KAEG-I [INTL VERSION 2024]: ISA 560 Subsequent Events

Contents

KAEG-I [INTL VERSION]: ISA 560 Subsequent Events [ISA | KAEGISA560]

ISA Application and Other Explanatory Material: ISA 560.A18-A20

How do we comply with the standards?

ISA 560 Subsequent Events

View the Full Chapter for this Standard

ISA 560 *Subsequent Events*

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

Introduction, Objectives and Definitions

International Standards on Auditing: ISA 560.01-05

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to subsequent events in an audit of financial statements. It does not deal with matters relating to the auditor's responsibilities for other information obtained after the date of the auditor's report, which are addressed in ISA 720 (Revised).[1] However, such other information may bring to light a subsequent event that is within the scope of this ISA. (Ref: Para. A1)

1 ISA 720 (Revised),The Auditor's Responsibilities Relating to Other Information

Subsequent Events

2. 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.[2] 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 statements; and

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

ISA 700 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.[3]

2 For example, International Accounting Standard (IAS) 10, *Events After the Reporting Period*, deals with the treatment in financial statements of events, both favorable and unfavorable, that occur between the date of the financial statements (referred to as the "end of the reporting period" in the IAS) and the date when the financial statements are authorized for issue.

3 ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements,* paragraph A66

Effective Date

3. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objectives

4. The objectives of the auditor are:

(a) To obtain sufficient appropriate audit evidence about whether 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 are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework; and

(b) To 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 ISAs, the following terms have the meanings attributed below:

(a) Date of the financial statements - The date of the end of the latest period covered by the financial statements.

(b) Date of approval of the financial statements - The date on which all the statements that comprise the financial statements, including the related notes, have been prepared and those with the recognized authority have asserted that they have taken responsibility for those financial statements. (Ref: Para. A2)

(c) Date of the auditor's report - The date the auditor dates the report on the financial statements in accordance with ISA 700. (Ref: Para. A3)

(d) Date the financial statements are issued - The date that the auditor's report and audited financial statements are made available to third parties. (Ref: Para. A4 - A5)

(e) Subsequent events - Events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.

ISA Application and Other Explanatory Material: ISA 560.A1-A5

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

A1. When the audited financial statements are included in other documents subsequent to the issuance of the financial statements (other than annual reports that would be within the scope of ISA 720 (Revised)), 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 jurisdictions 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.[8]

8 See ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing,* paragraph 2.

Definitions

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

A2. In some jurisdictions, 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 that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In other jurisdictions, the approval process is not prescribed in law or regulation and the entity follows its own procedures in preparing and finalizing its financial statements in view of its management and governance structures. In some jurisdictions, final approval of the financial statements by shareholders is required. In these jurisdictions, 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 statements has been obtained. The date of approval of the financial statements for purposes of the ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.

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 which to base the opinion on the financial statements, including evidence that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.[9] Consequently, the date of the auditor's report cannot be earlier than the date of approval of the financial statements 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.

---

9 ISA 700, paragraph 41. In some cases, law or regulation also identifies the point in the financial statement reporting process at which the audit is expected to be complete.

Date the Financial Statements Are Issued (Ref: Para. 5(d))

A4. The date the financial statements are issued generally depends on the regulatory environment of the entity. In some circumstances, the date the financial statements are issued may be the date that they are filed with a regulatory authority. Since audited financial statements cannot be issued without an auditor's report, the date that the audited financial statements are 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 statements are issued may be the date the audited financial statements and the auditor's report thereon are presented to the legislature or otherwise made public.

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

International Standards on Auditing: ISA 560.06-09

Requirements

Events Occurring between the Date of the Financial Statements 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 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. (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 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: (Ref: Para. A7 - A8)

(a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.

(b) Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. (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 statements and inquiring 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 statements, if any.

8. If, 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 statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.

Written Representations

9. The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with ISA 580[4] that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

4 ISA 580, *Written Representations*

ISA Application and Other Explanatory Material: ISA 560.A6-A10

Events Occurring between the Date of the Financial Statements 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 statements 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 statements, such as cutoff procedures or procedures in relation to subsequent receipts of accounts receivable).

