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for the 1st time

Agenda Item 7(g).2
AUASB Meeting 9 September 2008
Clean Version

EXPOSURE DRAFT

ED 13/08
(September 2008)

Proposed Auditing Standard
ASA 560
***Subsequent Events* (Revised
and Redrafted)**
(Re-issuance of ASA 560)

Issued for Comment by the **Auditing and Assurance Standards
Board**

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Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 31 October 2008. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au.

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later than 31 October 2008 by contacting:

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PREFACE

Reasons for Issuing ED 13/08

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA 560 *Subsequent Events* (Revised and Redrafted) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

**Proposed Auditing Standard ASA 560
Subsequent Events (Revised and Redrafted) (Re-issuance of ASA 560)**

Main Proposals

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the auditor's responsibilities relating to subsequent events in an audit of a financial report.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

Main changes from existing ASA 560 *Subsequent Events* (April 2006)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 560 *Subsequent Events* (April 2006), are included in the Tables of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA 560 *Subsequent Events* by no later than 31 October 2008. The AUASB is seeking comments on the main changes from the existing ASA 560. In addition, respondents are asked to consider and respond to the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

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5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the main changes to the Requirements of this proposed Auditing Standard are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard.

Draft

Proposed Auditing Standard ASA 560
Subsequent Events (Revised and Redrafted) (Re-issuance of ASA 560)

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 560 *Subsequent Events (Revised and Redrafted)* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 100 *Preamble to AUASB Standards (Revised and Redrafted)*, which sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied.

AUDITING STANDARD ASA 560

Subsequent Events (Revised and Redrafted)

Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and
 - (b) an audit of a financial report for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

Introduction

Scope of this ASA

1. This Auditing Standard deals with the auditor's responsibilities relating to subsequent events in an audit of a financial report. (Ref: Para. A1)
2. A financial report may be affected by certain events that occur after the date of the financial report. Many financial reporting frameworks specifically refer to such events.¹ Such financial reporting frameworks ordinarily identify two types of events:
 - (a) Those that provide evidence of conditions that existed at the date of the financial report; and

¹ For example, Accounting Standard AASB 110 "*Events After the Balance Sheet Date*" deals with the treatment in financial report of events, both favourable and unfavourable, that occur between the date of the financial report (referred to as the "balance sheet date" in Standard) and the date when the financial report is authorised for issue.

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- (b) Those that provide evidence of conditions that arose after the date of the financial report.

ASA 700 (Revised and Redrafted) explains that the date of the auditor's report informs the reader that the auditor has considered the effect of events and transactions of which the auditor becomes aware and that occurred up to that date.²

Effective Date

- 3. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

- 4. The objectives of the auditor are:
 - (a) Obtain sufficient appropriate audit evidence about whether events occurring between the date of the financial report and the date of the auditor's report that require adjustment of, or disclosure in, the financial report are appropriately reflected in that financial report; and
 - (b) Respond appropriately to facts that become known to the auditor after the date of the auditor's report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor's report.

Definitions

- 5. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
 - (a) Date of the financial report – The date of the end of the latest period covered by the financial report.
 - (b) Date of approval of the financial report – The date on which all the statements that comprise the financial report have been prepared and those with the recognised authority have asserted that they have taken responsibility for that financial report. (Ref: Para. A2)

² See ASA 700 (Revised and Redrafted), "*The Independent Auditor's Report on General Purpose Financial Reports*," paragraph [A41].

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- (c) Date of the auditor's report – The date the auditor dates the report on the financial report in accordance with ASA 700 (Revised and Redrafted). (Ref: Para. A3)
- (d) Date the financial report is issued – The date that the auditor's report and audited financial report are made available to third parties. (Ref: Para. A4-A5)
- (e) Subsequent events – Events occurring between the date of the financial report and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.

