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(54) Title: METHOD AND SYSTEM OF GENERATING AUDIT PROCEDURES AND FORMS

(57) Abstract: The present invention provides a computer-implemented method for assessing risks associated with an audit. A user is presented with a plurality of audit items and a set of risk levels associated with the audit items and may also be presented with a plurality of prompts designed to elicit a set of responses from the user. The set of user responses being associated with a set of risks associated with the audit. The set of risk levels being associated with a set of assertions associated with the audit items and may include first and second risk levels of different degrees. The method further includes processing a set of responses received from the user in response to the items presented. The method includes automatically generating a suggested audit approach that is based at least in part on the processed responses. The method may also determine a set of procedures that are based on the responses. The set of procedures are presented to the user based on the suggested audit approach. The user is presented for selection with a set of audit approaches comprising the suggested audit approach and an alternative audit approach. The present invention provides a computer-implemented method for automatically generating and placing documents associated with a tax and accounting related engagement, for example assessing risks associated with an audit. The method further includes automatically generating documents associated with the suggested audit approach and placing the automatically generated documents within a predefined set of folders.

WO 2009/055023 A2

5 **METHOD AND SYSTEM OF GENERATING AUDIT PROCEDURES AND FORMS**

CROSS-REFERENCE TO RELATED APPLICATIONS

[0001] This application is a continuation-in-part of application Serial No. 11/977,288, filed October 24, 2007, for a Method and System of Generating Audit
10 Procedures and Forms, which is incorporated herein by reference.

FIELD OF THE INVENTION

[0002] The present invention relates to the provision of and tools to assist in the provision of professional services, specifically including auditing services. More
15 particularly, the present invention relates to computer-implemented tools, resources, and processes for conducting audits.

BACKGROUND OF THE INVENTION

[0003] As companies continue to strive for efficiency, consistency and
20 flexibility, computers and software executed on computers are increasingly relied upon to automate, semi-automate, enhance, quicken and make reliable and uniform business processes. This is true even in fields of professional service providers, such as financial auditors, and fields in which standardized procedures and documents govern acceptable and "best" practices. For instance, organizations,
25 such as FASAB (Federal Accounting Standards Advisory Board), FASB (Financial Accounting Standards Board), AICPA (American Institute of Certified Public Accountants), IASB (International Accounting Standards Board), the SEC, and PCAOB (Public Company Accounting Oversight Board) promulgate rules and regulations, e.g., GAAS (generally accepted auditing standards), GAAP (generally
30 accepted accounting principles), and IFRS (International Financial Reporting Standards), that govern the way companies are reviewed for integrity of financial accounting and operation. GAAS is principally comprised of ten auditing standards developed by AICPA that establish general standards (3) and standards related to field work (3) and reporting (4), including whether the report is in accordance with
35 GAAP, and related interpretations.

5 **[0004]** In the field of auditing, although GAAP and GAAS provide guidelines
by which auditors should conduct audits, there is a significant amount of leeway and
many variables that leave to the professional and his or her assessments
determining the set of procedures required under the particular set of circumstances.
This may also depend on the purpose and the intended audience to receive and
10 interpret/rely on the report, and whether the entity being audited is public or non-
public or governmental. Whether public or non-public, investors, banks, and other
persons of interest rely on financial accounting information when determining
whether to invest in a company, grant a loan to a company, merge with a company,
etc. Standards are intended to promote best practices and uniformity, and therefore
15 reliability, in the auditing process so that the resulting report may be viewed as
unbiased, accurate and trustworthy.

[0005] Companies, such as Thomson Corporation, provide tools, resources
and services to assist accountants and auditors. For instance, Thomson PPC's e-
Practice Aids is a series of titles or Guides that give guidance and provide materials
20 and procedures consistent with standards, e.g., *PPC's Guide To Audit Of Nonpublic
Companies*, 25th Edition, January 2007. Auditors may rely on the Guides or titles in
conducting audits. Electronic tools, for instance Thomson's e-Tools, and electronic
versions of guides, Thomson e-Practice Aids, help auditors take their tools and
resources with them when conducting field work or may make them accessible from
25 remote locations or at least electronically. Computers are also helpful in collecting
client data and capturing assessment data. What is needed is an integrated system
for conducting audits and for processing collected and risk related assessment data
to determine and generate and present a suggested audit approach and set of
procedures consistent with relevant standards and guides, then generating
30 documents containing those procedures and providing the auditor with quick access
to such documents for use in an audit and a structure for efficient document storing
and handling.

SUMMARY OF THE INVENTION

35 **[0006]** The present invention addresses the shortcomings of the prior art and
provides, among other things, a powerful computer-implemented tool to assist in
making risk assessments and for generating procedures, conducting audits, and

5 coordinating documents and other work product in assessing risks associated with
business processes and operations. More particularly, the present invention relates
to a system of creating and generating auditing procedures in response to identified
risks and risk assessments. The present invention comprises a logic scheme
wherein an auditor is prompted with a series of questions or prompts for information
10 and the answers or responses given by the auditor are used as input to the logic
sequence in determining the procedures the auditor will use when performing the
audit. The present invention may be used by auditors in performing audits of non-
public as well as public companies, governmental organizations, and other entities
and typically involves the generation of work product capturing or summarizing the
15 effort and underlying basis for opinions associated with the effort.

[0007] In one respect, the invention provides a professional services audit tool
that includes an application that performs a variety of functions such as completing
certain audit planning processes/forms (including assessing risks related to the
financial statements being audited), offering a tailored set audit programs based on
20 the assessed risks, allowing users to further tailor the suggested audit programs, and
rendering these audit programs in a helpful format, e.g., Thomson Corporation's
PPC SMART e-Practice Aids format. In one manner, to use the application, each
user also must own and have a valid license installed of an associated practice aid
product or suite, e.g., Thomson's e-Practice Aid product. In this example, the e-
25 Practice Aid corresponds to one of a set of audit types or titles.

[0008] The present invention includes one or more of the following
advantages whereby users may: complete audit planning documentation; identify
and capture audit risks affecting your engagement; select an audit strategy in
response to the user's risk assessment; automatically generate suggested audit
30 programs and procedures; efficiently customize using GUI drag and drop
functionality; produce tailored practice aids for the particular engagement such as in
performing an audit; automate the audit planning and risk assessment process;
optimize the user's professional audit judgment; improve linkage between audit risk
and procedures performed; increase audit effectiveness and reduce risk; and
35 increase consistency across audit engagements.

[0009] One further benefit of the present invention is that an auditor can be
sure to include all relevant information in the audit procedures without sacrificing

5 detail. The prompt-response method of the present invention directs the auditor to consider piecemeal whether each individual component of the possible audit procedures should be included. By doing this, the audit procedures will be far clearer and less confusing to both the auditor and the audited parties.

10 **[0010]** The auditor as described in the present invention is intended to include every person who may use the program to assess risk facing an enterprise. The applications in the context of auditing cover, for example, the following categories: accounting, audit & attest; compilation and review; non-profit organizations; governments; specialized industries; and bookkeeping services.

15 **[0011]** Once the auditor has responded to certain prompts, a series of tailored audit procedures will be created corresponding to each audit area the auditor has selected. Audit areas are intended to include cash, accounts receivables and sales, inventory and costs of sales, inventory observation, property, investments and derivatives, other assets, accounts payable and other liabilities, notes payable and long-term debt, income taxes, equity, and incomes and expenses.

20 **[0012]** The above-mentioned audit procedures are created using a logic system based primarily on the input of assertions associated with Risk of Material Misstatement (RMM), but include such other facts as fraud risks. In one manner, when one or more or a particular combination of assertions are evaluated to be "high," one or more extended procedures will be suggested when creating or
25 generating the audit procedures. The extended procedures suggested will relate particularly to that area or assertion that is deemed to be a high risk. If no high risks are involved with the particular audit, then the "Basic" approach will be suggested. An exception exists where the risk is moderate and there is a risk of fraud or other significant risk. In such instances, an Extended approach will be suggested for that
30 assertion.

[0013] The term "assertion" as used herein means representations that are embodied in components being audited.

35 **[0014]** Areas of the generated audit procedures will be filled in by information inputted during the engagement process and planning forms of Figs. 2-13(j). Content is placed in particular places within the generated document using the bookmarks and cross-reference feature of Microsoft Word from the Microsoft Office. Forms tailored by variable data input are known as "smart" forms. Exemplary

5 technology that may be used to accomplish the "on the fly" creation of documents includes one or more of XML, Microsoft WORD object model and WORD templates.

[0015] The present invention is intended to be medium-neutral, being equally capable as a desktop program, a web-enabled program, a web-based program, and any variation thereof, being broad enough to include all future mediums.

10 **[0016]** In one embodiment the present invention provides a system for assessing risks associated with an audit. The system comprises: a computer having an associated memory, display, and input device and adapted to execute code; a graphical user interface adapted to operate on the computer and adapted to present a plurality of audit items and a set of risk levels associated with the plurality of audit
15 items and adapted to receive a set of responses by the input device; a response code set adapted to be executed on the computer and adapted to process the set of responses; and an audit code set adapted to be executed by the computer and adapted to automatically generate a suggested audit approach based at least in part on the set of responses. In addition, the graphical user interface may be adapted to
20 present a set of prompts designed to elicit the set of responses, the set of responses being associated with a set of risks associated with the audit. Further, the audit code set may be further adapted to present by the graphical user interface a set of procedures based at least in part on the suggested audit approach. Also, the responses may represent a set of assertions of risk level associated with the plurality
25 of audit items.

[0017] The system may further comprise a selection code set adapted to provide selection of a set of at least two audit approaches comprising the suggested audit approach and an alternative audit approach. The suggested audit approach may be either basic or extended, for example. The set of risk levels may comprise a
30 first risk level, a second risk level, and a third risk level. Also, in the system each response in the set of responses may be a selected risk level from the set of risk levels and wherein the first risk level is low, the second risk level is moderate, and the third risk level is high. The graphical user interface may be further adapted to present an electronic audit form associated with an audit and the electronic form may
35 comprise the plurality of audit items and possible risk levels. The audit code set may be further adapted to determine a set of procedures based at least in part on the set

5 of responses. The audit code set may be further adapted to present a set of electronic documents associated with the suggested audit approach.

[0018] In another embodiment the invention provides a computer-implemented method or process for assessing risks associated with an audit. The process includes the step of presenting to a user a plurality of audit items and a set
10 of risk levels associated with the plurality of audit items. The presenting step may further comprise presenting a plurality of prompts designed to elicit a set of responses from a user/auditor wherein the set of user responses are associated with a set of risks associated with the audit. Further, the set of risk levels may be associated with a set of assertions associated with the plurality of audit items. Also,
15 the set of risk levels may include at least a first risk level and a second risk level of different degrees of risk. The method further includes the step of processing a set of responses received from the user in response to the items presented. The method includes the step of automatically generating a suggested audit approach that is based at least in part on the processing step.

[0019] In addition, the exemplary method may include the following steps. The step of determining a set of procedures that are based at least in part on the responses from the response processing step. An additional step involves presenting the set of procedures to the user based at least in part on the suggested audit approach. The method may also include the step of presenting the user with a
25 set of at least two audit approaches comprising the suggested audit approach and an alternative audit approach from which the user may select. The suggested audit approach may be one of basic, limited or extended. In the method, each response in the set of responses may be a selected risk level from the set of risk levels representing different levels of risk. The presenting step may include presenting an
30 electronic audit form associated with the audit being performed by the user. The electronic form may comprise the plurality of audit items and the set of risk levels. The automatically generating step may further include determining a set of procedures based at least in part on the set of user responses and the suggested audit approach may include presenting the set of procedures.

[0020] The method may also include the step of editing the determined set of
35 procedures from the generating step to result in a customized set of procedures.

5 The method may also include the step of presenting a set of electronic documents associated with the suggested audit approach.

[0021] The system may be configured and the method may be performed in a variety and combination of environments and architectures, including Internet/WWW-based applications, desktop applications, and WWW-enabled applications. In one
10 exemplary architecture, a user at a remote workstation may have executing thereon software so that the user is not writing back to the central server database until the user chooses to save changes made. Until the changes are saved, the user is working in short-term memory and the user has the ability to perform "what if" scenarios.

15 **[0022]** The present invention builds on existing practice aids to provide an integrated audit planning and risk assessment approach to engagements. The invention provides an audit tool that allows auditors to complete audit planning documentation, identify and capture audit risks affecting the engagement, automatically generate suggested audit programs, select from suggested and
20 alternative audit strategies responsive to auditor risk assessment, customize audit program aspects with user-friendly GUI and drag and drop functionality, and produce tailored practice aids for the engagement. To a large extent the present invention may be used to automate the audit planning and risk assessment process, optimize judgments, improve linkage between audit risk and procedures performed, increase
25 audit effectiveness and reduce risk, and increase consistency across audit engagements. These and other objects and benefits of the present invention are made more apparent with the aid of the following description and figures.

BRIEF DESCRIPTION OF THE DRAWINGS

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[0023] In order to facilitate a full understanding of the present invention, reference is now made to the accompanying drawings, in which like elements are referenced with like numerals. These drawings should not be construed as limiting the present invention, but are intended to be exemplary and for reference.