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 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. Paragraph A8 gives examples of some of the additional matters that the auditor may consider in the course of these inquiries.

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 statements;
- Inquire, or extend previous oral or written inquiries, 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 inquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial statements, the auditor may 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:

- 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 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 statements, 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 statements.
- 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 inquire about matters addressed in proceedings for which official records are not yet available.

How do we comply with the Standards?

[ISA | KAEGHDWC]

1 Understand management's process for identifying subsequent events [ISA | 3820]

What do we do?

Understand procedures management has established to identify subsequent events

Why do we do this?

Obtaining an understanding of management's processes will provide information about the entity's transactions, balances, disclosures, and accounting policies to help us appropriately plan our audit response to the identification of subsequent events.

Execute the Audit

What are subsequent events? [ISA | 3820.14358]

Subsequent events are events or transactions that occur between the date of the financial statements and the date of our report. In the context of an audit, they are events occurring prior to the date of our report that have a material impact on the financial statements. Depending on the auditing standards we apply, subsequent events may also include subsequently discovered facts that become known after the date of the auditor's report. See the chapter on subsequent discovery of facts (AS 2905, ISA 560, AU-C 560).

How do we obtain an understanding of management's process of identifying subsequent events? [ISA | 3820.1400]

We perform the same procedures as we do for other processes when we obtain an understanding of the entity's business processes. (See activity, 'Understand business processes' for further information).

Our procedures focus on obtaining an understanding of the process used by the entity to ensure subsequent events are identified.

Does the subsequent events period extend to the date of the auditor's report? [ISA | 3820.1500]

Yes. The subsequent events period extends from the date of the financial statements to the date of the auditor's report. It is the responsibility of the auditor to perform audit procedures designed to obtain sufficient appropriate audit evidence that all subsequent events that require adjustment of, or disclosure in, the financial statements have been identified.

What do we do if subsequently discovered facts become known to us after the date of the auditor's report and before the financial statements are issued? [ISA | 3820.1600]

If subsequently discovered facts become known to us after the date of the auditor's report and before the financial statements are issued, we follow activity 'Address new facts after report date and before financial statements are issued' in chapter AS 3110/ISA 560/AU-C 560.

2 Identify subsequent events that may require adjustment or disclosure [ISA | 3821]

What do we do?

Perform procedures to obtain audit evidence that all subsequent events which may require adjustment or disclosure have been identified.

Why do we do this?

We perform audit procedures to help identify subsequent events and address the risk that events or conditions occurring after the balance sheet date could require adjustment or disclosure in the financial statements. Without performing these procedures, we may not identify events that could be considered subsequent events and fail to consider those that may require adjustment of, or disclosures in, the financial statements.

Execute the Audit

What are subsequent events? [ISA | 3821.14358]

Subsequent events are events or transactions that occur between the date of the financial statements and the date of our report. In the context of an audit, they are events occurring prior to the date of our report that have a material impact on the financial statements. Depending on the auditing standards we apply, subsequent events may also include subsequently discovered facts that become known after the date of the auditor's report. See the chapter on subsequent discovery of facts (AS 2905 , ISA 560 , AU-C 560).

What procedures do we perform to identify and evaluate subsequent events? [ISA | 3821.1300]

After taking into account our risk assessment in determining the nature and extent of our audit procedures, we:

- Read the latest available interim financial information
- Make specific inquiries about subsequent events
- Read available minutes
- Request specific representations related to subsequent events
- Address questions that arise when identifying subsequent events

How else may we obtain evidence about subsequent events? [ISA | 3821.1400]

We often test transactions occurring after the balance-sheet date through to the date of the auditor's report as part of our audit procedures. While these procedures are designed to respond to other risks of material misstatement, they may also provide evidence about the existence of subsequent events. These procedures can include procedures over:

- Subsequent settlement of period-end assets and liabilities
- Search for unrecorded liabilities
- Testing the appropriate inclusion or exclusion of transactions in the financial reporting period (cut-off testing)

2.1 Read the latest available interim financial information [ISA | 3822]

What do we do?

