



AUASB Project Plan

Project Title:	Amendments to ASA 560
Date Prepared:	11 May 2021
Date Approved:	
ATG Member:	See Wen Ewe
AUASB Member:	
Version number:	1

Overview of Project

Information Gathering/Background

Why is this being brought to the AUASB's attention?

- In February 2020, the NZAuASB Board approved limited proposed changes to ISA (NZ) 560, *Subsequent Events*, to clarify the timing communications and possible actions the auditor may take when a fact becomes known after issuing the auditor's report and, had it been known to the auditor at the date of the report, may have caused the auditor to amend the auditor's report.
- This issue was first brought to AUASB's attention at the December 2019 AUASB meeting as part of the NZAuASB's Chair update.
- As part of AUASB's strategic objectives to maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols, there is an urgency to update ASA 560 as ISA (NZ) 560 is effective for periods beginning on or after 15 July 2020.

What information gathering has been completed to date?

- The Financial Markets Authority New Zealand (FMA) first raised the issue in 2018 that they have had auditors experienced subsequent to issuing their audit opinions, where the audit opinion was either incorrect or the evidence no longer supported their opinion.
- The FMA considered that it is in the public interest for investors and other stakeholders to be informed in a timely manner when an audit opinion is found to be incorrect.
- However, FMA acknowledged the practical difficulties the auditors face about how to inform users of the financial statements that they cannot rely on the audit opinion attached to the financial statements.
- As a result, NZAuASB issued an [exposure draft](#) seeking feedback on the proposed amendments to ISA (NZ) 560, *Subsequent Events*, in November 2019.
- The amendments were made to paragraphs 14, 17 and NZ A20.1 of the revised ISA (NZ) 560.

- The amending standard was then approved by the NZAuASB at the [February 2020 NZAuASB meeting](#).
- Under the AUASB's Principles of Convergence and Harmonisation Policy, all AUASB Standards are developed and issued in accordance with the principles of harmonisation policy with New Zealand Standards and AUASB/NZAuASB communication protocols. Harmonisation is therefore ideally achieved by adopting modifications made to an IAASB standard by one country that have relevance and application in the other country.
- This issue is not limited to a particular stakeholder group hence the AUASB Technical Group (ATG) proposed to issue an exposure draft to various stakeholder groups to gather feedback.

What additional information gathering needs to be completed and why?

- The ATG has incorporated the amendments made by the NZAuASB in ED 03/21 Proposed Auditing Standard ASA 2021-2 *Amendments to Australian Auditing Standard ASA 560 Subsequent Events*.
- Given the limited scope, the ED will be exposed for a 45-day comment period.

Who are the relevant stakeholders and have they provided input to the information gathering?

- Given the limited scope of amendments, an outreach is not deemed necessary.
- All Australian stakeholders are relevant to this project hence the exposure draft will be communicated via newsletters and social media channels. In addition, a targeted email will be sent to ASIC, CPA Australia, CA ANZ, PwC, KPMG, EY, Deloitte, BDO and Grant Thornton.

Scope

What is the problem we are trying to solve (project objective)?

What are the major issues that need to be addressed?

- Inconsistencies between extant ASA 560 *Subsequent Events* and ISA (NZ) 560, *Subsequent Events*, which was revised on 27 February 2020.

Project Objective

- The objective of this project is to amend ASA 560 to align the requirements with ISA (NZ) 560.

Project Scope

- Propose amendments to Australian Auditing Standard ASA 560 *Subsequent Events* to clarify the timing of communications and possible actions the auditor may take when facts become known to the auditor after the financial reports have been issued 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; and
- To add guidance about possible steps the auditor could take to prevent reliance on the auditor's report.

Issues Out of Scope of this project

- Any potential issues identified apart from the project scope mentioned above will not be included as part of this project.

What AUASB output will best respond to this?

- An exposure draft will be drafted to respond to this issue and seek feedback from Australian stakeholders.

Project Governance

Why is this in the public interest?

- It is in the public interest to ensure that investors and other stakeholders are informed in a timely manner when an audit opinion is found to be incorrect, especially in the current environment where situations could change in a short period of time (ie. border closures due to COVID-19 pandemic).
- This project relates to AUASB Strategic Objective three - influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards and meets AUASB Performance Measure five - maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols.

Targeted Implementation Date

- Subject to AUASB approval of the exposure draft at the June AUASB meeting, the exposure draft will be released for public comment for a 45-day comment period.
- The ATG will present a summary of the comments received to the AUASB at the September 2021 AUASB meeting, with a view to have the revised standard approved.
- The proposed effective date of the amendment is for financial reporting periods commencing on or after 15 December 2021, with early adoption permitted.
- As the amendments are limited in nature, the ATG does not expect a lengthy transition period.

Action Plan

- Refer table below.

Date	Description	Date	NZAuASB Timing (if applicable)
8 Jun 2021	Initial discussion, project plan and ED approval	N/A	N/A
7 & 10 Sep 2021	Amending Standard approval	N/A	N/A

Communication with stakeholders

- Given the limited scope of changes, an outreach is not deemed necessary.
- All Australian stakeholders are relevant to this project hence the exposure draft will be communicated through newsletters and social media channels. In addition, a targeted email will be sent to ASIC, assurance practitioners and professional bodies.

Risks/Issues

Risk/Issue	Mitigation	Related Action
<i>Potentially opens up other issues in ASA 560</i>	<i>The limited scope has been clearly outlined in both Explanatory Memorandum and Exposure Draft.</i>	<i>The limited scope has been clearly outlined under paragraphs 12 and 13 of the Explanatory Memorandum and paragraph 4 of the Exposure Draft.</i>

Should an external resource be used?

- No external resource is needed for this project.

Version Control

Version number	Approval Date	Minute number	Amendment Made	
			Relevant Section	Description
1			N/A	N/A