35 **[0024]** Fig. 1 depicts an exemplary system embodiment of the present invention;

- 5 **[0025]** Fig. 2 depicts a flowchart illustrating one embodiment of the present invention;
- [0026]** Fig. 3 depicts a screen shot illustrating exemplary functionality for use in conjunction with the present invention;
- [0027]** Fig. 4 depicts a flowchart illustrating a risk assessment aspect of the present invention;
- 10 **[0028]** Fig. 5 depicts an exemplary screen for selecting audit areas related to a particular engagement;
- [0029]** Fig. 6 depicts an Engagement Acceptance Form and related screen for use in a client assessment aspect of the present invention;
- 15 **[0030]** Fig. 7 depicts a risk identification screen where an auditor may enter and describe a type of risk in keeping with the present invention;
- [0031]** Fig. 8 depicts an Understanding the Entity and its Environment screen used in gathering audit related data;
- [0032]** Fig. 9 depicts an Engagement Team Discussion form and related screen in keeping with the present invention;
- 20 **[0033]** Fig. 10 depicts the Fraud Risk Inquiries Form and related screen in keeping with the present invention;
- [0034]** Fig. 11 depicts the Understanding the Design and implementation of Internal Control form and related screen in keeping with the present invention;
- 25 **[0035]** Fig. 12 depicts the Risk Identification Form and related screen in keeping with the present invention;
- [0036]** Figs. 13 depicts an exemplary audit area Risk Assessment Summary Form and related screen in keeping with the present invention;
- [0037]** Fig. 14 depicts the risks entered in Fig. 7 that are identified as a risk to the overall finance statements;
- 30 **[0038]** Fig. 15 depicts a screen shot illustrating the procedures generated by inputted data related to one of the audit area audit programs;
- [0039]** Fig. 16 depicts a screen illustrating procedures for performing an audit report;
- 35 **[0040]** Fig. 17 depicts a diagnostic report and related screen in keeping with the present invention;

5 **[0041]** Fig. 18 depicts the generated audit form and related screen in keeping with the present invention;

[0042] Fig. 19 depicts a preview of an audit form generated by software of the present invention;

10 **[0043]** Fig. 20 depicts a file containing all forms generated by the program; and,

[0044] Fig. 21 depicts an exemplary Generate Audit Programs screen in keeping with the present invention.

[0045] Fig. 22 depicts a toolbar exemplary generated documents filed in the appropriate place in keeping with the present invention.

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DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

[0046] The present invention will now be described in more detail with reference to exemplary embodiments as shown in the accompanying drawings. While the present invention is described herein with reference to the exemplary
20 embodiments, it should be understood that the present invention is not limited to such exemplary embodiments. Those possessing ordinary skill in the art and having access to the teachings herein will recognize additional implementations, modifications, and embodiments, as well as other applications for use of the invention, which are fully contemplated herein as within the scope of the present
25 invention as disclosed and claimed herein, and with respect to which the present invention could be of significant utility.

[0047] In one respect, the invention provides a professional services audit tool that includes an application that performs a variety of functions such as completing
30 certain audit planning processes/forms (including assessing risks related to the financial statements being audited), offering a tailored set of audit programs based on the assessed risks, allowing users to further tailor the suggested audit programs, and rendering these audit programs in a helpful format, e.g., Thomson Corporation's PPC SMART e-Practice Aids format. In one manner, to use the application, each user also must own and have a valid license installed of an associated "practice aid,"
35 e.g., Thomson's e-Practice Aid product. In this example, the practice aid corresponds to one of eleven audit types, also referred to herein as "titles." An exemplary list of audit types or titles that are supported by the Risk Assessment

5 system of the present invention includes: Guide to Audits of Nonpublic Companies;
Guide to PCAOB Audits (i.e., audits of publicly-traded companies); Guide to Audits
of Nonprofit Organizations; Guide to Audits of Local Governments; Guide to Audits of
Employee Benefit Plans; Guide to Construction Contractors; Guide to Dealerships;
Guide to Audits of Financial Institutions; Guide to Homeowners' Associations and
10 Other Common Interest Realty Associations; Guide to HUD Audits; and Guide to
Single Audits (audits that comply with government and non-profit "single audit" rules,
regulations and guidelines). One advantage of this embodiment of the invention is
that it enables a user to obtain a greater understanding of the entity under audit or
review and its environment, review internal control, perform a more rigorous risk
15 assessment, provide linkage of assessed risks of material misstatement (RIMM) to
the user's audit procedures at the assertion level, and meet new and expanded
documentation requirements.

[0048] Referring now to Fig. 1, a system 100 is shown for implementing a risk
assessment and audit program and providing a tool that creates and generates audit
20 procedures based on risk assessments and assertions identified during an audit.
The system 100 comprises a central side 102, a remote audit work station 104 and a
local client-side facility 106. In this example, a user 108, such as a professional
conducting an audit, may use a mobile or local device, such as a wireless-enabled
notebook computer 110 to connect to the central side 102 and/or the client side 106
25 via communication links. This configuration is one of many and is not limiting as to
the invention. For example, in one alternative configuration user 108 may use the
application fully self-contained within a desktop environment, e.g., as shown within
104, and may utilize a local database 119, such as SQL 2005 or above or SQL
Express or other suitable database. The communication links may be a combination
30 of wireless, LAN, WLAN, ISDN, X.25, DSL, and ATM type networks, for example.
The user notebook 110 may comprise a typical combination of hardware and
software including system memory 112, operating system 114, application programs
116, graphical user interface (GUI) 118, processor 120, and storage 122 which may
contain electronic information 124 such as forms, practice aids, titles, data,
35 procedures and the like. The operating system 114 shall be suitable for use with the
risk assessment functionality described herein, for example, Microsoft Windows
Vista (business, enterprise and ultimate editions), Windows 2000 with SP4 or

5 Windows XP Professional with SP2. Also, the risk assessment invention may be browser-based and/or may include custom integration with Microsoft Office applications, e.g., Outlook, Word and Excel. Application programs 116 may include, for example, Microsoft Office 2007, Office XP with SP2, or Office 2003 with SP1 applications. The software and related tools, procedures, forms and data used to
10 implement the risk assessment processes may be accessed by the machine 110 via the Internet or it may be loaded onto the machine via CD-ROM or other media or a combination of such means. The system requirements in one embodiment may require the machine 110 to be compatible with minimum threshold levels of processing capabilities, e.g., Intel Pentium III, speed, e.g., 500 MHz, and other
15 parameters.

[0049] For purposes of discussion, an exemplary central side 102 may comprise a central server and database 126, user interface peripherals such as drives (not shown) monitor 128, keyboard 130, and printer 132. The central server and database 126 may be used to communicate remotely, or locally for that matter,
20 with the user's machine 110 and may load, pass, receive information and instructions, such as software executable on the machine 110 and data, forms, titles, guides, procedures and the like for storing and using locally by the user on machine 110. A communication link 103 may be established between central side 102 and user workstation 104 for updating data and software used by the user during auditing
25 processes. The central side 102 may also include one or more application servers 134 and other devices to help facilitate the exchange of software and data between the user 108 and the central side 102. The central side 102 may be associated with a professional services company, such as an accounting firm, in the business of conducting audits.

30 **[0050]** The local client-side facility 106 is illustrated for exemplary purposes only as including a server 136 or the like to provide a communication link 105 between the user machine 110 and the client-side system as required, if at all, in the auditing process. The client-side facility 106 may include a network 142 of computers 140, such as over a LAN, WLAN, Ethernet, token ring, FDDI ring or other
35 communications network infrastructure. The client-side facility may also include a database 138 or other data storage component. In conducting an audit of a company associated with facility 106, the user 108, in one optional manner, may

5 access data and/or the network 142 as necessary to review documents and processes of the company to prepare assessments and identify risks associated with company operations. In conducting and completing the audit engagement, the user 108 inputs data, calls upon audit tools, such as titles and procedures stored locally or remotely at the central side 102.

10 **[0051]** The system 100 may be Internet or (World Wide) WEB-based, desktop-based, or application WEB-enabled. Also, the present invention supports a "disconnected use" of the software in that the software may be designed so that a user 108 does not write back to the central server database 126 and/or the local database 119 until the user chooses to "save" or store the changes. Prior to saving
15 changes, the user 108 may work in short-term memory. This feature has the benefit of allowing the user 108 to perform "what if" scenarios and examine results of these scenarios.

[0052] Figure 2 is a flowchart illustrating an embodiment of the invention that provides a computer-implemented process 200 for assessing risks associated with
20 an audit. The process 200 includes the step 202 of presenting to a user a plurality of audit items and a set of risk levels associated with the plurality of audit items. Presenting step 202 may further comprise presenting a plurality of prompts designed to elicit a set of responses from a user/auditor wherein the set of user responses are associated with a set of risks associated with the audit. Further, the set of risk levels
25 may be associated with a set of assertions associated with the plurality of audit items. Also, the set of risk levels may include at least a first risk level and a second risk level of different degrees of risk. Step 204 is processing a set of responses received from the user in response to the items presented in step 202. In step 206 the process automatically generates a suggested audit approach that is based at
30 least in part on the processing step 204.

[0053] Still with reference to Figure 2, the process 200 may optionally include one or more of the following steps. In step 208, the process includes determining a set of procedures that are based at least in part on the responses from step 204. At step 210, the set of procedures are presented to the user based at least in part on
35 the suggested audit approach of step 206. The process may also include step 212 whereby a user is presented a set of at least two audit approaches comprising the suggested audit approach and an alternative audit approach from which the user

5 may select. In addition, the suggested audit approach may be one of basic, limited or extended. In the process 200, each response in the set of responses may be a selected risk level from the set of risk levels representing different levels of risk. The presenting step 206 may include presenting an electronic audit form associated with the audit being performed by a user. The electronic form may comprise the plurality
10 of audit items and the set of risk levels. The automatically generating step 206 may further include determining a set of procedures based at least in part on the set of user responses and the suggested audit approach may include presenting the set of procedures. The process 200 may also include step 214 of editing the determined set of procedures from the generating step 206 to result in a customized set of
15 procedures. The process 200 may also include step 216 of presenting a set of electronic documents associated with the suggested audit approach.

[0054] The process 200 may be performed in a variety and combination of environments and architectures, including Internet/WWW-based applications, desktop applications, and WWW-enabled applications. In one exemplary
20 architecture, a user 108 at a remote workstation 110 may have executing thereon software so that the user is not writing back to the central server database 126 until the user 108 chooses to save changes made. Until the changes are saved, the user is working in short-term memory and the user has the ability to perform "what if" scenarios.

25 **[0055]** Fig. 3 is a screen shot of an exemplary practice aid comprising custom content and functionality built into the Word application. Shown is a menu representing custom audit functionality in the pull-down window with "View Practical Considerations" checked. Shown on the screen is represented the audit area
30 "Inventory and Cost of Sales" in a practice aid form that provides direction and captures risk assessment information on Financial Statement Assertions (FSAs) and other data points.

[0056] Fig. 4 is a flowchart to help illustrate the logic 400 associated with assigning levels of risk associated with different assertions and how based on the assertions and assigned risk levels basic or extended procedures may be included in
35 a suggested audit approach. Assertions 402 through 412 are similar to the FSAs of Figure 3. For example, if all assertions 402 through 412 are assigned a low risk level then basic procedures 414 will be suggested. If some or all of assertions 402

5 through 412 are assigned a moderate risk level then basic procedures 414 will be suggested – unless a separate significant or fraud risk 420 assertion is indicated. Whereas, if one or more of the assertions 402 through 412 are assigned high level of risk, then extended procedures 418 may be included in the suggested audit approach. A combination of basic and extended procedures may be included in a suggested audit approach.

10 **[0057]** With regard to initiating an engagement and with reference to Figure 1, the GUI 118 may be used to present a user 108 with an introductory screen to interface the system of creating auditing procedures in response to a field of identified risks. For example, the introductory screen may give auditors or users 108 15 the option to begin a new engagement or continue an existing engagement. For example, the auditor 108 may begin a new engagement by either clicking on a page icon on a command bar or going to pull-downs, e.g., “file” >> “new.” Once an auditor 108 begins a new engagement, GUI 118 may present the user with a subsequent screen to allow the auditor 108 to input client information. For instance, the auditor 20 may input the client’s name, a particularized name for the engagement, and an audit type or title, e.g., a Thomson e-Practice Aid Title, which may be in the form of Microsoft Word and Excel documents, checklists and templates. The risk assessment process of the present invention allows users to identify risks of material misstatement and may be integrated with professional tool applications and suites of 25 applications, for example, Thomson Corporation’s e-Tools™ Suite, including PPC’s e-Practice Aids, e-Workpapers, Interactive Disclosure Libraries, and Engagement Letter Generator products. The risk assessment invention may also involve internal control processes or information and may involve assessing control risks. The risk assessment process may include a performance and reporting aspect involving 30 evaluating acceptance and involve accessing external resources such as Hoover’s reference. This may also include evaluating continuance in the context of roll-forward acceptance and continuance decisions.

35 **[0058]** For example, an auditor may select a client’s name from a drop-down box where client names are presented. Alternatively, an auditor may input a new unique entry directly into the client’s name data field. An audit title is selected from a list of available choices, examples of which are provided above, which includes “Audits of Nonpublic Companies.” In one implementation, an auditor may be limited

5 in the selection of practice aid titles. By limiting the number of practice aid titles, the software may be managed according to the practice aid title. An auditor determines whether the engagement is an initial audit or whether it is related to a previous audit. Managing an audit in this way is beneficial because it allows an auditor to work on an audit in stages and determines whether initial audit procedures are automatically
10 included.

