Page______of______

AFI-AP-1: Audit Program for General Planning Procedures

Client: ____________________ Balance Sheet Date: ____________________

Audit Objectives	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	AUDIT OBJECTIVES The objectives in this program are naturally general in nature and are not necessarily related to specific financial statement assertions. A. The audit has been properly planned, including developing an audit strategy, making an appropriate assessment of audit risk, and developing an audit plan. When applicable, subsequent changes to planning matters have been appropriately considered and documented. B. Engagement team members have been properly directed and supervised. C. The audit documentation and financial statements have been reviewed in accordance with firm policies. D. The firm's quality control procedures for independence and other ethical requirements, client and engagement acceptance and continuance, human resources, and engagement performance have been followed. E. If applicable, an audit of internal control has been properly planned and performed. F. If applicable, the entity's internal controls over financial reporting are operating effectively. **IDENTIFICATION CODES** The letters preceding each of the above audit objectives (e.g., A, B, etc.) serve as identification codes. These codes are presented in the left column labeled "Audit Objectives" when a procedure accomplishes an objective. If the alpha code appears in a bracket (e.g., [A], [B], etc.), the audit procedure only secondarily accomplishes the objective. If an asterisk (*) precedes a procedure, it is a preliminary step or follow-up step. **BASIC PROCEDURES**		
A, D	1. Prior to other significant audit activities, perform client acceptance or continuance procedures by completing or updating AFI-CX-1.1. Practical Considerations: • The auditor's responsibilities under professional standards regarding client acceptance and continuance decisions are discussed in section 202. • Be alert throughout the engagement for evidence of noncompliance with independence and other ethical requirements by members of the engagement team. • If information is obtained that would have caused the firm to decline the engagement if the information had been available earlier, the engagement partner should notify the firm. Consider whether there are professional and legal responsibilities, such as a requirement to report to regulatory authorities, or whether it may be necessary to withdraw from the engagement or client relationship.		

Page______of______

Audit Program for Cash and Due from Banks

Client: ______________________________________ Balance Sheet Date: __________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
E/O, [C], R/O, A/CL, CO	5. Perform the following confirmation procedures: a. Request confirmation of material interest-bearing deposits and compensating balances. Document the items selected for confirmation. b. Tie the confirmation amounts to the listed balances that agree with the general ledger. c. Consider the possibility of unrecorded interest or substitution of certificate numbers. Practical Considerations: • AFI-CL-8.3 presents a letter that can be used to confirm securities held by a third party. AFI-CL-10.4 provides a sample confirmation request letter for compensating balance requirements or restrictions on withdrawals of funds. • AFI-CX-17.4 can be used to monitor the status of confirmations. • Depending on the combined level of inherent and control risk over the existence of cash, the authors believe substantive procedures might be limited to inspecting client-provided bank statements versus confirming cash balances. • The auditor might wish to coordinate the selection of bank confirmation accounts with the confirmation of borrowings (see AFI-AP-10) since both can be confirmed using the standard bank confirmation form. • Be alert for any old clearing or exchange items (or suspense items) that may need to be written off. • There may be circumstances (such as for significant, unusual year-end transactions that have a material effect on the financial statements or where the institution has material amounts of interest-bearing deposits that are held by brokers or other similar arrangements) in which the auditor should exercise a heightened degree of professional skepticism relative to these factors about the respondent. In these circumstances, the auditor should consider whether there is sufficient basis for concluding that the confirmation request is being sent to a respondent from whom the auditor can expect the response will provide meaningful and competent evidence.		
E/O, [C], R/O, V, A/CL	6. Perform the following reconciliation procedures: a. Obtain copies of significant due from account reconciliations for the workpapers. b. Trace the statement balance on the reconciliation to the confirmation received from the institution (or the balance per statement for any accounts not confirmed). c. Trace the book balance to the trial balance or lead schedule as applicable. Practical Consideration: • PPC's *Workpapers for Nonpublic Companies* provides an electronic "Bank Reconciliation" worksheet and supporting schedules.		

