

2011 Knowledge-Based Audits™ of Financial Institutions

ProSystem fx
Knowledge Tools
November 2011



Welcome to *2011 Knowledge-Based Audits™ of Financial Institutions*, the latest addition to the ProSystem fx Knowledge Tools library!

Please review this bulletin prior to installation and use. If you have any questions, call Technical Support at 1-800-PFX-9998, option 4

Release
Bulletin

IN THIS RELEASE

Knowledge-Based Audits of Financial Institutions is designed to help the auditor efficiently and effectively perform financial statement audits of financial institutions in accordance with auditing standards generally accepted in the United States of America (GAAS). The knowledge-based audit is a risk-based methodology that emphasizes using knowledge of the entity to make risk assessments in connection with financial statement audits. The operations of financial institutions are often unique and complex, and require specialized accounting and auditing knowledge. This module includes up-to-date guidance for auditing financial institutions such as nonpublic banks, savings institutions, and credit unions.

The *2011 Knowledge Tools* have been updated to take into account new or pending auditing standards and guidance. References to FASB pre-Codification literature have been removed throughout the forms and practice aids. Many new tips and examples have been incorporated. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the required and recommended GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™.

The 2011 edition of *Knowledge-Based Audits of Financial Institutions* is current through SAS-121, *Revised Applicability of Statement on Auditing Standards No. 100*, "Interim Financial Information," and includes the following updates:

Workpaper Updates

Knowledge-Based Audit Documents (KBAs)

- **KBA-103 Significant Matters** has been updated; review of management's significant estimates has been moved into new **KBA-106 Review of Significant Estimates**.
- **NEW KBA-106 Review of Significant Estimates** has been added to help the auditor in summarizing and evaluating management's significant estimates.
- **KBA-400** has been revised with updated instructions and tables; a new column has been added for indicating whether controls have been selected for testing operating effectiveness.
- **KBAs-403–KBA-409** have been revised to include new practice points and a new column has been added for indicating whether controls have been selected for testing operating effectiveness.
- **KBA-502** has been revised with updated instructions and a new column has been added for indicating whether controls have been selected for testing operating effectiveness.
- **KBA-901** is current through March 31, 2011, and includes the relevant citations from the FASB Codification as of March 31, 2011, using the FASB classification system. References to the FASB pre-Codification literature have been deleted.
- **NEW KBA-901J Industry-Specific Disclosures Checklist: Depository & Lending Institutions** supplements the General U.S. GAAP Financial Statement Disclosures Checklist (KBA-901) and serves as a means to document consideration of the specialized presentation and disclosure requirements for depository and lending institutions.

Audit Programs (AUDs):

- **AUDs 801 through 818** have been updated to include industry specific substantive, as well as control testing steps and new risk summary/linking tables to better document the linkage between risks identified and procedures performed.
- **AUD-901** has been updated to include new steps for reviewing disclosures related to subsequent events.
- **NEW AUD-905 Audit Program: Consideration of Omitted Procedures after the Report Date** is designed to help the auditor consider and address the importance of omitted procedures that may have been necessary at the time of the audit; document procedures performed subsequent to the date of the audit report; determine the appropriate course of action; and document conclusions.

Auditor's Reports (RPTs):

- **RPTs-901—940** have been renamed and updated to reflect applicable clarified standards; references to FASB pre-Codification literature have been removed.

Correspondence Documents (CORs)

- **COR-204** has been updated to add “material weakness” to the language of the engagement letter and to provide appropriate verbiage for SAS-119 engagements.

- **NEW COR-212 Communication with Predecessor Auditor Prior to Client/Engagement Acceptance** provides a sample letter from successor auditor to predecessor auditor requesting information regarding management's integrity, prior to making the client acceptance decision.
- **NEW COR-213 Request from Client to Predecessor Auditor to Release Information to Successor Auditor** provides a sample letter from client to predecessor auditor asking them to release information and respond to successor auditor inquiries.
- **COR-901** reflects clarified standards-SAS-118, 119, and 120.

Practice Aids (AIDs)

- **NEW AID-703 Control Testwork Template** is designed to help the auditor in performing tests of the operating effectiveness of internal controls.
- **NEW AID-704 Summary Control Testing Plan** is designed to aid in the documentation of the auditor's plan for testing the effectiveness of internal controls

Resource Documents (RESs)

- Updated where applicable to reflect changes in standards and **RES-001** has been updated to provide information regarding the Auditing Standards Board's Clarity Project and, where applicable, to reflect organizational and instructional changes noted above and below

Links to Accounting Research Manager (ARM). If you subscribe to an ARM library that includes audit content, you can now link directly to source material from Resources within Knowledge Tools documents. These links have been updated to reference to the accounting standards under the FASB Accounting Standards Codifications™. Also, if you subscribe to the *Knowledge-Based Financial Institutions Guide* on CCH's Accounting Research Manager, you can take advantage of brand new links to the audit guide material from within the Knowledge Coach documents.