[0059] Figures 5 through 21 and the following text provide a more detailed description of the engagement and risk assessment process. The computer-implemented audit tool described herein allows auditors to complete audit planning documentation, identify and capture audit risks affecting the engagement,
15 automatically and dynamically generate suggested audit programs, select from suggested and alternative audit strategies responsive to auditor risk assessment, customize audit program aspects with user-friendly GUI and drag and drop functionality, and produce tailored practice aids for the engagement. The risk assessment process also may include diagnostic capabilities to aid the auditor in
20 identifying inconsistencies in the audit program. Additional features that may be implemented in keeping with the invention are the ability to roll-forward an engagement based on a prior period engagement and the ability to aggregate information from various tools and practice aids and implement changes to or
25 additional risk assessment standards across an audit platform and multiple engagements. To a large extent the present invention may be used to automate the audit planning and risk assessment process, optimize judgments, improve linkage between audit risk and procedures performed, increase audit effectiveness and reduce risk, and increase consistency across audit engagements. The invention and its various features are described in more detail below.

30 **[0060]** In one embodiment of the invention, an auditor initiates an engagement and completes planning forms and identifies risks. Next the auditor assesses risks and determines audit strategies. Next, the system automatically generates an audit program and the auditor may customize the program. Next, the auditor may run diagnostics to identify inconsistencies. In more detail, after the engagement has
35 been created or continued, as described above, Figure 5 illustrates a screen shot presented to a user 108 of audit areas to be included in an audit for a particular engagement. Fig. 5 displays the audit areas to be included in the audit. Exemplary

5 audit areas 30 may include cash, accounts receivables and sales, inventory and costs of sales, inventory observation, property, investments and derivatives, other assets, accounts payable and other liabilities, notes payable and long-term debt, income taxes, equity, and incomes and expenses. An auditor can choose whether each of these or other areas will be considered in an audit. Further, an auditor has
10 the option of adding an audit area. When at least one or more of these areas are selected for inclusion in the audit, a series of questions and subsequent screens will be generated to facilitate the creation of a set of audit procedures to be completed by the auditor that are tailored to the audited entity. These audit areas act as the parameters for the audit report and will be the aspects upon which the risk
15 assessment is calculated.

[0061] Fig. 5 shows an introductory screen for easy navigation of the audit process. It is not necessary that any stage of the process be conducted first once the engagement has been created. At all times an auditor may skip forwards and backwards in the leftmost navigation pane. The leftmost navigation pane consists of
20 categories for the identification of risks, assessing the effects of those risks, review and modification of audit programs, and generating planning forms and audit programs. The introductory screen gives an auditor an understanding of the significance of each individual category and what the auditor is meant to accomplish in each category. The introductory screen further assists the auditor by offering a
25 tutorial to assist the auditor in conducting the audit preparation.

[0062] Fig. 6 depicts an engagement acceptance form screen having a navigation side pane and an identified risks side pane. This screen allows the auditor to give an initial assessment on whether they can perform the audit being requested. An auditor will input answers to questions such as the type of service
30 being requested. Within the engagement acceptance form 60, there are practical considerations 61 identified in blue. An auditor can select to hide all practical considerations. Practical considerations consist of advice given to the auditor. The engagement acceptance form 60 also is designed for the input of brief description of the services to be performed by the auditor. Further, communications with the party
35 seeking the audit are noted here. This screen also addresses any conflicts of interest to help ensure a professional and trustworthy report.

5 **[0063]** Fig. 6 shows a right pane where an auditor may add specific identified risks. A risk might be identified at any stage of the audit, and the completion of engagement acceptance form. Understanding the Entity and its Environment form illustrated in Figure 8 and similar forms provide bases for the auditor to identify applicable risks. An auditor clicks the "Add Risk" box in Fig. 6, and the screen of Fig. 10 7 appears. Fig. 7 depicts a fraud identification screen where an auditor may enter a type of risk and describe it in any way. The auditor will determine whether this risk is a fraud-related risk and whether it is significant enough to warrant special consideration. Similar to the engagement setup of Fig. 4, the auditor selects audit areas affected by the risk, or may select "overall financial statements" if all audit 15 areas in the financial statements will be at risk.

[0064] In Fig. 8, the Understanding the Entity and its Environment form and associated screen are directed to the goal of having the user better understand the entity being audited. When auditing a business, it is important that the auditor review not only the financial aspects of the business, but how the business operates and its 20 financial plans. Here, the auditor inputs certain information about the entity being audited including their address, structure, ownership, governance. The auditor lists known transactions with related parties such as subsidiaries and other affiliated corporations. The auditor will input the type of industry in which the audited entity operates, including any applicable regulations which affect that industry. If one 25 certain operations of the entity are being audited, the Auditor may explain what other operations the entity is engaged in.

[0065] Fig. 9 depicts an Engagement Team Discussion form screen. The engagement team discussion form 80 screen allows the auditor to record the names of the persons authorized to disclose information about the entity. On this screen, 30 the name and title of each person authorized to disclose information within this meeting would be recorded, as would all decisions resulting from this meeting.

[0066] Fig. 10 depicts the Fraud Risk Inquiries Form screen. The auditor uses this screen to document the questions the auditor has asked selected employees of the entity and record their answers. This screen is for the bulk of the investigative 35 functionality of the job of an auditor. The Fraud Risk Inquiries Form suggests questions as well as areas to consider when preparing questions.

5 **[0067]** Fig. 11 depicts the "Understanding the Design and implementation of
Internal Control form" screen. The auditor uses this screen to obtain a sufficient
knowledge of the control environment to understand the attitudes, awareness, and
actions of those governing the entity that relate to internal control and its importance
in achieving reliable financial reporting and obtain a sufficient knowledge of the
10 entity's risk assessment process to understand how management identifies business
risks that may affect the financial statements and determines how to address those
risks. The screen and overall system help auditors obtain a sufficient knowledge of
the audited entity's internal control communication process to understand how roles,
responsibilities, and significant matters related to financial reporting are
15 communicated.

[0068] Fig. 12 depicts the "Risk Identification Form" screen. The auditor uses
this form to identify potential risks in financial statements. Here, the auditor inputs
risks related to the industry, the entity (including but not limited to its structure, its
governance, its investment strategy), and indications of fraud.

20 **[0069]** Fig. 13 depicts an initial risk assessment summary form. Risk
assessment summary forms are the aspect of the present invention wherein users
respond to predetermined questions with answers related to the risk of certain
assertions. The presentation of identified risks and risk assessments in Figure 13
may be referred to as the presenting step. Assertions are representations that are
25 embodied in components being audited and include existence or occurrence,
completeness, rights and obligations, valuation and allocation, accuracy and
classification, and cutoff. There are three types of audit risk for which assertions
must be made. The type of audit risks include inherent risk (IR), control risk (CR),
and the assessed risk of material misstatement (RMM). The inherent risk is the
30 susceptibility of a relevant assertion to a misstatement that could be material, either
individually or when aggregated with other misstatements, assuming there are no
related controls. The control risk is the risk that a misstatement that could occur in a
relevant assertion and that could be material, either individually or when aggregated
with other misstatements, will be not prevented or detected on a timely basis by the
35 entity's internal control. The assessed RMM is the product of IR and CR and may be
automatically calculated, but may be manually altered by the auditor. The risk levels

5 inputted under IR, CR and RMM are of three levels, an example of which might be low, moderate and high, but is not limited to such terms.

[0070] As used herein, the term assertion means representations that are embodied in components being audited. For example, Statement on Auditing Standard No. 106, Audit Evidence (SAS No. 106), issued by the American Institute of Certified Public Accountants (AICPA), provides that assertions used by the auditor
10 fall into the following categories:

a. Assertions about classes of transactions and events for the period under audit:

- 15 *i. Occurrence.* Transactions and events that have been recorded have occurred and pertain to the entity.
ii. Completeness. All transactions and events that should have been recorded have been recorded.
iii. Accuracy. Amounts and other data relating to recorded transactions and events have been recorded appropriately.
20 *iv. Cutoff.* Transactions and events have been recorded in the correct accounting period.
v. Classification. Transactions and events have been recorded in the proper accounts.

b. Assertions about account balances at the period end:

- 25 *i. Existence.* Assets, liabilities, and equity interests exist.
ii. Rights and obligations. The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
iii. Completeness. All assets, liabilities, and equity interests that should have been recorded have been recorded.
30 *iv. Valuation and allocation.* Assets, liabilities, and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

c. Assertions about presentation and disclosure:

- 35 *i. Occurrence and rights and obligations.* Disclosed events and transactions have occurred and pertain to the entity.
ii. Completeness. All disclosures that should have been included in the financial statements have been included.
40 *iii. Classification and understandability.* Financial information is appropriately presented and described and disclosures are clearly expressed.
iv. Accuracy and valuation. Financial and other information are disclosed fairly and at appropriate amounts.

45 **[0071]** SAS No. 106 provides that the auditor may use these relevant assertions as described above or may express them differently provided aspects described above have been covered. Standard setting bodies other than the AICPA

5 also refer to other assertions in grouping that are similar to but that may differ from the grouping in SAS No. 106.

[0072] Assertions in the invention are summarized and presented in the following six groupings: existence or occurrence, completeness, rights and obligations, valuation and allocation, accuracy and classification, and cutoff.

10 **[0073]** Fig. 13 prompts the auditor to determine whether this audit area is a significant audit area 133. A significant audit area 133 is an audit area that contains a significant transaction class, a material account balance, requires significant disclosures, or contains a fraud risk or other significant risk.

[0074] Additionally, risks entered in Fig. 7 are displayed in the Risk Assessment Summary form of Figure 13. These risks can be expanded by double-clicking the risk field. Only those risks that pertain to the audit area will appear in Figure 13 for that audit area (e.g., a risk of fraud relating only to property will appear in Figure 13 for that audit area (e.g., a risk of fraud property category and not the cash or any other category). A risk entered in Figure 7 as a risk to the overall
15 financial statements will appear in each category.

[0075] On Figure 13 an auditor will then choose which audit approach to take. The present invention contemplates a variety of audit approaches including a limited procedures audit approach, a basic procedures audit approach and an extended procedures audit approach. Based upon the information inputted on the planning form, particularly the information inputted under the RMM, the risk assessment
20 system will generate a suggested audit approach. In one manner of implementation, if any RMM assertion is high, an extended procedures audit will be suggested. Also, an alternative audit approach may be carried out by presenting and selecting an audit approach other than the suggested approach.

30 **[0076]** The limited audit approach consists of preliminary analytical procedures, other risk assessment procedures, and final analytical procedures considered sufficient. No audit program will be created for the audit area. This approach is not appropriate for significant audit areas. The basic audit approach is the audit that will be included in both the basic and extended audit reports. The
35 basic procedures audit will include primarily substantive analytical procedures and certain tests of details required by auditing standards or regulations. This approach ordinarily is not appropriate to respond to a fraud risk or other significant risk. The

5 extended procedures audit approach includes the basic procedures plus procedures for additional assurance related to assertions for which the auditor indicates there is a high RMM. If there is a moderate RMM, extended procedures will be suggested if fraud or any other significant risks exist.

[0077] Risk Assessment Summary Forms exist for at least the categories
10 cash, accounts receivables and sales, inventory and cost of sales, inventory observation, property, investments and derivatives, other assets, accounts payable and other liabilities, notes payable and long-term debt, income taxes, equity, and incomes and expenses, overall financial records, but is not limited to these categories.

15 **[0078]** Fig. 14 depicts the risks entered in Fig. 7 as risks to the overall finance statements. This screen permits an auditor to list procedures relating to that particular risk factor. Allowing for specifically inputted risks gives the auditor flexibility in designing an audit procedures.

[0079] Fig. 15 depicts the procedures generated by inputted data. The risk
20 assessment system of the invention generates procedures utilizing a logic scheme wherein answers or responses input by the auditor are used as input to the logic. The generation in this step is referred to as the automatically generating step. An auditor can alter the procedures as generated by the system. The procedures are displayed in a nested format using boxes an auditor may click to display the nested
25 information. In the right pane, all available audit procedures are listed. This pane includes audit procedures included or excluded from the generated procedures in the center pane. Exclude procedures were excluded from the report because in response to the answers inputted the program deemed those procedures irrelevant. However, so that the auditor may have full control and ability to customize the report,
30 the auditor may alter the procedures by dragging those procedures from the right pane into the list of procedures to perform in the center pane. Using drag and drop technology, the auditor is able to determine where in the center pane the new procedure is displayed. If an auditor wishes to change the location of the procedure within the center pane (both those automatically generated and those added by the
35 auditor), the auditor can drag and drop that procedure into the right pane and that procedure will be removed. Further, the user can reorder the procedures in the report from this screen.