Page______of______

Audit Program for Investments and Derivatives, Interest Income, and Accrued Interest Receivable

Client: ____ Balance Sheet Date: ___________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	c. Determine the propriety and consistency of estimates of fair value and that estimation techniques are consistently applied.		
	Practical Consideration: • AU-C 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, provides guidance on auditing fair value measurements and disclosures contained in financial statements. Practical considerations based on AU-C 540 related to auditing fair value follow the procedures for fair value disclosures in AFI-AP-2. Auditing fair value of investments is discussed beginning at paragraph 900.15 and auditing estimates and fair value in general is discussed in Section 1409.		
A/CL	4. Perform the following procedures for unrealized gains and losses:		
	a. Determine that the unrealized gain or loss on the trading portfolio has been properly classified in the income statement and that the unrealized gain or loss on the available-for-sale portfolio has been properly classified in equity. (Unrealized holding gains and losses on the available-for-sale portfolio should be reported as other comprehensive income.)		
	b. Determine that unrealized gains and losses have been appropriately identified as temporary differences for purposes of computing deferred income taxes.		
V	5. Determine that any other-than-temporary decline in value of securities classified as available-for-sale or held-to-maturity has been properly recognized and accounted for. Evaluate whether management has considered relevant information to determine the existence of impairment factors. Obtain evidence about the factors identified, and consider whether the evidence corroborates or conflicts with management's conclusion about whether an other-than-temporary impairment exists.		
	Practical Considerations: • Impairment factors include matters such as the following: •• Fair value is significantly below cost. •• The decline in fair value can be attributed to adverse conditions specifically related to the security or to specify industry or geographic conditions. •• The entity does not have the ability or intent to hold the investment for a sufficient time period to allow for any anticipated recovery in fair value. •• The decline in fair value has existed for an extended period of time. •• A rating agency has downgraded a debt security's rating. •• The financial condition of the security's issuer has deteriorated. •• Scheduled interest payments on debt securities have not been made or dividends have been reduced or eliminated on equity securities. •• Losses from the security have been recorded by the entity subsequent to year end.		

Audit Program for Loans Receivable, Interest Income, and Accrued Interest Receivable

Client: ______________________________ Balance Sheet Date: ________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	•• Trends in loan volume, primarily categories experiencing rapid growth. See paragraph 802.21. •• Loss and recovery experience, including the timeliness of loan charge-offs (as discussed in paragraph 802.21). •• Loan concentrations including loan type, geographic concentrations, and concentrations of loans to individuals, entities, and their related interests (as discussed in paragraph 802.20). •• Size of individual credit exposures (installment based lender with few large loans versus commercial lender with numerous large loans). •• The amount of reliance placed on the client's internal loan review and internal audit functions. Internal loan review is discussed beginning at paragraph 803.14. •• Total amount of loans (loans to total assets), and the number of problem loans (including delinquent loans by loan officer). •• Effectiveness of policies and procedures over lending, charge-offs, collections, and loan recovery (as discussed beginning at paragraph 803.3). •• Experience and competence of lending management and other lending personnel (as discussed at paragraph 803.2). •• Nature and amount of related party loans. •• Regulatory examination report comments or discussions with regulators concerning the client's lending function. •• Effectiveness of the client's procedures for determining the allowance for loan losses (for example, based on results of prior years' audits or other expectations). •• Current economic conditions that affect the institution or its borrowers. • Generally, detailed loan reviews cover 30%–60% of the dollar amount for each loan type tested, depending on the preceding factors.		
[R/O], V	6. For each loan selected for detailed review, examine loan file documentation and estimate the specific allowance or allocation needed for each loan.		
	Practical Considerations: • AFI-CX-11.5 can be used to document loan reviews and AFI-CX-11.11 can be used to summarize the results of those reviews. • This step should cover both recorded loans and related off-balance-sheet credit instruments (such as unfunded standby letters of credit or loan commitments). It should also include participations. • Section 805 discusses detailed loan reviews and the process of estimating losses on specific loans. • While reviewing individual loans, determine that in-substance foreclosures, impaired loans, and troubled debt restructurings have been properly accounted for in accordance with GAAP. • Comments made by client personnel should not be taken at face value without other evidence to support the accuracy of client comments.		

