



Tax & Accounting

# Wolters Kluwer's Knowledge-Based Audit Methodology

Accounting & Audit

Up to 80 percent of surveyed customers say the traditional checklist-based methodology isn't good enough to truly meet today's risk-based audit standards. Enter Wolters Kluwer's Knowledge-Based Audit (KBA) Methodology, the alternative that assists the auditor in performing audits with ease, while simultaneously providing relevant and up-to-date expert guidance, risk assessment tools and comprehensive practice aids.

## Trusted Guidance for AICPA Risk-Based Audit Standards

Not only was Wolters Kluwer's KBA Methodology developed from the ground up by audit experts with years of professional engagement experience, it has passed AICPA Peer Review. This is the methodology that will help your auditors plan and produce higher-quality audits that both minimize compliance risk and maximize effectiveness and efficiency. The approach is aimed at:

- Aiding auditors in performing accurate, efficient and effective financial statement audits that are compliant with both GAAS and IFRS.
- Obtaining an understanding of the entity and its environment, sufficient to accurately assess the risks of material misstatement, including its internal control.
- Designing and performing audit procedures that are responsive to the risks of material misstatement.

The entire Integrated Audit Approach — Wolters Kluwer's accounting and audit solution set — is built upon our KBA Methodology, including the award-winning CCH® ProSystem fx® Engagement, CCH® ProSystem fx® Knowledge Coach and CCH® Accounting Research Manager®.

### A Dynamic Auditing Process

Wolters Kluwer's KBA Methodology encompasses eight processes. For an audit to be effective, information must flow through each phase of the process:

1. Pre-engagement procedures
2. Risk assessment procedures (obtaining an understanding of the entity and its environment)
3. Risk assessment procedures (evaluating the design of internal controls)
4. Assessing the risks of material misstatement
5. Designing audit procedures in response to assessed risks
6. Performing audit procedures (tests of the operating effectiveness of internal controls)
7. Performing audit procedures (substantive tests)
8. Evaluating, concluding and reporting procedures

### A Knowledge-Based Audit in Action

Delivered through CCH ProSystem fx Knowledge Coach, the engine of the audit, the KBA Methodology goes beyond checklist-based auditing programs. Rather than starting with all potential audit steps and eliminating those that are unnecessary, CCH ProSystem fx Knowledge Coach seamlessly flows information throughout the audit, tailoring to an entity using industry-specific guidance, specific questions, active diagnostics and the auditor's own professional judgment. The approach actually prompts the auditor to add steps based on an understanding of the entity connecting each step to a specific risk.

1. Knowledge gained from pre-engagement procedures, the determination of materiality and preliminary analytical procedures, is used to customize the audit plan for risk assessment procedures.
2. Knowledge gained from risk assessment and other procedures is used to identify and assess the risks of material misstatement.
3. Knowledge gained from risk assessment procedures and the risks of material misstatement is used to customize the audit plan for further audit procedures.
4. Evidence gained from further audit procedures is evaluated to determine whether the audit risk has been reduced to an acceptably low level, and the appropriate auditor's report is issued.

### The Benefits of the KBA Methodology

With the KBA Methodology in place, auditors can work more efficiently and feel confident in their results, because the methodology:

- Ensures the auditor is focusing on what needs to be done, without under- or over-auditing
- Is scalable and flexible — with proper auditor judgment, it can be used for audits of all sizes and complexity
- Is always consistent with the most current risk assessment standards
- Promotes communication among team members
- Promotes a logical organization of workpapers
- Emphasizes auditor judgment
- Ensures proper documentation of procedures by easily identifying workpapers that are consistent with GAAS
- Links to CCH Accounting Research Manager within workpapers
- Ensures that the “Musts, Shoulds and Should Consider” are properly addressed

*“With the knowledge-based approach, we are automatically much more aware of the relevant audit assertions and how we tailored our audit approach to address each risk. In the past, the connection between audit assertions and program steps was buried in the background, and now it’s front and center. We can now quickly determine that work being done is directly related to a material risk and not just a generic program step, which reduces the risk of over-auditing.”*

— Bill Jencyk,  
*Audit Principle, DiCicco, Gulman & Co.*

**Required Annual CPE**

CCH® Learning & Development Academy — School of Audit offers a proprietary approach that integrates areas including technical tax and accounting knowledge, software training and professional skills into a real-life, hands-on-computer experience. Raise the bar on your firm's credentials by trusting an industry leader for all your learning and CPE accredited professional development needs.