- 5 **[0080]** Fig. 16 depicts general procedures that are applicable to all audits. These procedures are displayed in the same structure as the steps of Fig. 15. Similar to Fig. 15, an auditor may drag and drop new procedures into place into the primary screen of Fig. 16. Likewise, the auditor may drag and drop procedures in Fig. 16 into the right pane to remove them from the audit report.
- 10 **[0081]** Fig. 17 depicts a diagnostic report. The diagnostic report of Fig. 17 lists potential errors as a result of information inputted by the auditor including failure to answer any portion of a planning form or failure to select an audit approach. This is especially useful because it alerts the auditor to issues that should be considered before documents are generated in Figs. 18 and 21. To correct these errors, a user
- 15 may either click through the left pane's navigation panel, or use the previous button. **[0082]** Fig. 18 depicts the generated audit forms. The audit forms correspond to the planning forms of Figs. 6 and 8 through 13. An auditor may click on any of the forms to download a preview of the actual form. Alternatively, an auditor may click "Create e-Practice Aids" to generate audit documents as shown in Fig. 20.
- 20 **[0083]** Fig. 19 depicts a preview of an audit form generated by the system. Software. The preview report generated allows the user to view the form before exiting the program. By creating the preview function, an auditor can review the form to ensure that all elements needed are present. Because of the easy navigation through the program using either the left pane or the "previous" button, an auditor
- 25 can easily amend the form using the system software. The preview report appears just as the actual form will appear when printed. The preview mode does not display the practical considerations feature. **[0084]** From Fig. 18, pressing the Create e-Practice Aids button will prompt a user to input a location to save the audit report forms. An auditor may choose which
- 30 report forms to create by selecting or deselecting the check box next to the form. A separate file will be created for each form generated by the software. Fig. 20 depicts a folder containing all forms generated by the program. **[0085]** Fig. 21 depicts the Generate Audit Programs screen. From here as in Fig. 18, an auditor may preview the audit programs and create the programs by
- 35 selecting the Create e-Practice Aids button. **[0086]** Figures 22-26 are directed to illustrating an implementation of an engagement document placement system to assist entities and professionals in

5 carrying out tax and accounting functions, such as audits, internal controls, financial statements and reporting, and risk assessment. Figure 22 illustrates a toolbar associated with an engagement solution, such as Thomson Engagement CS™ solution, for providing an efficient tool to standardize procedures in tax and accounting applications. The engagement solution is integrated with, for example, a
10 risk assessment solution and other tax and accounting tools, such as Thomson SMART e-Practice™ Aids, e-Tools™, e-Workpapers™, and Checkpoint® solutions, thereby marrying guidance and research products and tools to provide a comprehensive engagement workflow management system. The engagement solution also integrates, for example, with Microsoft Word® and Excel® products for
15 data and document processing in creating and editing and accessing work-product associated with engagements. As shown in Figure 22, a user activates button 2202 to launch or access a tax and accounting solution, such as SMART e-Practice™ Aids, which is illustrated as opening in Figure 23. Figure 23 represents an exemplary screen with a default client engagement window. The user may then
20 activate the “open” button to gain access to the in progress “Sample Engagement” engagement.

[0087] Figure 24 shows a General Audit Programs screen, similar to that described above and shown in Figure 21. From this screen, a user may select Audit areas of interest and work completed in the risk assessment solution of this example
25 to generate programs and planning forms. As shown, the user activates the “Create e-Practice Aids” button 2402. From the screen of Fig. 24, pressing the Create e-Practice Aids button will cause the engagement document placement solution to automatically process the risk assessment generated documents and to electronically file the generated documents in the appropriate folder within the
30 auditing system. Existing documents are replaced when required. Figure 25 is a screenshot of an exemplary engagement document placement folder arrangement associated with the particular engagement, e.g., “Sample Engagement (Master).” Fig. 26 represents a screenshot depicting the generated documents 2602, such as planning procedures documents, as filed in the appropriate places, i.e. folders and
35 subfolders, in this instance “Planning” folder. From Fig. 26, a user, e.g., an auditor, is able to open and use the relevant generated documents in performing completing the engagement, e.g., an audit.

5 **[0088]** The present invention is not to be limited in scope by the specific
embodiments described herein, It is fully contemplated that other various
embodiments of and modifications to the present invention, in addition to those
described herein, will become apparent to those of ordinary skill in the art from the
foregoing description and accompanying drawings. Thus, such other embodiments
10 and modifications are intended to fall within the scope of the following appended
claims. Further, although the present invention has been described herein in the
context of particular embodiments and implementations and applications and in
particular environments, those of ordinary skill in the art will appreciate that its
usefulness is not limited thereto and that the present invention can be beneficially
15 applied in any number of ways and environments for any number of purposes.
Accordingly, the claims set forth below should be construed in view of the full
breadth and spirit of the present invention as disclosed herein.

5 WHAT IS CLAIMED IS:

1. A computer-implemented method for assessing risks associated with an audit, the method comprising:
 - (a) presenting a plurality of audit items and a set of risk levels associated with the
10 plurality of audit items;
 - (b) processing a set of responses to the presenting step; and
 - (c) automatically generating a suggested audit approach based at least in part on
the processing step.
- 15 2. The method of claim 1 wherein the presenting step comprises presenting a plurality of prompts designed to elicit the set of responses, the set of responses being associated with a set of risks associated with the audit.
3. The method of claim 1 further comprising presenting a set of procedures based at least in part on the suggested audit approach.
- 20 4. The method of claim 1 wherein the set of risk levels are associated with a set of assertions associated with the plurality of audit items.
5. The method of claim 1 further comprising presenting for selection a set of at least two audit approaches comprising the suggested audit approach and an alternative audit approach.
- 25 6. The method of claim 1 wherein the suggested audit approach is one of basic, limited or extended.
7. The method of claim 1 wherein the set of risk levels comprises at least a first risk level and a second risk level.

- 5 8. The method of claim 7 wherein each response in the set of responses is a selected risk level from the set of risk levels and wherein the first risk level and the second risk level represent different levels of risk.
9. The method of claim 1 wherein the presenting step comprises presenting an electronic audit form associated with the audit, the electronic form comprising
- 10 the plurality of audit items and the set of risk levels.
10. The method of claim 1 wherein the automatically generating step comprises determining a set of procedures based at least in part on the set of responses and wherein the suggested audit approach includes presenting the set of procedures.
- 15 11. The method of claim 10 further comprising editing the determined set of procedures from the generating step to result in a customized set of procedures.
12. The method of claim 1 further comprising presenting a set of electronic documents associated with the suggested audit approach.
13. The method of claim 1 further comprising presenting an alternative audit
- 20 approach and allowing selection between the suggested audit approach and the alternative audit approach.
14. The method of claim 1 wherein the method is at least in part carried out using an Internet-based application or is Internet-enabled.
15. The method of claim 1 wherein the method is at least in part carried out
- 25 using a desktop application.
16. The method of claim 1 further comprising testing audit procedures with data prior to writing-back to a database.
17. A system for assessing risks associated with an audit, the system comprising:

5 a computer having an associated memory, display, and input device and adapted to execute code;

a graphical user interface adapted to operate on the computer and adapted to present a plurality of audit items and a set of risk levels associated with the plurality of audit items and adapted to receive a set of responses by the input device;

10 a response code set adapted to be executed on the computer and adapted to process the set of responses; and

an audit code set adapted to be executed by the computer and adapted to automatically generate a suggested audit approach based at least in part on the set of responses.

15 18. The system of claim 17 wherein the graphical user interface is adapted to present a set of prompts designed to elicit the set of responses, the set of responses being associated with a set of risks associated with the audit.

19. The system of claim 17 wherein the audit code set is further adapted to present by the graphical user interface a set of procedures based at least in part
20 on the suggested audit approach.

20. The system of claim 17 wherein the responses represent a set of assertions of risk level associated with the plurality of audit items.

21. The system of claim 17 further comprising a selection code set adapted to provide selection of a set of at least two audit approaches comprising the
25 suggested audit approach and an alternative audit approach.

22. The system of claim 17 wherein the suggested audit approach is either basic or extended.

23. The system of claim 17 wherein the set of risk levels comprises a first risk level, a second risk level, and a third risk level.

- 5 24. The system of claim 23 wherein each response in the set of responses is a selected risk level from the set of risk levels and wherein the first risk level is low, the second risk level is moderate, and the third risk level is high.
25. The system of claim 17 wherein the graphical user interface is further adapted to present an electronic audit form associated with an audit and wherein
- 10 the electronic form comprises the plurality of audit items and possible risk levels.
26. The system of claim 17 wherein the audit code set is further adapted to determine a set of procedures based at least in part on the set of responses.
27. The system of claim 17 wherein the audit code set is further adapted to present a set of electronic documents associated with the suggested audit
- 15 approach.
28. The system of claim 17 wherein the audit code set is further adapted to present an alternative audit approach and allow selection between the suggested audit approach and the alternative audit approach.
29. The system of claim 17 wherein at least some of the code executed by the
- 20 computer is Internet-based or Internet-enabled.
30. The system of claim 17 wherein at least some of the code executed by the computer is a desktop application.
31. The system of claim 17 further comprising testing code set adapted to test audit procedures prior to writing-back to a database.
- 25 32. A computer program for assessing risks associated with an audit and embodied in a computer-readable medium configured for execution on a computer having an associated memory, display, and input device, the computer program comprising:

5 a graphical user interface adapted to operate on the computer and adapted to present a plurality of audit items and a set of risk levels associated with the plurality of audit items and adapted to receive a set of responses by the input device;

a response code set adapted to be executed on the computer and adapted to process the set of responses; and

10 an audit code set adapted to be executed by the computer and adapted to automatically generate a suggested audit approach based at least in part on the set of responses.

33. The computer program of claim 32 wherein the graphical user interface is adapted to present a set of prompts designed to elicit the set of responses, the set of responses being associated with a set of risks associated with the audit.

34. The computer program of claim 32 wherein the audit code set is further adapted to present by the graphical user interface a set of procedures based at least in part on the suggested audit approach.

35. The computer program of claim 32 further comprising a selection code set adapted to provide selection of a set of at least two audit approaches comprising the suggested audit approach and an alternative audit approach.

36. A computer-implemented method for automatically generating and placing documents associated with a tax and accounting related engagement, the method comprising:

- 25 (a) presenting a plurality of audit items and a set of risk levels associated with the plurality of audit items;
- (b) processing a set of responses to the presenting step;
- (c) automatically generating a suggested audit approach based at least
- 30 in part on the processing step; and
- (d) automatically generating documents associated with the suggested audit approach; and

5 (e) automatically placing the automatically generated documents within a predefined set of folders.

37. The method of claim 36 wherein the suggested audit approach includes a set of at least one audit programs and wherein the set of at least one audit programs includes a set of procedures based at least in part on the suggested
10 audit approach.

38. The method of claim 36 wherein the set of risk levels are associated with a set of assertions associated with the plurality of audit items.

39. The method of claim 36 wherein the automatically generating a suggested audit approach step comprises determining a set of procedures based at least in part on the set of responses and wherein the suggested audit approach includes
15 presenting the set of procedures.

40. The method of claim 36 further comprising editing the determined set of procedures from the generating step to result in a customized set of procedures.

41. The method of claim 36 further comprising presenting a set of electronic
20 documents associated with the suggested audit approach.

42. The method of claim 36 wherein the method is at least in part carried out using an Internet-based application or is Internet-enabled.

43. A system adapted to automatically generate and place documents associated with a tax and accounting related engagement, the system
25 comprising:

(a) a computer having an associated memory, display, and input device and adapted to execute code;

(b) a graphical user interface adapted to operate on the computer and adapted to present a plurality of audit items and a set of risk levels

- 5 associated with the plurality of audit items and adapted to receive a set of responses by the input device;
- (c) a response code set adapted to be executed on the computer and adapted to process the set of responses;
- (d) an audit code set adapted to be executed by the computer and
10 adapted to automatically generate a suggested audit approach based at least in part on the set of responses;
- (e) a document generation code set adapted to be executed on the computer and to automatically generate documents associated with the suggested audit approach; and
- 15 (f) a document placement code set adapted to be executed on the computer and to automatically place the automatically generated documents within a predefined set of folders.

44. The system of claim 43 wherein the audit code set is further adapted to present by the graphical user interface a set of procedures based at least in part
20 on the suggested audit approach.

45. The system of claim 43 wherein the audit code set is further adapted to determine a set of procedures based at least in part on the set of responses.

46. The system of claim 43 wherein the audit code set is further adapted to present a set of electronic documents associated with the suggested audit
25 approach.

47. The system of claim 43 wherein at least some of the code executed by the computer is Internet-based or Internet-enabled.

48. A computer program for automatically generating and placing documents associated with a tax and accounting related engagement, and embodied in a

- 5 computer-readable medium configured for execution on a computer having an associated memory, display, and input device, the computer program comprising:
- (a) a graphical user interface adapted to operate on the computer and adapted to present a plurality of audit items and a set of risk levels associated with the plurality of audit items and adapted to receive a set of responses by the input device;
 - 10 (b) a response code set adapted to be executed on the computer and adapted to process the set of responses;
 - (c) an audit code set adapted to be executed by the computer and adapted to automatically generate a suggested audit approach based at least in part on the set of responses;
 - 15 (d) a document generation code set adapted to be executed on the computer and to automatically generate documents associated with the suggested audit approach; and
 - (e) a document placement code set adapted to be executed on the computer and to automatically place the automatically generated documents within a predefined set of folders.
- 20

49. The method of claim 48, wherein the suggested audit approach includes a set of at least one audit programs and wherein the set of at least one audit programs includes a set of procedures based at least in part on the suggested audit approach.