Read the latest available interim financial information; compare them with the financial statements being reported upon; and make any other comparisons considered appropriate.

Why do we do this?

We perform procedures on the latest available interim financial information to identify unusual changes, information that is inconsistent with our expectations and significant changes in the pattern of transactions or amount or value of balances as compared with the transactions and balances recorded in the period under audit. The results of these comparisons may prompt us to gather more evidence or make further inquiries to better understand what happened, when it happened, and whether it results in adjustment or disclosure in the financial statements under audit. This information could uncover the existence of a subsequent event that had not yet been identified and considered.

Execute the Audit

What procedures do we perform on the latest available interim financial information to identify subsequent events? [ISA | 3822.1300]

We obtain and read the latest available interim financial information, if any, and compare that information with the financial statements being reported upon. Our focus is on identifying significant or unusual changes and trends, or information that is inconsistent with our expectations.

In addition, we also inquire with officers and financial reporting personnel about the basis of presentation of the interim financial information, including changes in accounting principles. If this interim financial information is prepared on a different basis than the financial statements under audit, we understand the impact those differences have on our comparisons and the evidence we can obtain from this audit procedure.

How can we make a comparison between interim financial information and the financial statements being reported on? [ISA | 3822.1400]

Valuable comparisons may include comparing actual account balances from the financial statements being reported on to actual account balances from the latest available interim financial information.

For example, when making comparisons between interim financial information and the financial statements being reported on, we consider the distinction between:

- Balance sheet account balances
  - Comparing results of the latest period to that of the most recent audited financial statements
- Income statement account balances
  - Comparing results of the latest period to that of the previous month-ended, previous interim period-ended, or even same period in the preceding audited period

What procedures do we perform if interim financial information is not available? [ISA | 3822.13927]

There may be instances when accounting records are not up-to-date and accordingly no interim financial information is available or has been prepared. In these instances, our procedures may take the form of inspection of available books and records, including bank statements. We may also read the entity's latest available budgets, cash flow forecasts and other related management reports for the periods after the date of the financial statements.

Examples

When might interim financial information identify a subsequent event that is inconsistent with our expectations? [ISA | 3822.13928]

Fact Pattern

Prior to period end, management made a significant provision against inventory as they believed the net realizable value was lower than cost. Upon inspection of the interim financial statements, we identify that inventory was sold for a significant profit.

Analysis

The sale of inventory for a significant profit is inconsistent with our expectations. We investigate whether this information indicates that judgments made at period end were inappropriate and whether adjustments to the financial statements, including disclosures, may be necessary.

2.2 Make specific inquiries about subsequent events [ISA | 3823]

What do we do?

Make specific inquiries as to whether any subsequent events have occurred which might affect the financial statements.

Why do we do this?

As part of the financial reporting process, we make specific inquiries to address the risk that events or conditions occurring after the balance sheet date could result in adjustment or disclosure in the financial statements.

Execute the Audit

To whom do we direct our inquiries? [ISA | 3823.1400]

We inquire of management and, where appropriate, those charged with governance. Much like other inquiries we perform, we consider who has knowledge about possible subsequent events - e.g., officers and other executives having responsibility for financial and accounting matters.

What specific inquiries do we make to identify subsequent events? [ISA | 3823.1300]

Our inquiries can cover a variety of topics related to the subsequent event period, but at least include inquiries as to:

- Whether any substantial contingent liabilities or commitments existed at the date of the balance sheet being reported on or at the date of inquiry
- Whether there was any change in the capital stock, long-term debt, or working capital
- Whether the current status of items, in the financial statements being reported on, that were accounted for on the basis of tentative, preliminary, or inconclusive data
- Whether any unusual adjustments had been made during the period from the balance-sheet date to the date of inquiry
- Whether there have been any changes to the company's related parties
- Whether there have been any significant new related party transactions
- Whether the company has entered into any significant unusual transactions

Other topics that may be useful to inquire about include:

- Whether new commitments, borrowings, or guarantees have been entered into
- Whether sales or acquisitions of assets have occurred or are planned
- Whether any assets have been appropriated by the government or destroyed (for example, by fire or flood)
- Whether there have been any developments regarding contingencies
- 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
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements
- Whether any events have occurred that are relevant to the recoverability of assets
- Whether there any litigations, claims, and assessments.