Page______of______

Audit Program for Foreclosed Assets and Real Estate Investments

Client: ______________________ Balance Sheet Date: ______________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	EXTENDED PROCEDURES (PROCEDURES FOR ADDITIONAL ASSURANCE)		
	Acquisition of Foreclosed Assets		
☐ E/O, R/O, V, A/CL, CO	1. Test selected foreclosed assets acquired during the period by performing the following: a. Examine evidence of ownership. b. Determine that foreclosures are recorded properly.		
	Practical Considerations: • Additions can generally be tested adequately by examining individually significant items. • Foreclosed assets typically should be initially recorded at fair value less cost to sell. Paragraph 1002.6 discusses exceptions for real estate that was previously sold and accounted for under FASB ASC 360.		
	Sales of Foreclosed Assets		
☐ E/O, [C], [R/O], [V], A/CL	2. Test significant sales of foreclosed assets by performing the following procedures: a. Document the items tested. b. Examine documentation supporting the sale. c. For real estate sales, determine that the gain has been calculated properly and recognized in accordance with GAAP.		
	Practical Considerations: • For real estate sales, the auditor should examine the following documentation: •• Closing statements. •• Evidence supporting sales proceeds. •• Loan documentation. •• Sales contracts, for complex sale transactions. • The following checklists can be used to document the selection of the proper accounting method for significant or complex real estate sales: •• "Real Estate Sales Checklist—Full Accrual Method" (AFI-CX-11.13). •• "Real Estate Sales Checklist—Other Methods" (AFI-CX-11.14). •• "Buyer's Initial Investment Worksheet" (AFI-CX-11.15). •• "Buyer's Continuing Investment Worksheet" (AFI-CX-11.16).		

Page_____of_____

Audit Program for Premises and Equipment

Client: ______________________________________ Balance Sheet Date: __________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	Test of Depreciation Expense		
☐ V, A/CL	6. Perform the following procedures to test depreciation expense: a. Compute the ratio of depreciation and amortization expense to the related premises and equipment and compare to the ratio for prior years or other expectations. Investigate any unexpected results (that is, ratios that differ from what would be expected) considering known changes in client operations. b. Recompute depreciation expense on selected assets. c. Scan the revenue accounts for gains or losses on retirements and disposals and consider the implications of unusually large gains or losses on the reasonableness and consistency of depreciation policies, lives, and salvage values. d. Determine that depreciation on constructed assets begins at the time the asset is placed in service.		
	Practical Considerations: • A predictive test based on prior-year methods and ratios may be effective. Depreciation and amortization can be estimated by using average rates and lives and one-half year for additions and disposals. • AFI-CX-9.2 presents a worksheet for calculating common ratios. The worksheet includes space that can be used to document explanations of unusual ratios. • AFI-CX-9.1 presents a worksheet for documenting a substantive analytical procedure, such as a predictive test. • PPC's *Workpapers for Nonpublic Companies* includes an electronic "Fixed Asset and Depreciation Analysis" worksheet that can be used to perform a predictive test of depreciation expense.		
	Test of Impaired Assets		
☐ V	7. If the carrying values of premises and equipment are not recoverable in the ordinary course of business, review the results of impairment tests to determine whether impaired assets are properly classified and measured.		
	Consideration of Classifications and Encumbrances		
☐ C, R/O, V, A/CL	8. Based on inquiry of the client and the results of procedures performed in other areas (that is, review of minutes, confirmation procedures in liabilities, and reading lease agreements), determine the following: a. Whether idle premises and equipment is appropriately identified, valued, and classified. b. Whether encumbrances and liens related to premises and equipment have been identified and disclosed in the financial statements. Conversely, whether premises and equipment currently pledged as collateral on a loan has not been sold or damaged.		