25

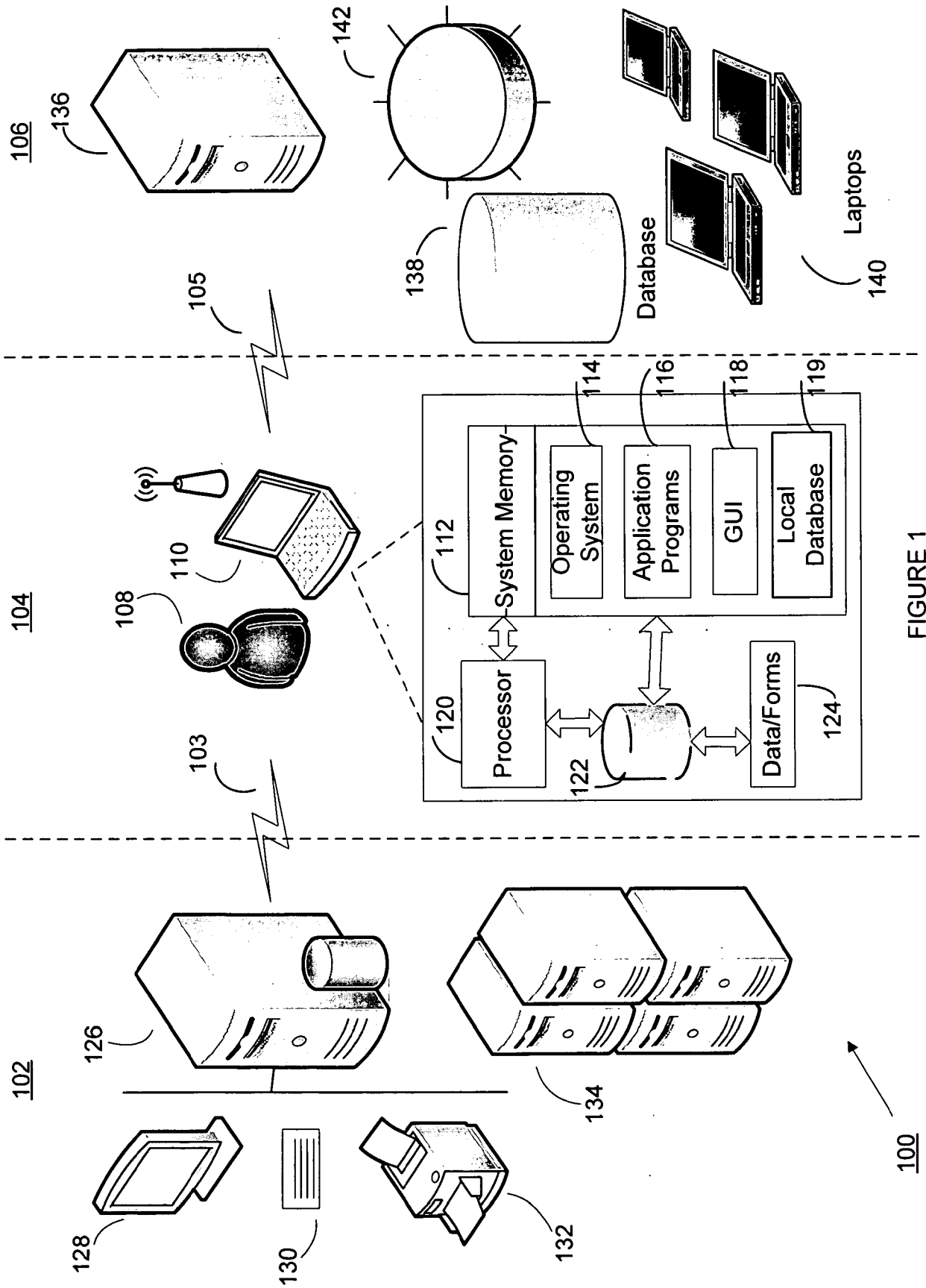


FIGURE 1

200

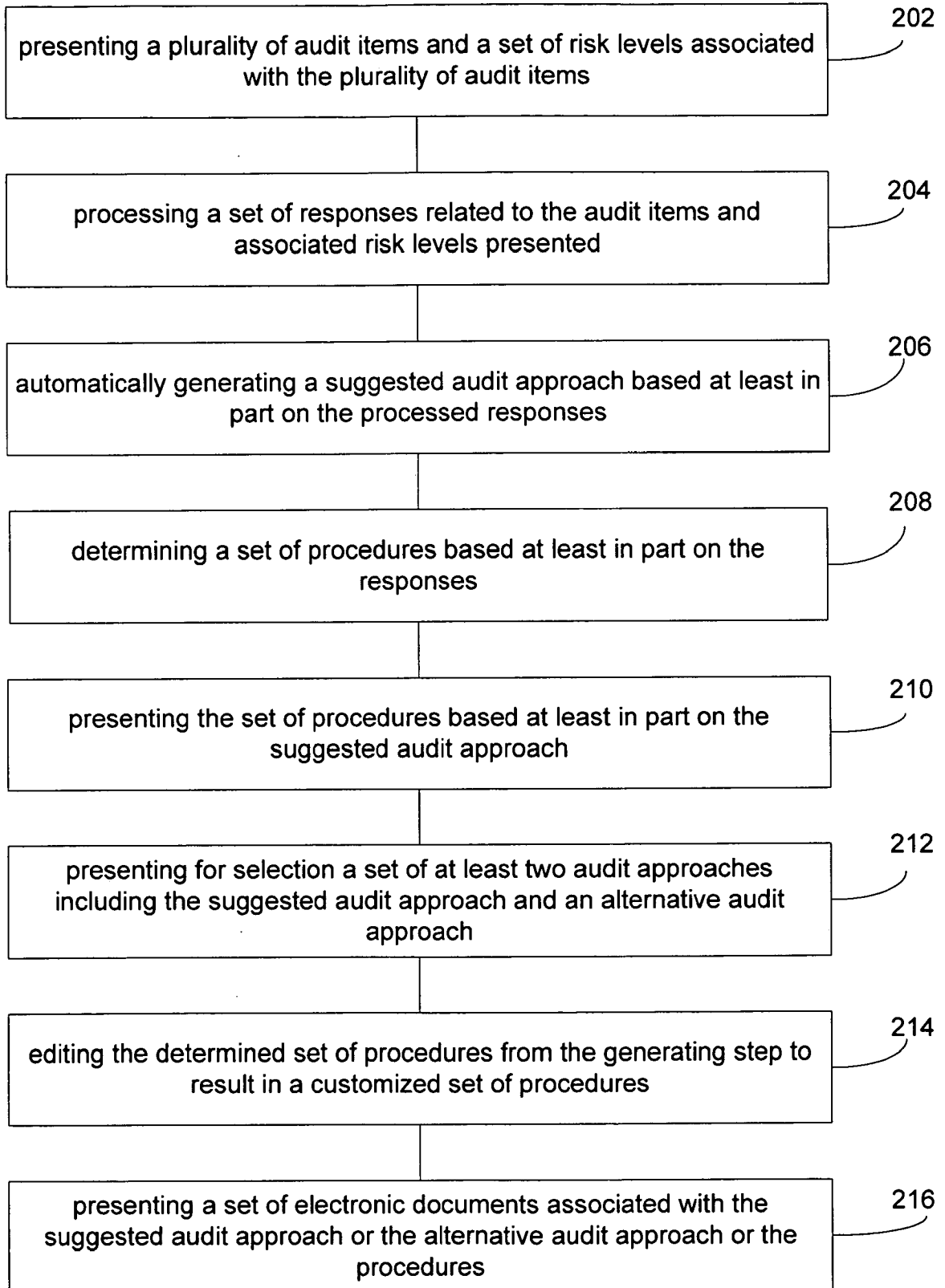


FIGURE 2

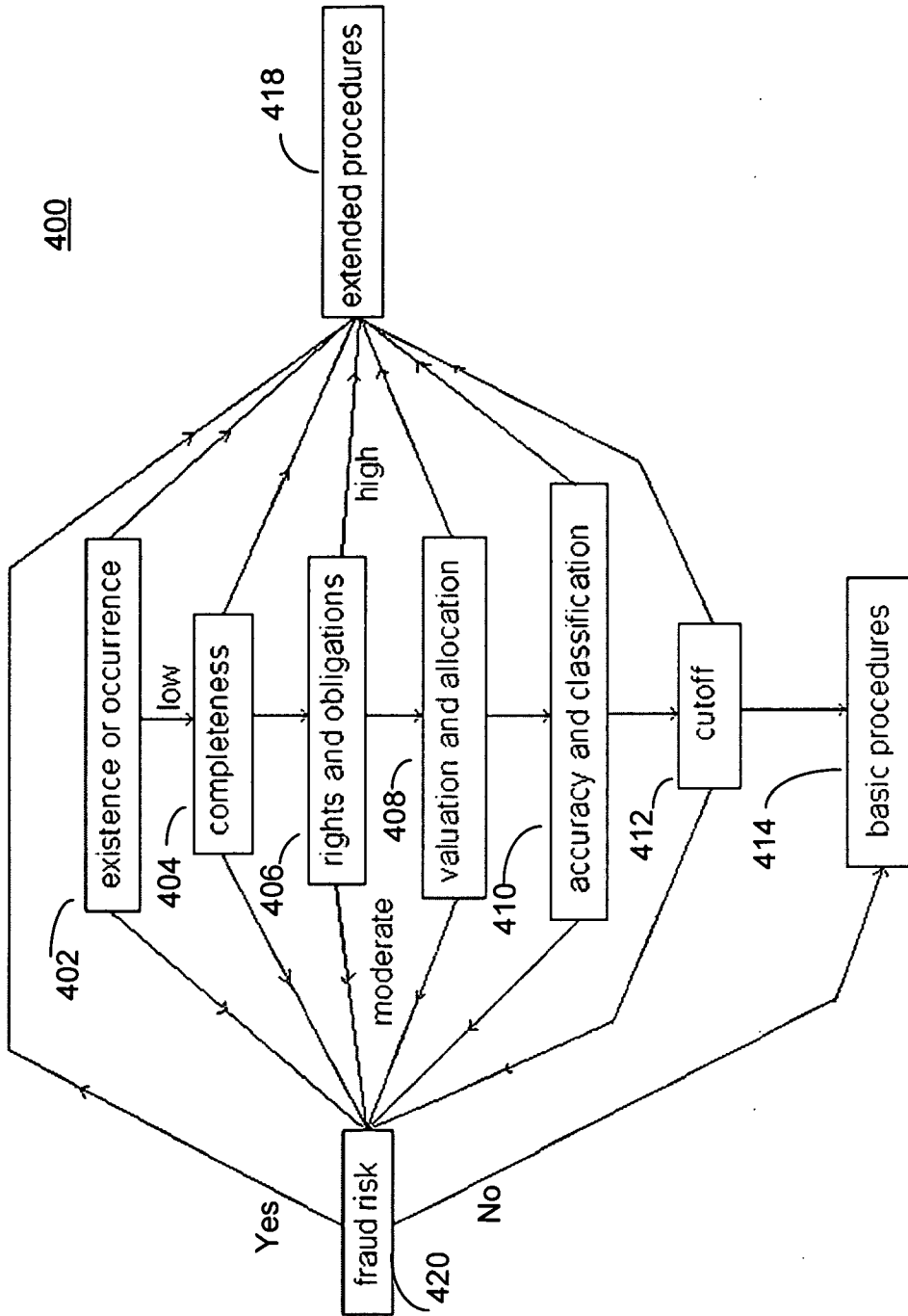


FIGURE 4

Engagement Setup - 3 of 3 [X]

Select the audit areas you wish to include in the engagement

Audit Area	Include?
Cash	<input checked="" type="checkbox"/>
Accounts Receivable and Sales	<input checked="" type="checkbox"/>
Inventory and Cost of Sales	<input checked="" type="checkbox"/>
Inventory Observation	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>
Investments and Derivatives	<input checked="" type="checkbox"/>
Other Assets	<input checked="" type="checkbox"/>
Accounts Payable and Other Liabilities	<input checked="" type="checkbox"/>
Notes Payable and Long-term Debt	<input checked="" type="checkbox"/>
Income Taxes	<input checked="" type="checkbox"/>
Equity	<input checked="" type="checkbox"/>
Income and Expenses	<input checked="" type="checkbox"/>

Add Audit Area

< Previous Finish Cancel

FIGURE 5

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help Localhost

Navigation Tips

Introduction

- 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion
 - CX-3.3: Fraud Risk Inquiries Form
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - CX-6.1: Risk Identification Form
- 2. Assess Effects of Risks
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Engagement Acceptance Form

This form should be completed for all potential audit clients. The form is a guide for assessing potential clients, but it is not necessarily a complete listing of all factors that might be considered. Specific circumstances may require additional considerations. Information gathered when completing or updating this form should be considered when completing the "Risk Identification Form" (ASB-CX-6.1) and the "Risk Assessment Summary Form" (ASB-CX-7.1).

Although this form should be prepared before the initial engagement, assessment of these factors continues throughout the engagement. At least annually the firm should evaluate whether to continue auditing the client's financial statements. This form, or the optional "Engagement Continuance Form" (ASB-CX-1.2), can be used to identify issues that should be considered when making the continuance decision. If this form is used to assess continuance, refer to the "List of Substantive Changes and Additions" included with each annual supplement of the *Guide* to determine whether the form has been revised in the current edition.

1. What services does the entity desire from our firm?

Yes	No	N/A	Comments
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	a. Audit of financial statements?
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	b. Application of procedures to additional information accompanying the audited financial statements? (Specify.)

As you complete the forms in Step 1, add below any risk you identify that could result in material misstatement of the financial statements.

Improper revenue recognition...
Management override of...

