s Report on Internal Control over Financial Reporting** has been added as an aid to the client in preparing their Management's Report on Internal Control Over Financial Reporting for an integrated audit
- **NEW RES-025 Considerations of an Audit of Internal Control over Financial Reporting That Is Integrated with the Knowledge-Based Audit of Financial Statements** has been added to provide a cross reference between the key AU-C 940 (SAS 130) requirements and the applicable form.

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

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

Statements on Auditing Standards (SASs):

SAS-131, *Amendment to Statement on Auditing Standards No. 122 Section 700, “Forming an Opinion and Reporting on Financial Statements”* (AU-C Section 700)

FASB Accounting Standards Codification as of June 30, 2016, and through Accounting Standards Update (ASU) No. 2016-13, including:

- ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*;
- ASU No. 2016-02, *Leases (Topic 842)*;
- ASU No. 2016-03, *Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance*;
- ASU No. 2016-04, *Liabilities — Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products*;
- ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*;
- ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*;
- ASU No. 2016-07, *Investments — Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*;
- ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*.
- ASU No. 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*;
- ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*;
- ASU No. 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*;
- ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*; and
- ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

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

## RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

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

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

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
<b>KBAs</b>	<b>KNOWLEDGE-BASED AUDIT DOCUMENTS</b>		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
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, Purchases, Job Costing (of Inventory Items), and Work in Process		
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 and Subcontractors Payable, Cash Disbursements, and Job Costing		
KBA-408	Understanding Activity-Level Controls: Payroll and Job Costing		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Estimating and Project Management		
KBA-412	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-413	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
<b>AUDs</b>	<b>AUDIT PROGRAMS</b>		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X
AUD-801	Audit Program: Cash		
AUD-802A	Audit Program: Investments and Joint Ventures		
AUD-802B	Audit Program: Investments in Derivative Instruments and Hedging Activities		
AUD-803	Audit Program: Contracts, Retentions, Accounts Receivable, Revenues, and Contract Billings		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-804	Audit Program: Inventories, Work in Process, and Job Costing of Inventory Items		
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, Retainages, Subcontractor Payables, Job Costing		
AUD-809	Audit Program: Payroll, Job Costing (of 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: Uncompleted and Completed Contracts		
AUD-818	Audit Program: Variable Interest Entities		
AUD-819	Audit Program: Share-Based Payments		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-820	Audit Program: Commitments and Contingencies		
AUD-821	Audit Program: Accounting Estimates		
AUD-822	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	Interim Review Program: Management Inquiries		
<b>AIDs</b>	<b>PRACTICE AIDS</b>		
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		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AID-903	Audit Report Preparation Checklist		

**Additional Information for Associated Workpapers**

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

<i>Workpaper Requiring Association</i>	<i>What is it associated with?</i>		
	<i>Workpaper</i>	<i>Table/Question</i>	<i>Association Item (Custom Value)</i>
KBA-412 Understanding Ctrl's: 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: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend to use a specialist on 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 intend 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