Page_____of_____

Audit Program for Deposit Accounts, Interest Expense, and Accrued Interest Payable

Client: ____ Balance Sheet Date: __________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	d. Compare the relative composition of year-end deposits by type to the prior year end or other expectations.		
	e. Compare the amount and ratio of dormant accounts to total deposits for the current year to prior year or other expectations.		
	f. Compare deposit interest rates with those prevailing in the institution's marketing area during the year or other expectations.		
	g. Investigate any unexpected results (that is, variations different from what would be expected), considering known changes in client operations or business conditions.		
	Practical Considerations: • When performing analytical procedures, the auditor should evaluate the reliability of the data used to develop the expectation and whether the expectation is sufficiently precise to identify potential material misstatements, considering whether only analytical procedures or a combination of analytical procedures and tests of details will be performed. • When investigating unexpected results, inquire of management, corroborate their responses, and consider whether tests of details of transactions (such as vouching) or other extended procedures are necessary to obtain sufficient audit evidence.		
E/O, C, V	5. Assess the collectibility of overdrafts and, if significant, determine whether they are included with loans receivable rather than deposit accounts on the balance sheet.		
	Practical Consideration: • Consider whether the institution has made loans to customers with significant outstanding overdrafts. Significant overdrafts could indicate a problem loan.		
	Interest Expense		
E/O, C, A/CL, CO	6. Using monthly yield schedules for each type of interest-bearing deposit account:		
	a. Test the accuracy of the schedules, if they were prepared by the client.		
	b. Compute (or test) monthly yields based on interest expense recorded and average deposit balances.		
	c. Compare the calculated yields with (1) yields in earlier periods and (2) advertised rates, industry averages, or weighted average yields calculated by the client's computer system.		
	d. Investigate significant unusual differences.		

Audit Program for Noninterest Income and Expenses

Client: ________________________________ Balance Sheet Date: ________________________

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
	b. Investigate and document any unexpected results (that is, ratios or variations different from what would be expected), considering known changes in client or industry operations or business conditions, such as seasonal fluctuations or trends. From discussions with management and analysis of evidence from other audit areas, obtain and document explanations for the variations noted.		
	Practical Considerations: • It is important to obtain sound business reasons for significant differences (not just excuses) and to corroborate those explanations. • The explanations should be consistent with changes noted and tested in balance-sheet areas. • It is sometimes advisable to summarize these explanations in a memorandum. • When performing analytical procedures, the auditor should evaluate the reliability of the data used to develop the expectation and whether the expectation is sufficiently precise to identify potential material misstatements, considering whether only analytical procedures or a combination of analytical procedures and tests of details will be performed. • When investigating unexpected variances or transactions inquire at management, corroborate its responses, and consider whether tests of details of transactions (such as vouching) or other extended procedures are necessary to obtain sufficient audit evidence.		
E/O, C, A/CL, [CO]	2. Scan the accounting records for large and unusual transactions and review evidence obtained in other audit areas that relate to income and expense accounts. Cross-reference work done in balance-sheet areas to the related income and expense accounts. Obtain an understanding of the business rationale for significant or unusual transactions.		
	Practical Considerations: • When scanning for large and unusual transactions, pay particular attention to nonstandard journal entries, especially those made at or near the end of the reporting period. • It is important to relate information from balance-sheet audit areas to disclosure requirements for the income statement.		
	Concluding Audit Steps		
*	3. Ensure that the workpapers include the information needed to support required financial statement disclosures and such information has been subjected to appropriate audit procedures.		
	Practical Consideration: • AFI-CX-13 provides a checklist of financial statement disclosures.		