Requirements

Events Occurring Between the Date of the Financial Report and the Date of the Auditor's Report

- 6. The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial report and the date of the auditor's report that require adjustment of, or disclosure in, the financial report have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions. (Ref: Para. A6)
- 7. The auditor shall perform the procedures required by paragraph 6 so that they cover the period from the date of the financial report to the date of the auditor's report, or as near as practicable thereto. The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures, which shall include the following: (Ref: Para. A7-A8)
 - (a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.
 - (b) Enquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred which might affect the financial report. (Ref: Para. A9)
 - (c) Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial report and

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enquiring about matters discussed at any such meetings for which minutes are not yet available. (Ref: Para. A10)

- (d) Reading the entity's latest subsequent interim financial report, if any.
8. When, as a result of the procedures performed as required by paragraphs 6 and 7, the auditor identifies events that require adjustment of, or disclosure in, the financial report, the auditor shall determine whether each such event is appropriately reflected in that financial report.

Written Representations

9. The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with ASA 580 (Revised and Redrafted)³ that all events occurring subsequent to the date of the financial report and for which the applicable financial reporting framework requires adjustment or disclosure 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 Report Is Issued

10. The auditor has no obligation to perform any audit procedures regarding the financial report after the date of the auditor's report. However, when, after the date of the auditor's report but before the date the financial report is 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, the auditor shall: (Ref: Para. A11)
- (a) Discuss the matter with management and, where appropriate, those charged with governance.
 - (b) Determine whether the financial report needs amendment and, if so,
 - (c) Enquire how management intends to address the matter in the financial report.
11. If management amends the financial report, the auditor shall:
- (a) Carry out the audit procedures necessary in the circumstances on the amendment.

³ See ASA 580 (Revised and Redrafted), "*Written Representations.*"

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- (b) Unless the circumstances in paragraph 12 apply:
 - (i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report; and
 - (ii) Provide a new auditor's report on the amended financial report. The new auditor's report shall not be dated earlier than the date of approval of the amended financial report.
- 12. When law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial report to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial report are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) to that amendment. In such cases, the auditor shall either:
 - (a) Amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial report described in the relevant note to the financial report; or (Ref: Para. A12)
 - (b) Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph⁴ or Other Matter(s) paragraph that conveys that the auditor's procedures on subsequent events are restricted solely to the amendment of the financial report as described in the relevant note to the financial report.
- 13. In some circumstances, management may not be required by law, regulation or the financial reporting framework to issue amended financial report and, accordingly, the auditor need not provide an amended or new auditor's report. However, when management does not amend the financial report in circumstances where the auditor believes they need to be amended, then: (Ref: Para. A13-A14)
 - (a) If the auditor's report has not yet been provided to the entity, the auditor shall modify the opinion as required by

⁴ See ASA 706 (Revised and Redrafted), "*Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report.*"

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ASA 705 (Revised and Redrafted)⁵ and then provide the auditor's report; or

- (b) If the auditor's report has already been provided to the entity, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, not to issue the financial report to third parties before the necessary amendments have been made. If the financial report is nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the auditor's report. (Ref. Para: A15-A16)

Facts Which Become Known to the Auditor After the Financial Report has been Issued

- 14. After the financial report has been issued, the auditor has no obligation to perform any audit procedures regarding such financial report. However, when, after the financial report has 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, the auditor shall:
 - (a) Discuss the matter with management and, where appropriate, those charged with governance.
 - (b) Determine whether the financial report needs amendment and, if so,
 - (c) Enquire how management intends to address the matter in the financial report.
- 15. If management amends the financial report, the auditor shall: (Ref: Para. A17)
 - (a) Carry out the audit procedures necessary in the circumstances on the amendment.
 - (b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial report together with the auditor's report thereon is informed of the situation.