Are there other inquiries we make? [ISA | 3823.13930]

It depends. We may consider it necessary to inquire, or extend previous oral or written inquiries, of the entity's legal counsel concerning litigation and claims. See the chapter on litigation and claims (ISA 501) for more information on sending letters of audit inquiry to legal counsel (in-house or external counsel).

2.3 Read available minutes [ISA | 3824]

What do we do?

Read available meeting minutes and inquire about matters discussed at meetings for which minutes are not available.

Why do we do this?

As part of the financial reporting process, we read available meeting minutes and inquire about matters discussed at meetings for which meetings are not available to identify if subsequent events occurred which might have an impact on the financial statements. Minutes of the board of directors, audit committee, and/or other committee charged with governance of the entity often include a written record of significant decisions or transactions, or discussion of significant events or conditions, that may result in adjustment or disclosure in the period under audit.

Execute the Audit

Which meeting minutes do we read to identify subsequent events? [ISA | 3824.1300]

We read minutes for meetings of stockholders, directors, and appropriate committees held after the date of the financial statements through the date of the auditor's report. This may include the board of directors, entity's owners, management and/or those charged with governance.

What types of committees generally exist? [ISA | 3824.1400]

Entities are often governed by a board of directors, which may have committees, such as an audit committee or compensation committee, that focus on certain tasks or areas. These tasks generally involve monitoring and advising the entity.

What type of information might we gather by reading meeting minutes? [ISA | 3824.1500]

When we read meeting minutes, we look for information about key decisions made or important matters discussed that could have accounting or financial reporting implications. This includes information about:

- related parties;
- litigation, claims and assessments;
- material contracts with third parties
- significant unusual transactions;
- illegal acts;
- going concern;
- fraud risks; and
- accounting estimates.

What if meeting minutes are not available? [ISA | 3824.1600]

If the entity does not keep meeting minutes or has not prepared minutes for a particular meeting, we inquire of attendee's — e.g. the secretary of the board of directors or general counsel — to understand the discussions that took place. In this situation, we may find it helpful to inquire of more than one attendee and/or inspect materials from the meeting to corroborate our inquiries about what was discussed at the meeting.

2.4 Request specific representations related to subsequent events [ISA | 3825]

What do we do?

Request management (and, where appropriate, those charged with governance) to include specific representations as to whether any events occurred after the date of the financial statements that would require adjustment or disclosure.

Why do we do this?

Management, and where appropriate, those charged with governance, are often in the best position to know about events or conditions occurring after the date of the financial statements, and we obtain their representations to corroborate evidence we gather through other inquiries and other audit procedures.

Execute the Audit

Who prepares the management representation letter? [ISA | 3825.1600]

We prepare the MRL template and provide to management. Management should not make any major revisions to the letter, but if they make minor revisions when providing the signed letter back to us, we review to make sure we are in agreement with final version.

What representations do we ask management, and where appropriate, those charged with governance, to provide relating to subsequent events? [ISA | 3825.1400]

At a minimum, management, and where appropriate, those charged with governance, makes a specific representation as to whether any events occurred subsequent to the date of the financial statements being reported on, that in their opinion would require adjustment or disclosure in the financial statements. The standard representation letter template includes this representation.

When might it be appropriate for management to modify the representations we have requested from them? [ISA | 3825.1900]

Management may modify a representation to further describe and represent relevant facts and circumstances, but not to change or limit its meaning.

Management cannot modify the management representation letter in a way that contradicts the auditing standards. Base representations (i.e. representation required by the applicable standard), may never be removed or modified by management unless it is modified by adding an "except for" clause. If management modifies the base representations, refer to activity 'Consider the effect if management refuses to provide representations ' to determine what to do.