Add Risk Edit Risk Delete Risk

< Previous Next >

FIGURE 6

Identified Risk [X]

Describe Risk:

Is this a fraud risk? Yes No

Is this a significant risk that requires special audit consideration? Yes No

Select the audit areas affected by the risk or, if the risk affects the financial statement in general, select Overall Financial Statements:

Cash Other Assets Income and Ex
 Accounts Receivable and Sales Accounts Payable and Other Liabilities
 Inventory and Cost of Sales Notes Payable and Long-term Debt
 Property Income Taxes
 Investments and Derivatives Equity

Or

Overall Financial Statements

Next >

Cancel

FIGURE 7

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help Affirm Affirm All

Navigation | Tips

- Introduction
- 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion
 - CX-3.3: Fraud Risk Inquiries Form
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - CX-6.1: Risk Identification Form
- 2. Assess Effects of Risks
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Understanding the Entity and Its Environment

This form is designed to assist in (1) gathering information necessary to understand the entity and its environment and (2) accumulating permanent file information. The information gathered on this form can be used to identify risks that may affect the entity's financial statements when completing the "Risk Identification Form" (ASB-CX-6.1) by considering known changes in client conditions and other factors. Use professional judgment, considering the size and complexity of the entity and your experience with it, to determine the extent of understanding that will be sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Use Part I of this form to document the key elements of your understanding.

Information gathered when completing this form, the "Understanding the Design and Implementation of Internal Control" form (ASB-CX-4.1) and ASB-CX-6.1 should be considered when completing the "Risk Assessment Summary Form" (ASB-CX-7.1) to document the effects of identified risks on the audit plan. Keep ASB-CX-6.1 and ASB-CX-7.1 handy while completing this form.

Procedures that should be performed to obtain or update an understanding of the entity and its environment include inquiries of management and others, observation of entity activities and operations, and inspection of documents and reports. Use Part II of this form to document the sources of information and procedures performed to obtain or update your understanding of the entity. While this form should be completed or updated in the risk assessment stage of each audit, it is also important to consider information obtained throughout the engagement that may impact the understanding of the entity and identified risks.

Part I—Understanding the Entity and Its Environment

- General Information
Company address: _____

< Previous Next >

As you complete the forms in Step 1, add below any risk you identify that could result in material misstatement of the financial statements.

Improper revenue recognition...
Management override of...

Add Risk Edit Risk Delete Risk

FIGURE 8

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help Affirm Affirm All

Navigation Tips

Introduction

- 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion**
 - CX-3.3: Fraud Risk Inquires Form
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - CX-6.1: Risk Identification Form
- 2. Assess Effects of Risks
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Engagement Team Discussion

The purpose of this form is to document the engagement team's discussion(s) about the susceptibility of the entity's financial statements to material misstatements due to fraud or error. The discussion should include the auditor with final responsibility for the audit as well as other key members of the audit team. Use professional judgment to determine which members of the audit team to include in the discussion, how and when it should occur, and the extent of the discussion. A list of required discussion topics is provided to assist the lead auditor in conducting the discussion, facilitate thoughtful consideration of each topic, and ensure that all audit requirements are met. It is not necessary to repeat this list when documenting the discussion; rather, document the primary areas of focus during the discussion and the results of the discussion. The discussion may occur prior to, or in conjunction with, other risk assessment procedures, but should take place each year. Information gathered about potential risks or any identified risk should be considered at or carried forward to the "Risk Identification Form" (ASB-CX-6.1) or the "Risk Assessment Summary Form" (ASB-CX-7.1).

- Document when the discussion occurred and who participated in the discussion.

Discussion Date:

Discussion Participants:

Name
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>

As you complete the forms in Step 1, add below any risk you identify that could result in financial misstatement of the financial statements.

Improper revenue recognition...
Management override of

Identified Risks

Add Risk Edit Risk Delete Risk

< Previous Next >

FIGURE 9

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help

Navigation | Tips

- Introduction
- 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion
 - CX-3.3: Fraud Risk Inquiries Form**
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - CX-6.1: Risk Identification Form
- 2. Assess Effects of Risks
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Fraud Risk Inquiries Form

The purpose of this form is to document the auditor's inquiries of management and others about fraud risks. Inquiries should be made of management, other employees, and (if applicable) internal auditors and the audit committee. Use professional judgment to determine which members of management and employees to interview, the extent of inquiries, and whether it is necessary to obtain corroborating information. A list of required inquiries is provided for each step on the form to ensure that all professional requirements are met. It is not necessary to repeat this list when documenting the inquiries; rather, document the primary areas of focus during the interview, the responses to the inquiries, and the related risks. Fraud inquiries may occur prior to, or in conjunction with, other risk assessment procedures, but should take place each year. Information gathered about potential risks or any identified risk should be considered at or carried forward to the "Risk Identification Form" (ASB-CX-6.1) or the "Risk Assessment Summary Form" (ASB-CX-7.1).

- Inquire of management personnel or the owner/manager about the risks of fraud and how the entity addresses them. Specifically ask about the following:
 - Their knowledge of any actual fraud or suspicions of fraud affecting the entity.
 - Their awareness of any allegations of fraud or suspected fraud affecting the entity.
 - Their understanding of the risks of fraud within the entity, including any specific fraud risks the entity has identified or account balances or transaction classes that may be susceptible to fraud.
 - How they communicate to employees the importance of ethical behavior and appropriate business practices.

As you complete the forms in Step 1, add below any risk you identify that could result in material misstatement of the financial statements.

Improper revenue recognition...
Management override of...

Add Risk
Edit Risk
Delete Risk

< Previous Next >

FIGURE 10

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help

Navigation

Navigation Tips

Introduction

- 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion
 - CX-3.3: Fraud Risk Inquiries Form
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - CX-6.1: Risk Identification Form
- 2. Assess Effects of Risks
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Understanding the Design and Implementation of Internal Control

This form can be used to document the understanding of the components of internal control, along with the sources of information used and procedures performed to obtain or update the understanding. Use professional judgment, considering the size and complexity of the entity and your experience with it, to determine the extent of understanding that will be sufficient to assess the risks of material misstatement of the financial statements and respond to those risks. Obtain the understanding by performing procedures to evaluate the design of controls relevant to the audit and determine whether they have been implemented. Procedures that should be performed to obtain or update an understanding of internal control include inquiries of management and others, observation of entity procedures and controls, inspection of documents and records, and tracing transactions through the system (that is, walkthroughs). Inquiry alone is not sufficient to evaluate the design of a control and determine whether it has been implemented. Therefore, corroborate your inquiries through observation or inspection to determine that controls exist and are being used.

Part I of this form is used to document your understanding of entity-level controls, including the sources of information and procedures performed to obtain or update that understanding. Part II is used to document your understanding of activity-level controls, including the sources of information and procedures performed to obtain or update that understanding. Information gathered when completing or updating this form and when performing other risk assessment procedures is considered when completing or updating the "Risk Assessment Summary Form" (ASB-CX-7.1) to document the effects of the control risk assessment on the audit plan. While this form should be completed or updated in the risk assessment stage of the audit, it is also important to consider information obtained throughout the engagement that may impact the understanding of internal control and identified risks. Responses to some questions may require additional space and attaching a memo may be necessary. You should be familiar with the guidance in section 303 before completing this form.

Part I—Entity-level Controls

Identified Risks

As you complete the forms in Step 1, add below any risk you identify that could result in material misstatement of the financial statements.

Improper revenue recognition...
Management override of...

Localhost

FIGURE 11

#2342571 Lou - screenshots - Microsoft Word

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help

Navigation Tips

Risk Identification Form

This form is designed to assist in identifying potential risks to the financial statements. Many questions include a list of factors to consider to assist you in identifying risks. However, not all factors are relevant to every engagement and the list of factors is not necessarily complete. Therefore, it is not necessary to document a response to each factor. Consider the information gathered during your client acceptance or continuance procedures (ASB-CX-1.1 or ASB-CX-1.2), procedures to obtain an understanding of the entity and its environment (ASB-CX-3.1), preliminary analytical procedures, engagement team discussion (ASB-CX-3.2), and fraud risk inquiries (ASB-CX-3.3) when completing this form. While this form should be completed or updated in the risk assessment stage of each audit, it is also important to consider information obtained throughout the engagement that may impact the understanding of the entity and identified risks.

When completing this form, be alert for risks that could result in misstatements (1) at the financial statement level (that is, overall risks that may affect many accounts or assertions) and (2) at the relevant assertion level for classes of transactions, account balances, and disclosures (that is, specific risks that may affect one or a few accounts or assertions). Document sufficient information about risks facing the entity that could affect the financial statements to enable you to synthesize the risks at Step 19 of this form. Based on your synthesis, assess the risks of material misstatement and design appropriate responses on the "Risk Assessment Summary Form" (ASB-CX-7.1). Use professional judgment, considering the size and complexity of the entity and your experience with it, to determine the extent of documentation that will be sufficient.

Structure, Ownership, and Governance

1. Describe risks related to the entity's structure, ownership, and governance.

As you complete the forms in Step 1, add below any risk you identify that could result in material misstatements of the financial statements.

Improper revenue recognition...
Management override of...

Add Risk
Edit Risk
Delete Risk

< Previous
Next >

Introduction

- ☐ 1. Identify Risks
 - CX-1.1: Engagement Acceptance Form
 - CX-3.1: Understanding the Entity and Its Environment
 - CX-3.2: Engagement Team Discussion
 - CX-3.3: Fraud Risk Inquiries Form
 - CX-4.1: Understanding the Design and Implementation of Internal Control
 - ▶ CX-6.1: Risk Identification Form
- ☐ 2. Assess Effects of Risks
- ☐ 3. Review and Modify Audit Programs
- ☐ 4. Generate Planning Forms and Audit Programs

FIGURE 12

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

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Navigation | Tips

- [-] 2. Assess Effects of Risks
 - Cash
 - Accounts Receivable and Sales
 - Inventory and Cost of Sales
 - Property
 - Investments and Derivatives
 - Other Assets
 - Accounts Payable and Other Liabilities
 - Notes Payable and Long-term Debt
 - Income Taxes
 - Equity
 - Income and Expenses
 - Overall Financial Statements

Cash

1. Is this a significant audit area? Yes No
2. Do you plan to test controls in this audit area? Yes No
3. At what level do you wish to document your risk assessment? Audit Area Assertion

Complete the following to assess risk for this area.

	Inherent Risk	Control Risk	Assessed Risk of Material Misstatement
Completeness	Select	Select	
Rights and obligations	Select	Select	
valuation and allocation	Select	Select	
Accuracy and classification	Select	Select	
Cutoff	Select	Select	

4. Select an audit approach for this area: Select

Overall Financial Statement Risks
As you determine the audit approach for this area, consider the following identified risks related to the financial statement in general. Click the "Document Your Response" button to document how your audit will address the risk.

Management override of controls

Comments:

FIGURE 13

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PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help

Navigation Tips

- Sales
- Inventory and Cost of Sales
- Property
- Investments and Derivatives
- Other Assets
- Accounts Payable and Other Liabilities
- Notes Payable and Long-term Debt
- Income Taxes
- Equity
- Income and Expenses
- Overall Financial Statements
- 3. Review and Modify Audit Programs
- 4. Generate Planning Forms and Audit Programs

Risks that Could Affect the Overall Financial Statements

Identified Risks

Management override of controls

Planned Audit Response

< Previous

Next >

FIGURE 14

PPC's SMART e-Practice Aids™ - Risk Assessment [ok - so]

File Edit View Insert Tools Help

Navigation Tips

Navigation: General Planning Procedures, General Auditing and Completion Procedures, Cash, Accounts Receivable and Sales, Inventory and Cost of Sales, Inventory Observation, Property, Investments and Derivatives, Other Assets, Accounts Payable and Other Liabilities, Notes Payable and Long-term Debt, Income Taxes

Audit Program for Cash

Assertions	Steps
E/O, C, R/O...	<ul style="list-style-type: none"> <input type="checkbox"/> Obtain the bank reconciliation for significant bank accounts for the workpapers and perform the following: <input type="checkbox"/> Scan cash receipts and disbursements for significant or unusual transactions (including any bank transfers) near year end. <input type="checkbox"/> Using the standard AICPA bank confirmation form, request confirmation as of the audit date for bank account(s) selected. Document the items selected for confirmation. <input type="checkbox"/> Confirm material cash in savings institutions, certificates of deposit, and compensating balances. Document the items selected for confirmation. <input type="checkbox"/> Concluding Audit Steps <input type="checkbox"/> Additional Bank Reconciliation Procedures <input type="checkbox"/> Bank Statements Not Directly Received from the Bank <input type="checkbox"/> Interbank Transfers
E/O, C, R/O...	<ul style="list-style-type: none"> <input type="checkbox"/> Review a schedule of interbank transfers for [] days before and after the balance-sheet date (or the interim date, if cash is audited at an interim date) and determine the following: <input type="checkbox"/> Proof of Cash <input type="checkbox"/> If, based on the consideration of identified fraud risks, a decision is made to modify procedures related to cash, perform a proof of cash using an expanded version of the bank reconciliation that reconciles the following: <input type="checkbox"/> Cash Count <input type="checkbox"/> Examination of Certificates of Deposit and Other Securities on Hand

Navigation: All Audit Procedures

Assertions: Basic, Extended, Additional Bank Reconciliation, Bank Statements Not Directly Received from the Bank, Interbank Transfers, Review for Restriction on Cash, Proof of Cash, Cash Count, Examination of Certificate of Deposit

Steps: Basic, Extended, Additional Bank Reconciliation, Bank Statements Not Directly Received from the Bank, Interbank Transfers, Review for Restriction on Cash, Proof of Cash, Cash Count, Examination of Certificate of Deposit

