

## SUBSEQUENT EVENTS: CAS 560

### Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report

- Perform audit procedures to obtain sufficient appropriate audit evidence that **all events occurring between the date of the F/S and the date of the auditor's report that require adjustment or disclosure in the F/S have been identified**
  - i.e. Review or testing of accounting records or transactions occurring between the date of the F/S and the date of the auditor's report
- Audit procedures should include:
  1. Obtaining an **understanding of any procedures management has established** to ensure that subsequent events are identified
  2. **Inquiring of management** and those charged with governance as to whether any subsequent events have occurred which might affect the F/S
  3. **Reading minutes** of the meetings of owners, management and those charged with governance that have been held after the date of the F/S and inquiring about matters discussed at any such meetings for which minutes are not yet available
- If the auditor identifies events that require adjustment to the F/S, determine whether each such event is **appropriately reflected in those F/S per GAAP**
- Request management and those charged with governance to provide a **written representation** that all events occurring subsequent to the date of the F/S that require adjustment/disclosure in the F/S have been adjusted or disclosed

### Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued

- Auditor has no obligation to perform any audit procedures regarding the F/S after the date of the auditor's report
- However, if, after the date of the auditor's report but before the date the F/S are issued, a fact becomes known to the auditor that, **had it been known to the auditor at the date of the auditor's report**, may have caused the auditor to **amend** the auditor's report:
  1. **Discuss the matter with management** and those charged with governance
  2. Determine **whether the F/S need amendment**
  3. If the F/S need amendment, **inquire how mgm't** intends to address the matter in the F/S
- **If management amends the financial statements:**
  1. Carry out the **audit procedures** necessary on the amendment;
  2. **Extend the audit procedures** to the date of the new auditor's report; and
  3. Provide a **new auditor's report** on the amended F/S. The new auditor's report should not be dated earlier than the date of approval of the amended F/S
    - If GAAP allows management to restrict the amendment of the F/S to the effects of the subsequent event, the auditor is permitted to restrict the procedures to the amendment. In such cases, the auditor should either:
      - (a) Amend the auditor's report to include an **additional date (double date the audit report)** restricted to that amendment that indicates that the auditor's **procedures on subsequent events are restricted solely to the amendment of the F/S** described in the relevant note to the F/S; or
        - **Example:** "(Date of auditor's report), except as to Note Y, which is as of (date of completion of audit procedures restricted to amendment described in Note Y)."
      - (b) **Provide a new or amended auditor's report** that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that explains that

the auditor's procedures on subsequent events are restricted solely to the amendment of the F/S as described in the relevant note to the F/S

- If management does not amend the F/S in circumstances where the auditor believes they need to be amended:
  1. If the auditor's report has not yet been provided to the entity, **modify the opinion**; or
  2. If the auditor's report has already been provided to the entity, **notify management** and those **charged with governance** to **not to issue the F/S** to third parties before the necessary amendments have been made
  3. If the F/S are subsequently issued without the amendments **seek legal advice**

#### Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

- After the F/S have been issued, the auditor has **no obligation** to perform any audit procedures
- However, if, after the F/S have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, **may have caused the auditor to amend the auditor's report**:
  1. **Discuss** the matter with management and those charged with governance
  2. Determine whether the F/S need **amendment**
  3. If the F/S require amendment, **inquire** how management intends to address the matter in the financial statements
- **If management amends the financial statements**:
  1. **Review the steps taken by management** to ensure that anyone in receipt of the previously issued F/S with the auditor's report is informed of the situation
  2. Carry out the **audit procedures** necessary on the amendment;
  3. **Extend the audit procedures** to the date of the new auditor's report; and
  4. Provide a **new auditor's report** on the amended F/S. The new auditor's report should not be dated earlier than the date of approval of the amended F/S
    - If GAAP allows management to restrict the amendment of the F/S to the effects of the subsequent event, the auditor is permitted to restrict the procedures to the amendment. In such cases, the auditor should either:
      - Amend the auditor's report to include an **additional date (double date the audit report)** restricted to that amendment that indicates that the auditor's **procedures on subsequent events are restricted solely to the amendment of the F/S** described in the relevant note to the F/S; or
        - **Example:** "(Date of auditor's report), except as to Note Y, which is as of (date of completion of audit procedures restricted to amendment described in Note Y)."
      - **Provide a new or amended auditor's report** that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that explains that the **auditor's procedures on subsequent events are restricted solely to the amendment of the F/S** as described in the relevant note to the F/S
- Include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter paragraph referring to a note to the F/S that discusses the reason for the amendment of the previous F/S
- **If management does not take the necessary steps** to ensure that recipients of the previously issued F/S is informed of the situation and **does not amend the F/S** where the auditor believes they need to be amended, notify management and those charged with governance, that the **auditor will seek to prevent future reliance on the auditor's report**
- If mgm't still does not take these necessary steps to inform recipients of F/S, **seek legal advice**