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| --- | --- | --- |
| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **Ref. no.:** |  | |
| **Prepared by:** | ${user} | **Date:** |
| **Approved by Manager:** | ${manager} | **Date:** |
| **Approved by Partner:** | ${partner} | **Date:** |

# **Guidance (click to expand):**

This template is designed to serve as a documentation template for engagement team’s consideration of subsequent events i.e. events occurring between the date of the financial statements and the date of the auditor’s report, and facts that become known after the date of the auditor’s report.

Financial statements may be affected by certain events that occur after the date of the financial statements. Many financial reporting frameworks specifically refer to such events. Such financial reporting frameworks ordinarily identify two types of events:

1. Those that provide evidence of conditions that existed at the date of the financial statements; and
2. Those that provide evidence of conditions that arose after the date of the financial statements.

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.

For detailed guidance refer to ISA 560 Subsequent Events.

# **Subsequent Events Checklist**

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| --- | --- | --- |
| **Requirements** | **Complied with?**  **Yes/No/Not Applicable** | **Findings** |
| The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements 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.  Depending on the auditor’s risk assessment, the audit procedures 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 statements and the date of the auditor’s report. The audit procedures 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 statements, such as cutoff procedures or procedures in relation to subsequent receipts of accounts receivable). |  |  |
| The auditor shall perform the procedures above so that they cover the period from the date of the financial statements 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:   1. Consider changes in the following areas which may affect the financial statements and other information in the annual report: 2. Banking arrangements; 3. Currency and interest rates; 4. Key markets; 5. Key products, customers or vendors; 6. Key management or employees; 7. Government regulation or policy; and 8. The ratio of orders to sales and cash receipts and the position of the order book. 9. Consider other significant knowledge gained, for example: 10. Press comment; 11. Internal audit reports; 12. Changes in client trading patterns; 13. Changes in laws or regulations; 14. Currency devaluations; 15. Major fires or catastrophes, or technology failures (e.g. Computer operations failures); and 16. Security incidents. 17. Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified. Consider the risk that significant items may not be identified and develop tailored audit steps accordingly. 18. Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. The auditor may consider whether there has been any reversal of any transactions entered into prior to the balance sheet date that might indicate window dressing. The auditor may also inquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific inquiries about the following matters: 19. Whether new commitments, borrowings or guarantees have been entered into. 20. Whether sales or acquisitions of assets have occurred or are planned. 21. Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned. 22. Whether any assets have been appropriated by government or destroyed, for example, by fire or flood. 23. Whether there have been any developments regarding contingencies. 24. Whether any unusual accounting adjustments have been made or are contemplated. 25. Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements, as would be the case, for example, if such events call into question the validity of the going concern assumption. 26. Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements. 27. Whether any events have occurred that are relevant to the recoverability of assets. 28. Whether there have been announcements of major security weakness (this implies also deficiencies in internal controls) or errors of system providers. 29. Whether a service organization auditors' report for third party involvement (e.g. outsourced IT-operations) has been issued. 30. 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 statements and inquiring about matters discussed at any such meetings for which minutes are not yet available. 31. Reading the entity’s latest subsequent interim financial statements, if any, and appropriate, budgets, cash flow forecasts and other related management reports. Consider whether they reveal any adverse trends or significant movements in balance sheet headings compared to the audited financial statements. Consider whether the management information is reliable. 32. Consider reviewing invoices from lawyers received after the year end to determine whether any litigation, claims or assessments exist that were not previously identified in our analysis of legal expenses and other procedures.   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 statements. Where the accounting records are not up-to-date, and accordingly no interim financial statements (whether for internal or external purposes) have 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. |  |  |
| If, as a result of the procedures performed, the auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. |  |  |
| **Facts which become known to the auditor after the date of the auditor’s report but before the date the financial statements are issued:**   1. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor’s report. However, if, after the date of the auditor’s report but before the date the financial statements 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, the auditor shall: 2. Discuss the matter with management and, where appropriate, those charged with governance; 3. Determine whether the financial statements need amendment and, if so, 4. Inquire how management intends to address the matter in the financial statements. 5. If management amends the financial statements, the auditor shall: 6. Carry out the audit procedures necessary in the circumstances on the amendment. 7. Unless c) below applies, extend the subsequent events audit procedures to the date of the new auditor’s report and provide a new auditor’s report on the amended financial statements. The new auditor’s report shall not be dated earlier than the date of approval of the amended financial statements. 8. Where law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events to that amendment. In such cases, the auditor shall either: 9. 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 statements described in the relevant note to the financial statements; or 10. Provide a new or amended auditor’s report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that the auditor’s procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements. 11. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements and, accordingly, the auditor need not provide an amended or new auditor’s report. However, if management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then: 12. If the auditor’s report has not yet been provided to the entity, the auditor shall modify the opinion and then provide the auditor’s report; or 13. 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 statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action to seek to prevent reliance on the auditor’s report. |  |  |
| **Facts which become known to the auditor after the financial statements have been issued:**   1. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements 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: 2. Discuss the matter with management and, where appropriate, those charged with governance; 3. Determine whether the financial statements need amendment; and, if so, 4. Inquire how management intends to address the matter in the financial statements. 5. If management amends the financial statements, the auditor shall: 6. Carry out the audit procedures necessary in the circumstances on the amendment. 7. Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor’s report thereon is informed of the situation. 8. Unless d) below applies, extend the subsequent event audit procedures 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 statements; and provide a new auditor’s report on the amended financial statements. 9. Where law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events to that amendment. In such cases, the auditor shall either: 10. 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 statements described in the relevant note to the financial statements; or 11. Provide a new or amended auditor’s report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that the auditor’s procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements. 12. The auditor shall include in the new or amended auditor’s report an Emphasis of Matter paragraph or Other Matter 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. 13. If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements 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. |  |  |
| When exceptional circumstances arise after the date of the audit report that require us to perform new or additional audit procedures or that lead the auditor to reach new conclusions, the auditor shall document:   1. The circumstances encountered; 2. The new or additional audit procedures performed, audit evidence obtained, and conclusions reached; and 3. When and by whom the resulting changes to audit documentation were made, and (where applicable) reviewed.   Note: such exceptional circumstances include the discovery of facts regarding the audited financial information that existed at the date of the audit report that might have affected the audit report had we then been aware of them. |  |  |