New literature, standards, and developments applicable to financial institutions and reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

- SAS-115 *Communicating Internal Control Related Matters Identified in an Audit*
- SAS-118 *Other Information in Documents Containing Audited Financial Statements*
- SAS-119 *Supplementary Information in Relation to the Financial Statements as a Whole*
- SAS-120 *Required Supplementary Information*
- SAS-121 *Revised Applicability of Statement on Auditing Standards, No. 100—Interim Financial Information*

AICPA Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control*

ASU No. 2011-01, *Receivables (Topic 310)—Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*

FASB Accounting Standards Codification (through March 31, 2011)

Important Roll Forward Information

Due to changes made in our documents to ensure they are compliant with standards, some information will not roll forward from previous versions. To ensure as much information as possible will roll forward, please do not roll forward from the 2010 *Knowledge-Based Audits™ of Financial Institutions* to the 2011 *Knowledge-Based Audits™ of Financial Institutions* until you have installed the ProSystem *fx* Engagement release 5.7.1 or higher. For any title-specific roll forward information, please refer to the Help icon found in the roll forward wizard.

Note: While working through your Word documents it is important to follow certain steps to avoid any data loss upon roll forward. If you save the workpaper before tabbing out of a cell, you risk losing data when rolling forward. If upon roll forward you experience any data loss in a workpaper please follow these steps:

1. Open the workpaper.
2. Update the problem cell with random text (only after experiencing data loss).
3. Tab out of the cell.
4. Go back into the cell and remove random text.
5. Once again, tab out of the cell.
6. Save the document.

Important Notes

- Knowledge Coach customers should download and use the Knowledge Coach formatted version of this title that was released and posted to <http://support.cch.com/updates/KnowledgeCoach> in October 2011. This Knowledge Tools title release is NOT compatible with the Knowledge Coach module. Knowledge Coach customers can still use this Knowledge Tools title, but they will not have Knowledge Coach functionality and integration available in these workpapers.
- A minimum of 1GB of RAM is highly recommended for optimal performance when opening and navigating through ProSystem *fx* Knowledge Tools documents.
- ProSystem *fx* Engagement version 4.9 with Knowledge Tools or higher must be installed on the computer in order to install this Knowledge Tools title. Additional requirements include Microsoft Office Professional 2003 SP2 or higher, Microsoft Office 2003 Primary Interop Assemblies (PIA) and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR). The installations of PIA and VSTOR can be found on the Engagement CD in the Applications\Knowledge Tools Prerequisites folder.

Download Instructions

Download the 2011 *Knowledge-Based Audits™ of Financial Institutions* title from the **Program Updates** section of the ProSystem *fx* Engagement support Web site at the following URL: <http://support.cch.com/updates/KnowledgeTools/>, then select the download link next to **2011 Knowledge-Based Audits™ of Financial Institutions**

Password: The password will be included with the copy of the release bulletin mailed to subscribers of this title.

Installation Instructions

Your Knowledge Tools title will integrate itself directly into ProSystem *fx* Engagement. The only additional system requirement is approximately 75MB of disk space to store your Knowledge Tools program content files. Please refer to the ProSystem *fx* Engagement with Knowledge Tools Release Notes for any other system requirements.

After extracting the 2011 *Knowledge-Based Audits™ of Financial Institutions* .msi, do the following to install the Knowledge Tools templates:

1. Double-click on the 2011 *Knowledge-Based Audits™ of Financial Institutions*.msi to begin the installation.
2. Select **Next** on the Welcome screen.
3. Accept the License Agreement, and then select **Next**.
4. Select the destination location for the templates, and then select **Next**.
5. Review the installation settings, and then select **Install** to begin copying the files.
6. Select **Finish** to complete the installation.

Note: You must add and assign the Knowledge Tools license in ProSystem *fx* Engagement Administrator before using the workpaper templates.

Important: The 2011 *Knowledge-Based Audits™ of Financial Institutions.msi* allows for mass deployment/installation by way of pushing the install to computers.

ProSystem fx Engagement Update Utility Instructions

If the Knowledge Tools title is not shown in the list of available products in the License Assignment dialog, the title's licensing information will need to be updated with the ProSystem fx Engagement Update Utility prior to adding the licenses for the title or assigning the licenses to staff members.