⁵ See ASA 705 (Revised and Redrafted), "*Modifications to the Independent Auditor's Report.*"

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- (c) Unless the circumstances in paragraph 12 apply:
 - (i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended financial report; and
 - (ii) Provide a new auditor's report on the amended financial report.
 - (d) When the circumstances in paragraph 12 apply, amend the auditor's report, or provide a new auditor's report as required by paragraph 12.
16. The auditor shall include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a note to the financial report that more extensively discusses the reason for the amendment of the previously issued financial report and to the earlier report provided by the auditor.
17. If management, or those charged with governance, do not take the necessary steps to ensure that anyone in receipt of the previously issued financial report is informed of the situation and does not amend the financial report in circumstances where the auditor believes they need to be amended, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, that the auditor will seek to prevent future reliance on the auditor's report. If, despite such notification, management or those charged with governance do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report. (Ref: Para. A18)

* * *

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Application and Other Explanatory Material

Introduction (Ref: Para. 1)

- A1. When the audited financial report is included in other documents subsequent to the issuance of the financial report, the auditor may have additional responsibilities relating to subsequent events that the auditor may need to consider, such as legal or regulatory requirements involving the offering of securities to the public in cases in which the securities are being offered. For example, the auditor may be required to perform additional audit procedures to the date of the final offering document. These procedures may include those referred to in paragraphs 6 and 7 performed up to a date at or near the effective date of the final offering document, and reading the offering document to assess whether the other information in the offering document is consistent with the financial information with which the auditor is associated.

Definitions

Date of Approval of the Financial Report (Ref: Para. 5(b))

- A2. In some circumstances, law or regulation identifies the individuals or bodies (for example, management or those charged with governance) that are responsible for concluding that all the statements comprising the financial report have been prepared, and specifies the necessary approval process. In other circumstances, the approval process is not prescribed in law or regulation and the entity follows its own procedures in preparing and finalising its financial report in view of its management and governance structures. In some circumstances, final approval of the financial report by shareholders is required. In these circumstances, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence on which to base the auditor's opinion on the financial report has been obtained. The date of approval of the financial report for purposes of the Auditing Standards is the earlier date on which those with the recognised authority have asserted that all the statements comprising the financial report have been prepared and that those with the recognised authority have taken responsibility for that financial report.

Date of the Auditor's Report (Ref: Para. 5(c))

- A3. The auditor's report cannot be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on

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which to base the opinion on the financial report.⁶ Sufficient appropriate audit evidence includes evidence that all the statements that comprise the financial report have been prepared and that those with the recognised authority have asserted that they have taken responsibility for that financial report. Consequently, the date of the auditor's report cannot be earlier than the date of approval of the financial report as defined in paragraph 5(b). A time period may elapse due to administrative issues between the date of the auditor's report as defined in paragraph 5(c) and the date the auditor's report is provided to the entity.

Date the Financial Report is Issued (Ref: Para. 5(d))

- A4. The date the financial report is issued generally depends on the regulatory environment of the entity. In some circumstances, the date the financial report is issued may be the date that they are filed with a regulatory authority. Since audited financial reports cannot be issued without an auditor's report, the date that the audited financial report is issued must not only be at or later than the date of the auditor's report, but must also be at or later than the date the auditor's report is provided to the entity.

Considerations Specific to Public Sector Entities

- A5. In the case of the public sector, the date the financial report is issued may be the date the audited financial report and the auditor's report thereon are presented to the legislature or otherwise made public.

Events Occurring Between the Date of the Financial Report and the Date of the Auditor's Report (Ref: Para. 6-9)

- A6. Depending on the auditor's risk assessment, the audit procedures required by paragraph 6 may include procedures, necessary to obtain sufficient appropriate audit evidence, involving the review or testing of accounting records or transactions occurring between the date of the financial report and the date of the auditor's report. The audit procedures required by paragraphs 6 and 7 are in addition to procedures that the auditor may perform for other purposes that, nevertheless, may provide evidence about subsequent events (for example, to obtain audit evidence for account balances as at the date of the financial report, such as cut-off procedures or procedures in relation to subsequent receipts of accounts receivable).