< Previous Next >

FIGURE 15

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

File Edit View Insert Tools Help

Navigation | Tips

Audit Program for General Auditing and Completion Procedures

Objectives	Steps
B, C	<ul style="list-style-type: none"> <input type="checkbox"/> Trial Balance, Minutes, Agreements, and Journal Entries <input type="checkbox"/> Test the mathematical accuracy of trial balances. Trace ending balances to the general ledger and prior-period balances to the prior period's audit workpapers. <input type="checkbox"/> Practical Considerations <ul style="list-style-type: none"> These procedures may be performed in conjunction with procedures applied to specific account balances and transaction classes. If the client uses packaged accounting software and the auditor has determined that the client is unable to make changes to program coding, testing the mechanical accuracy of the trial balance may not be necessary. If procedures are performed to test mechanical accuracy in this situation, they may be limited. Testing also may not be necessary if the auditor uses a trial balance software package or data extraction software (DES), that extracts amounts from the general ledger and includes recomputations of amounts, totals, etc. Chapter 9 gives detailed guidance on using DES in audits of financial statements.
*	<ul style="list-style-type: none"> <input type="checkbox"/> Review the minutes of the board of directors and committee meetings for the audit period and any new agreements, leases, contracts, or other important documents. Obtain copies of the minutes or agreements for the current or permanent workpaper files. Highlight matters relevant to the related audit area or for which disclosure should be made in the financial statements or notes.
D	<ul style="list-style-type: none"> <input type="checkbox"/> Select and test journal entries recorded in the general ledger, including all material adjustments made by the client in preparing the financial statements. Document the items selected. <input type="checkbox"/> Commitments and Contingencies <input type="checkbox"/> Significant Estimates and Concentrations <input type="checkbox"/> Subsequent Events <input type="checkbox"/> Related-party Transactions <input type="checkbox"/> Evaluation and Other Completion Procedures

Overall Financial Statements

- 3. Review and Modify Audit Programs
 - General Planning Procedures
 - General Auditing and Completion Procedures
 - Cash
 - Accounts Receivable and Sales
 - Inventory and Cost of Sales
 - Inventory Observation
 - Property
 - Investments and Derivatives
 - Other Assets
 - Accounts Payable and Other Liabilities

< Previous Next >

FIGURE 16

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

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Navigation

Navigation Tips

- Inventory Observation
- Property
- Investments and Derivatives
- Other Assets
- Accounts Payable and Other Liabilities
- Notes Payable and Long-term Debt
- Income Taxes
- Equity
- Income and Expenses
- 4. Generate Planning Forms and Audit Programs
- Diagnostic Reports
- Planning Forms
- Audit Programs

Diagnostics Report

1. The following Planning Forms contain questions that have not been answered:

- CX-1.1 - Engagement Acceptance Form
 - Questions 1.b, 1.c, 1.d, 1.e, 2, 3, 4.a, 4.b, 4.c, 4.d, 4.e, 4.f, 4.g, 4.h, 4.i, 4.j, 5.a, 5.b, 5.c, 5.d, 6, 7.a, 7.b.(1), 7.b.(2), 7.b.(3), 7.c.(1), 7.c.(2), 7.c.(3), 7.c.(4), 7.c.(5), 7.c.(6), 7.d, 7.d.(1), 7.d.(2), 7.e, 7.f, 7.g, 8 and 9
- CX-3.1 - Understanding the Entity and Its Environment
 - Questions 1, 2, 3, 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 31, 32 and 1
- CX-3.3 - Fraud Risk Inquiries Form
 - Questions 1.h, 2, 3.d and 4.c
- CX-4.1 - Understanding the Design and Implementation of Internal Control
 - Questions 1, 2, 3, 4, 5, 12, 13.a, 13.b, 14, 15, 16, 17, 19 and 20
- CX-6.1 - Risk Identification Form
 - Questions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17

2. An Audit Approach has not been selected for:

- Cash
- Accounts Receivable and Sales
- Inventory and Cost of Sales
- Property
- Investments and Derivatives
- Other Assets
- Accounts Payable and Other Liabilities
- Notes Payable and Long-term Debt


FIGURE 17

PPC's SMART e-Practice Aids™ - Risk Assessment [John Doe - Practice Round]

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Generate Planning Forms

Click  to preview a planning form.

Forms

- CX-1.1: Engagement Acceptance Form
- CX-3.1: Understanding the Entity and Its Environment
- CX-3.2: Engagement Team Discussion
- CX-3.3: Fraud Risk Inquiries Form
- CX-4.1: Understanding the Design and Implementation of Internal Control
- CX-6.1: Risk Identification Form
- CX-7.1: Risk Assessment Summary Form

Please do not use Microsoft Word or Outlook (if Microsoft Word is your editor) while generating.

Clear All Select All Create e-Practice Aids

< Previous Next >

Navigation

Navigation Tips

- Inventories
- Observation
- Property
- Investments and Derivatives
- Other Assets
- Accounts Payable and Other Liabilities
- Notes Payable and Long-term Debt
- Income Taxes
- Equity
- Income and Expenses
- 4. Generate Planning Forms and Audit Programs
- Diagnostic Reports
- Planning Forms
- Audit Programs

FIGURE 18

Preview [Close] [Print] [Refresh] [Home]

Index

CX-3.3: Fraud Risk Inquiries Form

Entity: Balance Sheet Date:
 Completed by: Date:

Instructions: The purpose of this form is to document the auditor's inquiries of management and others about fraud risks. Inquiries should be made of management, other employees, and (if applicable) internal auditors and the audit committee. Use professional judgment to determine which members of management and employees to interview, the extent of inquiries, and whether it is necessary to obtain corroborating information. A list of required inquiries is provided for each step on the form to ensure that all professional requirements are met. It is not necessary to repeat this list when documenting the inquiries; rather, document the primary areas of focus during the interview, the responses to the inquiries, and the related risks. Fraud inquiries may occur prior to, or in conjunction with, other risk assessment procedures, but should take place each year. Information gathered about potential risks or any identified risk should be considered at or carried forward to the "Risk Identification Form" () or the "Risk Assessment Summary Form" ().

1. Inquire of management personnel or the owner/manager about the risks of fraud and how the entity addresses them. Specifically ask about the following:
 - a. Their knowledge of any actual fraud or suspicions of fraud affecting the entity.
 - b. Their awareness of any allegations of fraud or suspected fraud affecting the entity.
 - c. Their understanding of the risks of fraud within the entity, including any specific fraud risks the entity has identified or account balances or transaction classes that may be susceptible to fraud.
 - d. How they communicate to employees the importance of ethical behavior and appropriate business practices.
 - e. Programs and controls the entity has implemented to address identified fraud risks or otherwise help prevent.