Follow these steps to download the utility and update file:

1. Download the ProSystem fx Engagement Update Utility from the **Program Updates/Knowledge Tools Series** page of the ProSystem fx Engagement support Web site.
2. To download the utility, click **ProSystem fx Engagement Update Utility**.
3. To download the update file (LicenseUpdate.upd), click **License Update File**.

Note: We recommend you save the files to your computer to run the utility.

After downloading the files, perform the following steps:

1. Close ProSystem fx Engagement Administrator and ProSystem fx Engagement.
2. Double-click the ProSystem fx Engagement Update Utility (PfxEngUpdateUtility.exe) file.
3. Enter the login name and password for an authorized ProSystem fx Engagement administrator.
4. Browse for or enter the path for the license update file you just downloaded (LicenseUpdate.upd).
5. Click **OK** to update the ProSystem fx Engagement database and add the Knowledge Tools title to the License Assignment dialog in ProSystem fx Engagement Administrator. You may now add and assign the Knowledge Tools title to the users.

Online Permission Key

Permission key files may be downloaded from our Web site at

<https://prosystemfxsupport.tax.cchgroup.com/service/accountadmin/> or when adding or updating the new licenses within ProSystem fx Engagement with Knowledge Tools 4.9 and higher. After updating the license file in the ProSystem fx Engagement Admin module, and running the Update License Utility for 4.9 users, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Audits™ of Financial Institutions*. If you have not already established a Single Sign-on (SSO) account with Customer Service, we urge you to do so at this time.

Permission keys are no longer generally distributed via floppy diskette. You can choose to continue receiving the diskette by going to <http://tax.cchgroup.com/pfxsupport>, clicking the Firm Administration link, and making the appropriate selection (SSO access is required), or by contacting Customer Service at 1-800-PFX-9998, option 4.

Accounting Research Manager

CCH's Accounting Research Manager is the most comprehensive, up-to-date and objective online database of financial reporting literature. It includes all authoritative and proposed accounting, auditing, and SEC literature, plus independent, expert-written interpretive guidance.

Our Weekly Summary email newsletter highlights the key developments of the week, giving you assurance that you have the most current information. It provides links to new FASB, AICPA, SEC, EITF, and IASB authoritative and proposal-stage literature, plus guidance from financial reporting experts.

Our team of content experts updates the system on a daily basis, so you can stay as current as possible. What's more, our experts attend critical standard-setting meetings and summarize the results for you, which means you'll learn of newly released literature and deliberations of current financial reporting projects as soon as they occur! Plus, you'll benefit from their easy-to-understand technical translations. Our expert's interpretations clearly lay out what the rules mean from your perspective.

With Accounting Research Manager, you maximize the efficiency of your research time, while enhancing your results. Learn more about our content, our experts, and how you can request your free trial by visiting <http://www.accountingresearchmanager.com>. You can also access the Accounting Research Manager Web site by selecting the item from the ProSystem fx® Engagement Other Shortcuts bar in the Binder window.

Using Your Knowledge Tools Content

Knowledge Tools Workpaper Templates

To use Knowledge Tools Workpaper Templates, do the following:

1. Open a binder in ProSystem *fx* Engagement.
2. Select the workpaper tab into which you would like to insert the workpaper.
3. Select **New Knowledge Tools Workpaper** from the toolbar or File menu. The New Knowledge Tools Workpaper dialog appears (*Figure 1*).
4. Select the New Knowledge Tools Title with the content you would like to use. You can only select titles you have installed. The information displayed changes to reflect the workpaper organization available for the selected title.
5. Select the Knowledge Tools Workpaper Templates to insert into your binder.
6. Click **OK** to display the Selected Workpaper Properties dialog. Each workpaper name is automatically loaded into the Name field.
7. Add a workpaper index in the Index field and make any needed Name modifications. You can also modify the tab location or the roll forward settings for each workpaper.
8. Click **OK**. The integrated Knowledge Tools workpaper is now inserted into your engagement binder.