⁶ See ASA 700 (Revised and Redrafted), paragraph [38]. In rare circumstances, law or regulation also identifies the point in the financial report reporting process at which the audit is expected to be complete.

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- A7. Paragraph 7 stipulates certain audit procedures in this context that the auditor is required to perform pursuant to paragraph 6. The subsequent events procedures that the auditor performs may, however, depend on the information that is available and, in particular, the extent to which the accounting records have been prepared since the date of the financial report. When the accounting records are not up-to-date, and accordingly no interim financial report (whether for internal or external purposes) has been prepared, or minutes of meetings of management or those charged with governance have not been prepared, relevant audit procedures may take the form of inspection of available books and records, including bank statements. Paragraph A8 gives examples of some of the additional matters that the auditor may consider in the course of these enquiries.
- A8. In addition to the audit procedures required by paragraph 7, the auditor may consider it necessary and appropriate to:
- Read the entity's latest available budgets, cash flow forecasts and other related management reports for periods after the date of the financial report;
 - Enquire, or extend previous oral or written enquiries, of the entity's legal counsel concerning litigation and claims; or
 - Consider whether written representations covering particular subsequent events may be necessary to support other audit evidence and thereby obtain sufficient appropriate audit evidence.

Inquiry (Ref. Para. 7(b))

- A9. In enquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial report, the auditor may enquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific enquiries about the following matters:
- Whether new commitments, borrowings or guarantees have been entered into.
 - Whether sales or acquisitions of assets have occurred or are planned.
 - Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or

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debentures, or an agreement to merge or liquidate has been made or is planned.

- Whether any assets have been appropriated by government or destroyed, for example, by fire or flood.
- Whether there have been any developments regarding contingencies.
- Whether any unusual accounting adjustments have been made or are contemplated.
- Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial report, as would be the case, for example, if such events call into question the validity of the going concern assumption.
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial report.
- Whether any events have occurred that are relevant to the recoverability of assets.

Reading Minutes (Ref. Para. 7(c))

Considerations Specific to Public Sector Entities

- A10. In the public sector, the auditor may read the official records of relevant proceedings of the legislature and enquire about matters addressed in proceedings for which official records are not yet available.

Facts Which Become Known to the Auditor After the Date of the Auditor's Report but Before the Date the Financial Report is Issued

Management Responsibility Towards the Auditor (Ref: Para. 10)

- A11. As agreed in the terms of the audit engagement, management has a responsibility to inform the auditor of relevant facts of which it becomes aware during the period from the date of the auditor's report to the date the financial report is issued.⁷

⁷ See ASA 210 (Revised and Redrafted), "Agreeing the Terms of Audit Engagements," paragraph [A23].

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Dual Dating (Ref: Para. 12(a))

- A12. When, in the circumstances described in paragraph 12(a), the auditor amends the auditor's report to include an additional date restricted to that amendment, the date of the auditor's report on the financial report prior to their subsequent amendment by management remains unchanged because this date informs the reader as to when the audit work on that financial report was completed. However, an additional date is included in the auditor's report to inform users that the auditor's procedures subsequent to that date were restricted to the subsequent amendment of the financial report. The following is an illustration of such an additional date:

“(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).”

No Amendment of the Financial Report by Management (Ref: Para. 13)

- A13. In some circumstances, management may not be required by law, regulation or the financial reporting framework to issue an amended financial report. This is often the case when issuance of the financial report for the following period is imminent, provided appropriate disclosures are made in such a report.

Considerations Specific to Public Sector Entities

- A14. In the public sector, the actions taken in accordance with paragraph 13 when management does not amend the financial report may also include reporting separately to the legislature, or other relevant body in the reporting hierarchy, on the implications of the subsequent event for the financial report and the auditor's report.