FIGURE 19

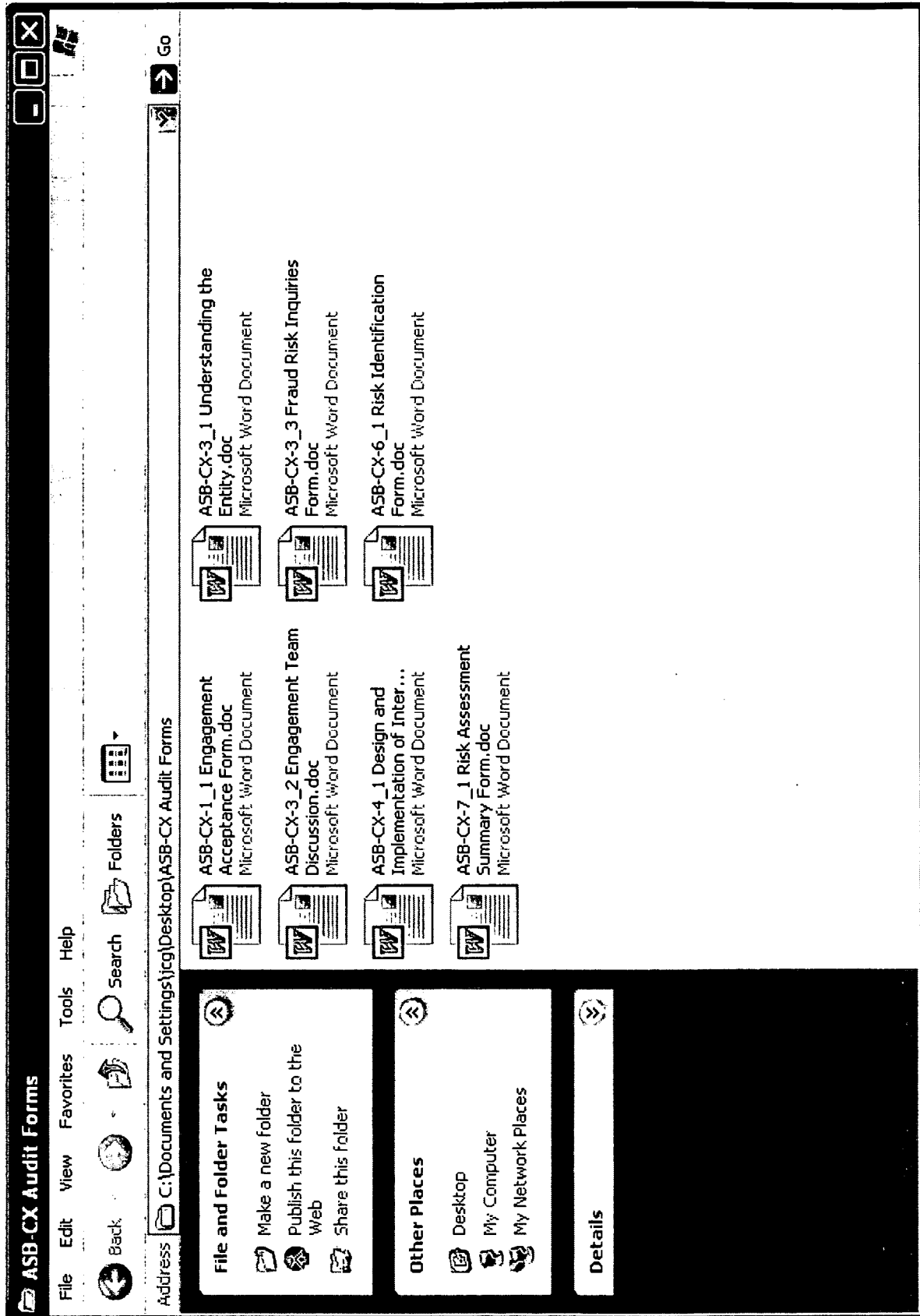


FIGURE 20

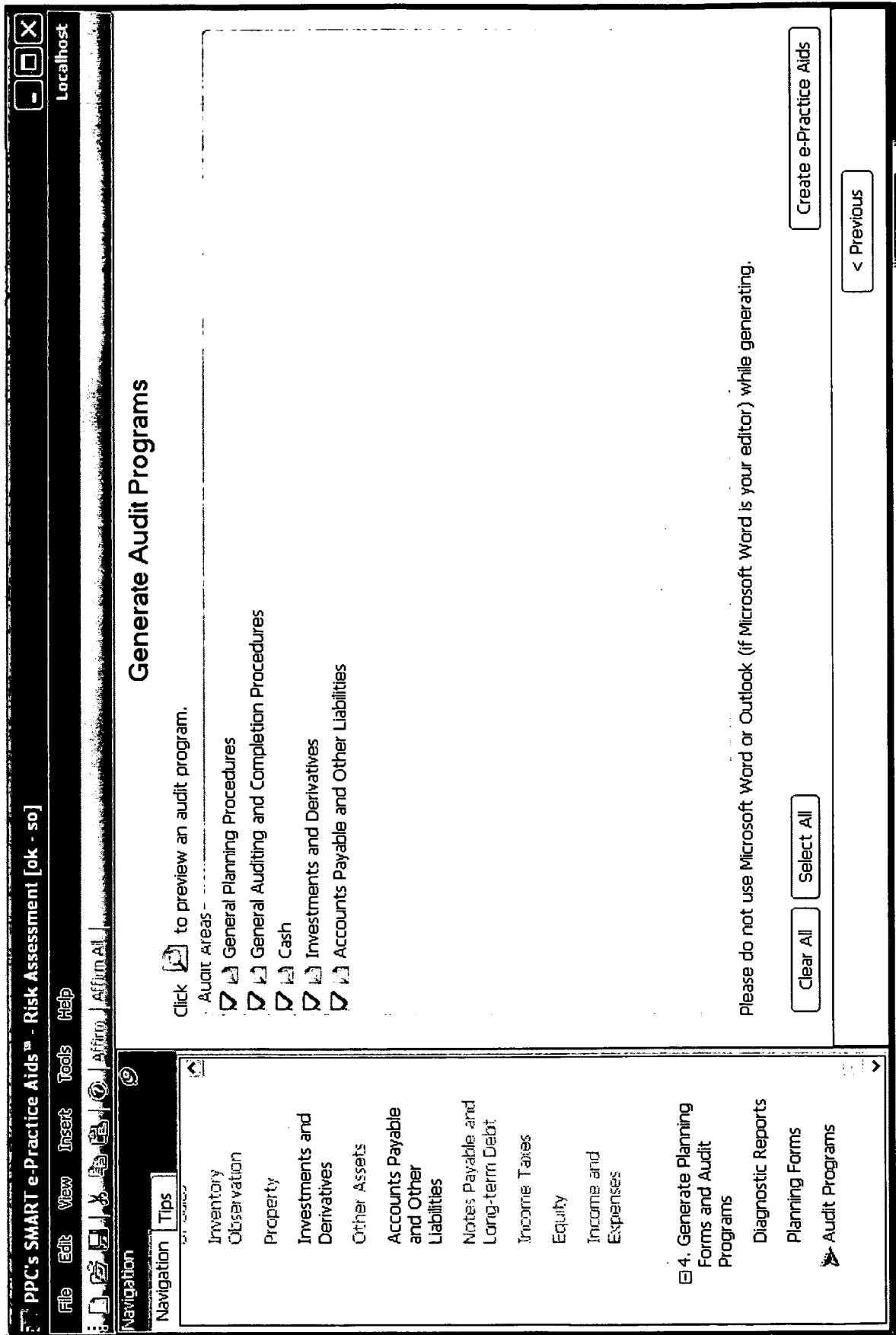


FIGURE 21

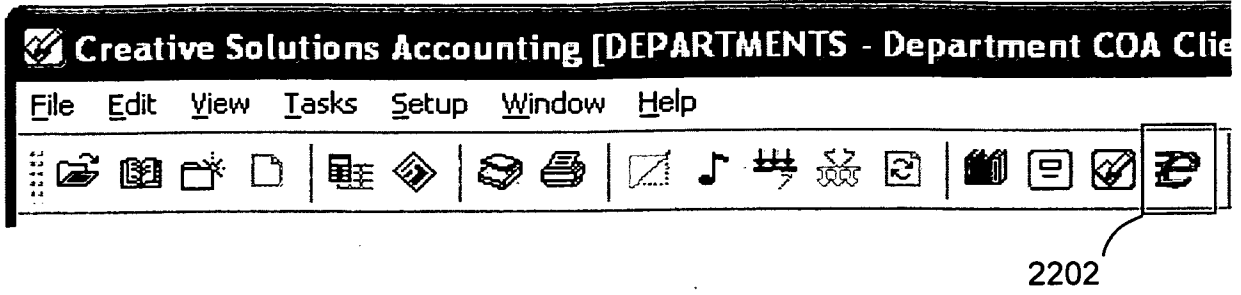


FIGURE 22

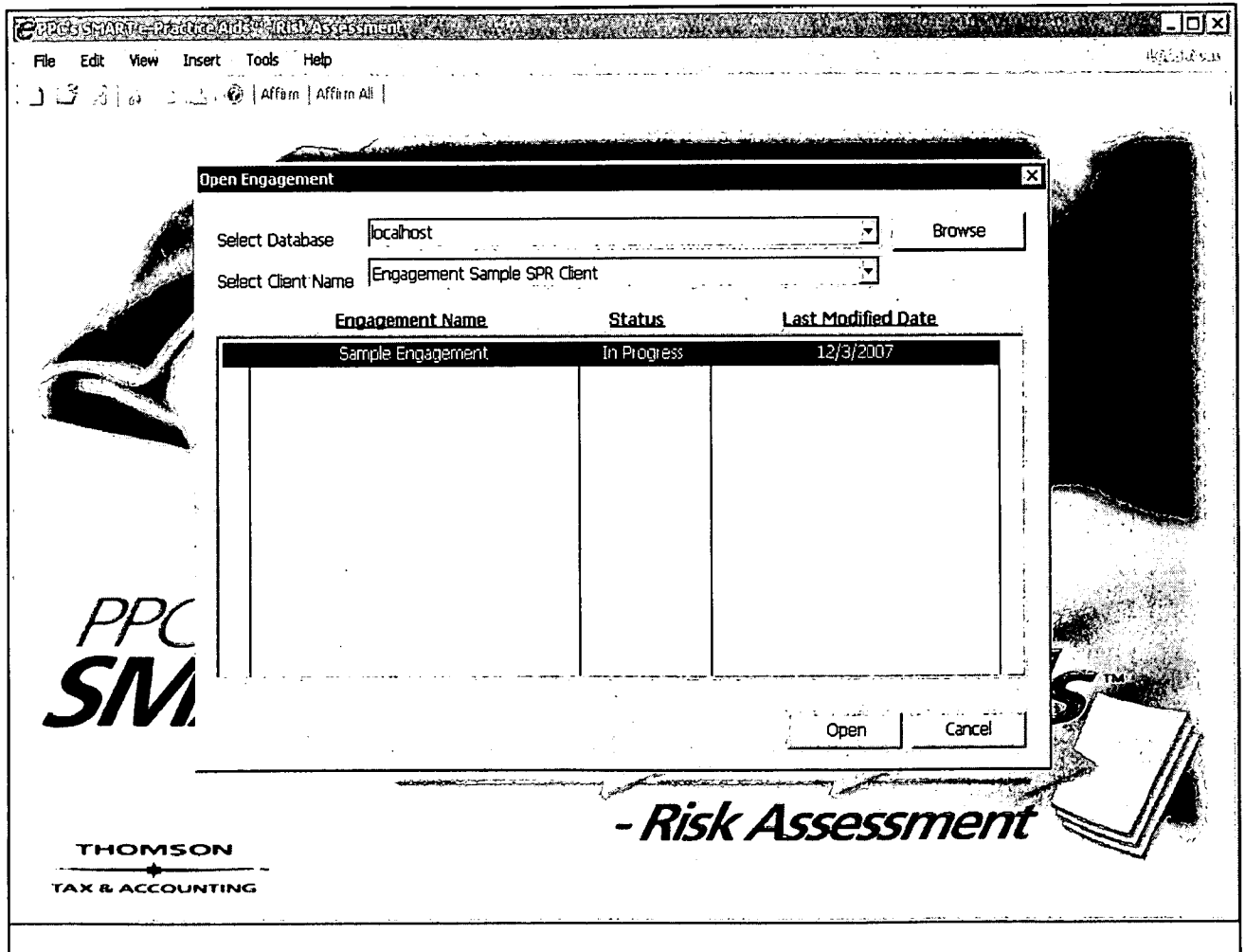


FIGURE 23

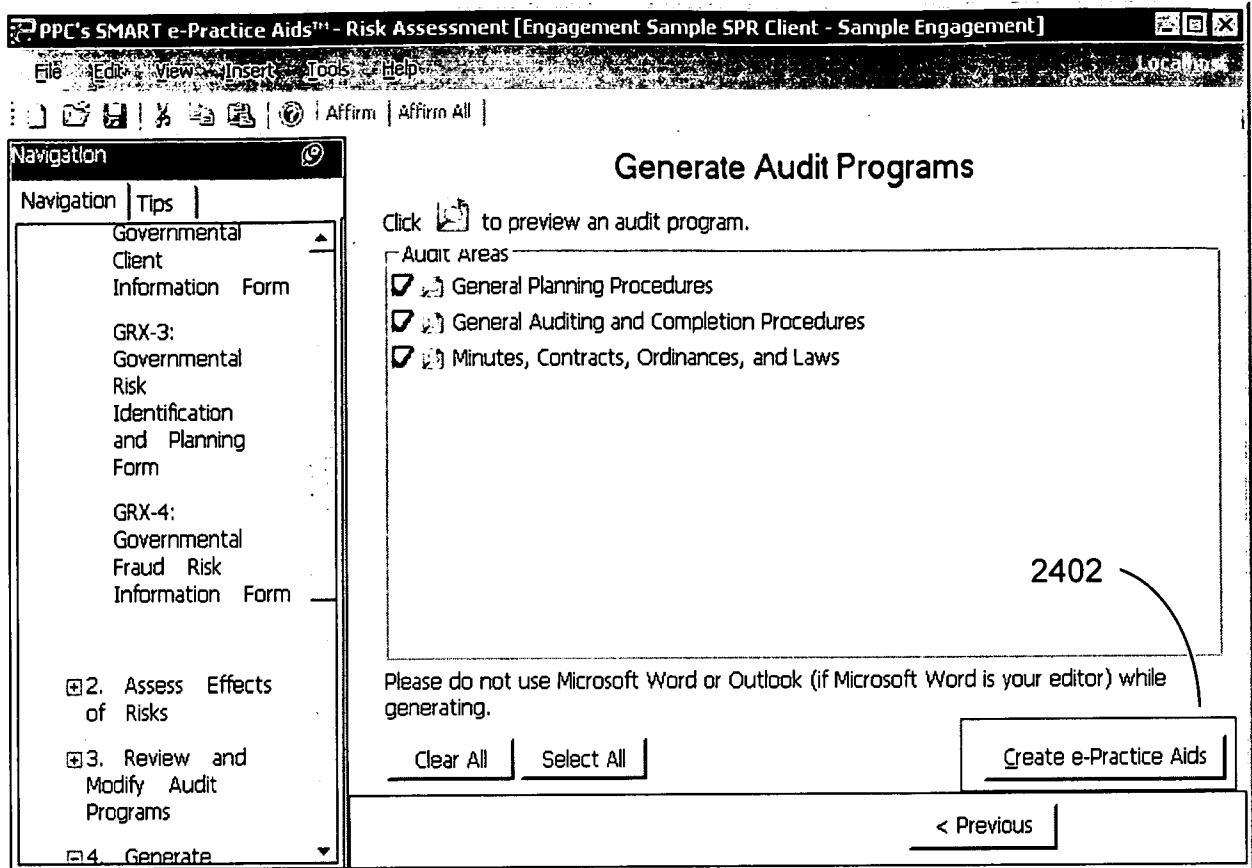


FIGURE 24

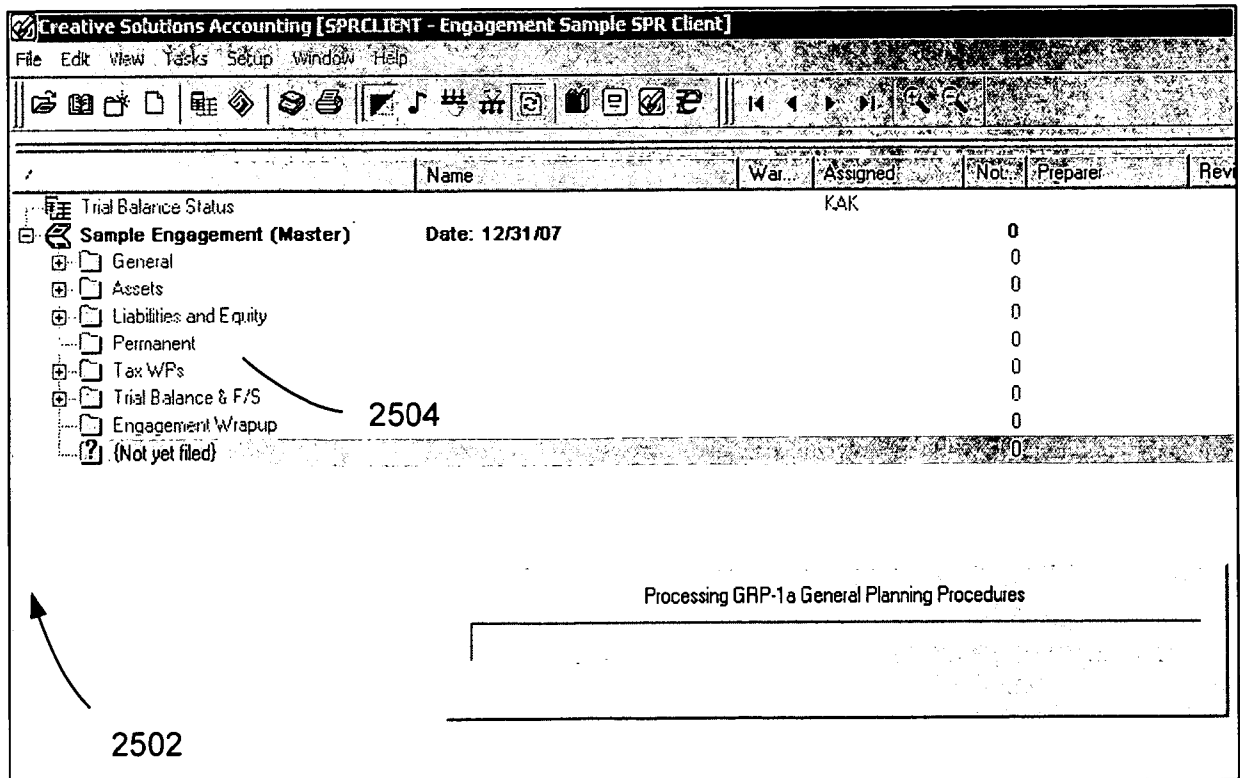


FIGURE 25

Creative Solutions Accounting [SPRCLIENT - Engagement Sample SPR Client] - [GRP-1a General Planning Procedures]

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Trial Balance Status

Sample Engagement (Master) Date: 12/31/07

Name	War...	Assigned	Not...	Preparer
General		KAK		
GEN-01				0
GEN-04				0
GEN-05				0
PPC eTools - 14C Engagement Letter		Unassigned		0
PPC eTools - 14G Checklist for Due D...		Unassigned		0
PPC eTools - 14H Tax Client Accept...		Unassigned		0
Planning				0
GRP-1a		Unassigned		0
GRP-1b		Unassigned		0
GRP-2		Unassigned		0
Assets				0
Liabilities and Equity				0
Permanent				0
Tax W/Ps				0
Trial Balance & F/S				0
Engagement Wrapup				0

Assets

Liabilities and Equity

Permanent

Tax W/Ps

Trial Balance & F/S

Engagement Wrapup

2602

FIGURE 26