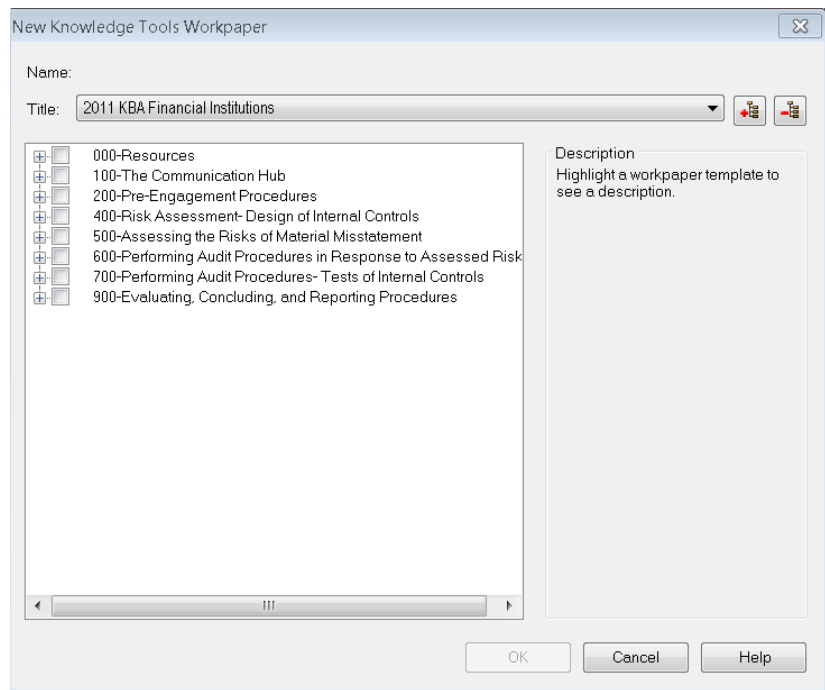


Figure 1 – New Knowledge Tools Workpaper

Binder Templates

ProSystem *fx* Engagement provides powerful engagement templates with integrated Knowledge Tools content.

To start engagements pertaining to your purchased title with a binder template populated with programs and worksheets, select **New Binder Wizard** from either the toolbar or File menu in the File Room window. The New Binder Wizard dialog appears (*Figure 2*). To setup the binder, do the following:

1. Select **Create binder from template**.
2. Click on the **Knowledge Tools** tab.
3. Select the appropriate binder template for your engagement. You will see binder templates for the Knowledge Tools titles installed.
4. Select **Next**.
5. Complete the binder properties information as needed.
6. Select **Finish**. The new binder displays in the file room. Refer to the ProSystem *fx* Engagement User Guide, accessible from the Help menu in ProSystem *fx* Engagement, for more information.

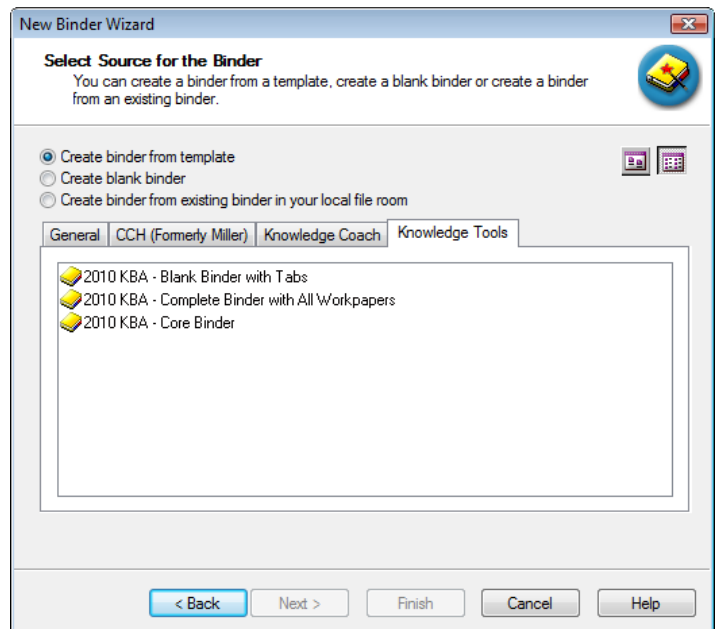


Figure 2 – New Binder Wizard

The *2011 Knowledge-Based Audits™ of Financial Institutions* provides three binder templates. One binder template contains all workpaper templates from the title, one binder template contains only the core workpaper templates, and the third binder template contains only workpaper tabs using the Knowledge Tools indexing system. This allows you to build your own binder template by populating the tabs with the workpapers of your choice.

Contact Information

For a demo or to purchase additional titles	1-800-PFX-9998, option 1
Technical Support	1-800-PFX-9998, option 4 or online at http://support.cch.com

The ProSystem *fx* Engagement version of the Knowledge Tools Integrated Engagement Guides is sold and supported by CCH, a Wolters Kluwer business. The contact information above can be used for customer service and support issues for this product. For information about other CCH products, please call 1-800-248-3248 or visit the online Store at <http://tax.cchgroup.com>.