Auditor Action to Seek to Prevent Reliance on Auditor's Report (Ref: Para. 13(b))

- A15. The auditor may need to fulfil additional legal obligations even when the auditor has notified management not to issue the financial report and management has agreed to this request.
- A16. When management has issued the financial report despite the auditor's notification not to issue the financial report to third parties, the auditor's course of action to prevent reliance on the auditor's report on the financial report depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

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Facts Which Become Known to the Auditor After the Financial Report have been Issued

No Amendment of the Financial Report by Management (Ref: Para. 15)

Considerations Specific to Public Sector Entities

A17. In some circumstances, entities in the public sector may be prevented from issuing an amended financial report by law or regulation. In such circumstances, the appropriate course of action for the auditor may be to report to the appropriate statutory body.

Auditor Action to Seek to Prevent Reliance on Auditor's Report (Ref: Para. 17)

A18. When the auditor believes that management, or those charged with governance, have failed to take the necessary steps to prevent reliance on the auditor's report on the financial report previously issued by the entity despite the auditor's prior notification that the auditor will take action to seek to prevent such reliance, the auditor's course of action depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

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Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 560 *Subsequent Events* (Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

Compliance with this Auditing Standard enables compliance with ISA 560.

Draft

Tables of Differences — ASA 560 (Revised and Redrafted) and Extant ASA 560

Base Standard

ISA 560 *Subsequent Events* (Redrafted) is used as the base Auditing Standard for the purpose of re-drafting this proposed Auditing Standard. The base Auditing Standard will be amended for the following matters:

- Australian Laws and Regulations (including the *Corporations Act 2001*);
- Changes considered necessary because this Auditing Standard is a legislative instrument; and
- Changes considered necessary in the public interest.

Summary of Main Differences — ASA 560 (Revised and Redrafted) and Extant ASA 560

The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and extant ASA 560.

Requirements in ASA (Revised and Redrafted) not in Extant ASA

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Objectives			
1	4	The objectives of the auditor are to: (a) Obtain sufficient appropriate audit evidence about whether events occurring between the date of the financial report and the date of the auditor’s report that require adjustment of, or disclosure in, the financial report are appropriately reflected in that financial report; and (b) Respond appropriately to facts that become known to the auditor after the date of the auditor’s report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor’s report.	New Objectives included.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Definitions			
2	5	<p>For purposes of the ASAs, the following terms have the meanings attributed below:</p> <p>(a) Date of the financial report – The date of the end of the latest period covered by the financial report.</p> <p>(b) Date of approval of the financial report – The date on which all the statements that comprise the financial report have been prepared and those with the recognised authority have asserted that they have taken responsibility for that financial report. (Ref: Para. A2)</p> <p>(c) Date of the auditor’s report – The date the auditor dates the report on the financial report in accordance with ASA 700 (Revised and Redrafted). (Ref: Para. A3)</p> <p>(d) Date the financial report is issued – The date that the auditor’s report and audited financial report are made available to third parties. (Ref: Para. A4-A5)</p> <p>(e) Subsequent events – Events occurring between the date of the financial report and the date of the auditor’s report, and facts that become known to the auditor after the date of the auditor’s report.</p>	New Definitions included.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Events Occurring Between the Date of the Financial Report and the Date of the Auditor's Report			
3	6	<p>The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial report and the date of the auditor's report that require adjustment of, or disclosure in, the financial report have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions. (Ref: Para. A6)</p>	<p>(1) Shaded text is elevation of extant ASA Explanatory Guidance [Extant ASA 560 para 9—equivalent Explanatory Guidance]</p> <p>(2) Unshaded text is equivalent in meaning to the extant ASA Requirement [Extant ASA 560 para 8—equivalent Requirement]</p>
4	7	<p>The auditor shall perform the procedures required by paragraph 6 so that they cover the period from the date of the financial report to the date of the auditor's report, or as near as practicable thereto. The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures, which shall include the following: (Ref: Para. A7-A8)</p> <p>(a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.</p> <p>(b) Enquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial report. (Ref: Para. A9)</p>	<p>(1) Elevation of extant ASA Explanatory Guidance. [Extant ASA 560 para 10—equivalent Explanatory Guidance]</p> <p>(2) Shaded text has no extant ASA equivalent.</p>

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		(c) Reading minutes, if any, of the meetings, of the entity’s owners, management and those charged with governance, that have been held after the date of the financial report and enquiring about matters discussed at any such meetings for which minutes are not yet available. (Ref: Para. A10) (d) Reading the entity’s latest subsequent interim financial report, if any.	
Events Occurring Between the Date of the Financial report and the Date of the Auditor’s Report - Written Representations			
5	9	The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with ASA 580 (Revised and Redrafted) that all events occurring subsequent to the date of the financial report and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.	No extant ASA equivalent.
Facts which became known to the Auditor after the date of the Auditor’s Report but before the date the Financial report is issued			
6	10	The auditor has no obligation to perform any audit procedures regarding the financial report after the date of the auditor’s report. However, when, after the date of the auditor’s report but before the date the financial report is 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, the auditor shall: (Ref: Para. A11) (a) Discuss the matter with management and, where appropriate, those charged with governance.	(1) Shaded text is elevation of extant ASA Explanatory Guidance [Extant ASA 560 para 13—equivalent Explanatory Guidance] (2) Bold text has no extant ASA equivalent.

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		(b) Determine whether the financial report need amendment and, if so, (c) Enquire how management intends to address the matter in the financial report.	(3) Unshaded/non-bold text is equivalent in meaning to the extant ASA Requirement [Extant ASA 560 para 14—equivalent Requirement]
7	11	If management amends the financial report, the auditor shall: (a) Carry out the audit procedures necessary in the circumstances on the amendment. (b) Unless the circumstances in paragraph 12 apply: (i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor’s report; and (ii) Provide a new auditor’s report on the amended financial report. The new auditor’s report shall not be dated earlier than the date of approval of the amended financial report.	(1) Shaded text is elevation of extant ASA Explanatory Guidance [Extant ASA 560 para 16—equivalent Explanatory Guidance] (2) Unshaded text is equivalent in meaning to the extant ASA Requirement [Extant ASA 560 para 15—equivalent Requirement]
8	12	When law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial report to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial report is not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b) (i) to that amendment. In such cases, the auditor shall either: (a) Amend the auditor’s report to include an additional date restricted to that amendment that thereby indicates that the auditor’s procedures on subsequent events are restricted solely to the amendment of the financial report described in the relevant note to the financial report; or (Ref: Para. A12)	No extant ASA equivalent. Extant ASA does have a similar concept in Guidance [para 25], however the circumstances in which it applies are different – extant ASAs equivalent concept appears under the heading “Facts Discovered after the Date the Financial Report has been issued”. This ASA (Revised and Redrafted) Requirement comes under the heading “Facts which became known to the Auditor after the date of the Auditor’s Report but before the date the Financial report is issued”.

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		(b) Provide a new or amended auditor’s report that includes a statement in an Emphasis of Matter paragraph or Other Matter(s) paragraph that conveys that the auditor’s procedures on subsequent events are restricted solely to the amendment of the financial report as described in the relevant note to the financial report.	
9	13	<p>In some circumstances, management may not be required by law, regulation or the financial reporting framework to issue amended financial report and, accordingly, the auditor need not provide an amended or new auditor’s report. However, when management does not amend the financial report in circumstances where the auditor believes they need to be amended, then: (Ref: Para. A13-A14)</p> <p>(a) If the auditor’s report has not yet been provided to the entity, the auditor shall modify the opinion as required by ASA 705 (Revised and Redrafted) and then provide the auditor’s report; or</p> <p>(b) If the auditor’s report has already been provided to the entity, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, not to issue the financial report to third parties before the necessary amendments have been made. If the financial report is nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action, to seek to prevent reliance on the auditor’s report. (Ref. Para: A15-A16)</p>	<p>(1) Shaded text has no extant ASA equivalent.</p> <p>(2) Unshaded text is equivalent in meaning to extant ASA [Extant ASA 560 para’s 17,18 and 19—equivalent Requirement]</p>

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Facts which became known to the Auditor After the Financial report have been issued			
10	14	<p>After the financial report have been issued, the auditor has no obligation to perform any audit procedures regarding such financial report. However, when, after the financial report 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, the auditor shall:</p> <p>(a) Discuss the matter with management and, where appropriate, those charged with governance.</p> <p>(b) Determine whether the financial report need amendment and, if so,</p> <p>(c) Enquire how management intends to address the matter in the financial report.</p>	<p>(1) Shaded text is an elevation of extant ASA Explanatory Guidance. [Extant ASA 560 para 21—equivalent Explanatory Guidance]</p> <p>(2) Bold text has no extant ASA equivalent.</p> <p>(3) Unshaded text is equivalent in meaning to extant ASA [Extant ASA 560 para 22—equivalent Requirement]</p>
11	15	<p>If management amends the financial report, the auditor shall: (Ref: Para. A17)</p> <p>(a) Carry out the audit procedures necessary in the circumstances on the amendment.</p> <p>(b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial report together with the auditor’s report thereon is informed of the situation.</p> <p>(c) Unless the circumstances in paragraph 12 apply:</p> <p>(i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor’s report, and date the new auditor’s report no earlier than the date of approval of the amended financial report; and</p>	<p>(1) Shaded text is an elevation of extant ASA Explanatory Guidance. [Extant ASA 560 para 25—equivalent Explanatory Guidance]</p> <p>(2) Unshaded text is equivalent in meaning to extant ASA [Extant ASA 560 para 23—equivalent Requirement]</p>

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		<p>(ii) Provide a new auditor’s report on the amended financial report.</p> <p>(d) When the circumstances in paragraph 12 apply, amend the auditor’s report, or provide a new auditor’s report as required by paragraph 12.</p>	
12	16	<p>The auditor shall include in the new or amended auditor’s report an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.</p>	<p>Shaded text has no extant ASA equivalent.</p> <p>Concept consistent with [para 34] Requirement in [Proposed] ISA 700 <i>The Independent Auditor’s Report on General Purpose Financial Statements</i> and [para 9] of [Proposed] ISA 706 <i>Emphasis of Matter Paragraphs and other Matter(s) Paragraphs in the Independent Auditor’s Report</i>.</p>
13	17	<p>If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial report is informed of the situation and does not amend the financial report in circumstances where the auditor believes they need to be amended, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, that the auditor will seek to prevent future reliance on the auditor’s report. If, despite such notification, management or those charged with governance do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor’s report. (Ref: Para. A18)</p>	<p>(1) Shaded text is expressed differently in extant ASA Requirement.</p> <p>Extant ASA Requirement in [para 26] uses “those charged with governance” only and does not include the reference to “management”. The ASA (Revised and Redrafted) Guidance linked to this topic [para A18] refers to both “management, or those charged with governance”</p> <p>For consistency, and to reflect Australian practice, suggest add in “or those charged with governance” after “management” to [para 17] as follows:</p> <p>17. If management or those charged with governance do not take the necessary steps to ensure that anyone in receipt of the previously issued financial report is informed of the situation and does not amend the financial report in circumstances where the auditor believes they need to be amended, the auditor shall notify management and, unless all of those charged with governance are involved in managing the entity, those charged with governance, that the auditor will seek to prevent future</p>

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			<p>reliance on the auditor’s report. If, despite such notification, management or those charged with governance do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor’s report. (Ref: Para. A18)</p> <p>(2) Unshaded text is equivalent in meaning to extant ASA</p> <p>[Extant ASA 560 para 26—equivalent Requirement]</p>

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