Examples of representations modified by management:

	Default Language:	Example Modified Language:

Scenario 1 : *An event subsequent to the balance sheet has been disclosed in financial statements*	To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.	To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
Scenario 2 : *Management plans to dispose of a specific business segment*	The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.	The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for its plans to dispose of segment A, as disclosed in Note X to the financial statements, which are discussed in the minutes of the December 7, 20X1 meeting of the board of directors.
Scenario 3 : *Management has received a communication of an allegation of fraud or suspected fraud*	We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, analysts, regulators, short sellers, or others.	Except for the allegation discussed in the minutes of the December 7, 20X1 meeting of the board of directors (or disclosed to you at our meeting on October 15, 20X1), we have no knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, analysts, regulators, short sellers, or others.

2.5 Address questions that arise when identifying subsequent events [ISA | 3826]

What do we do?

Make additional inquiries or perform procedures deemed necessary and appropriate to address questions that arise when performing procedures to identify subsequent events.

Why do we do this?

As questions arise in the performance of our procedures for identifying subsequent events, we may determine that additional inquiries or procedures are to be performed. We perform these additional inquiries or procedures to help us understand the impact of the subsequent event and to satisfy ourselves that we have obtained sufficient appropriate audit evidence to conclude on the financial statements.

Execute the Audit

When might we inquire further or perform additional procedures? [ISA | 3826.1400]

When we identify a matter that *could* be a subsequent event, we obtain additional information to evaluate whether it is a subsequent event that requires adjustment or disclosure. There may be additional questions that arise as we perform procedures related to subsequent events, additional inquiries or perform such procedures. If questions arise, which may cause us to make additional inquiries or perform additional procedures.

What factors may impact our need for additional inquiries or procedures relative to subsequent events? [ISA | 3826.1500]

Our additional inquiries and/or procedures are aimed at satisfying any questions that arise about the potential subsequent event and gathering sufficient information to evaluate whether it is a subsequent event that requires adjustment or disclosure.

Factors that may influence the additional inquiries or procedures that we consider necessary and appropriate include:

- The length of time between the date of the financial statements and our report
- The extent to which items in the financial statements have been accounted for on the basis of preliminary or inconclusive data (i.e. estimates), and
- Our assessment of the risk of material misstatement.

Examples

When might we inquire further or perform additional procedures as a result of the procedures performed to identify subsequent events? [ISA | 3826.1600]

Fact Pattern

A December 31 year-end entity receives notice on January 31 (i.e. a month later) that it is being sued by a customer. We obtain evidence of the lawsuit via inquiry with the Company's internal legal counsel.

Analysis

This event warrants additional consideration by the engagement team, including:

- What was/were the original transaction(s) with this specific customer?

- What period does the claim relate to?
  - If it is related to a revenue transaction during or prior to the year under audit, it may be an adjustment to the financial statements, whereas if it related to a post-year transaction, it may be a disclosure within the notes to the financial statements
- What is the Company's assessment of the merits of the case, including the probability and magnitude of an unfavorable outcome?

We also perform additional procedures, including:

- Inquiring with the Company's legal counsel and accounting departments
- Gathering persuasive supporting audit evidence from the Company's legal counsel and accounting departments
- Understand the accounting adjustment and/or disclosure the entity is planning to make and/or include in the financial statements
- Assessing whether adjustment to or disclosure in financial statements is necessary

3 Determine whether subsequent events are reflected in the financial statements [ISA | 3827]

What do we do?

Determine whether events that require adjustments or disclosure are appropriately reflected in the financial statements.

Why do we do this?

We evaluate two types of subsequent events as part of our audit procedures - those that provide additional evidence about conditions that existed at the balance sheet date and those that provide evidence about conditions that did not exist at the balance sheet date. Our evaluation focuses on whether the financial statements warrant adjustment or disclosure. Subsequent events that warrant adjustment or disclosure should be appropriately reflected in accordance with the applicable reporting framework.

Execute the Audit

What are the two types of subsequent events? [ISA | 3827.1300]

Type	Examples
Type 1 Events that provide additional evidence with respect to conditions that existed at the date of the financial statements (i.e. require adjustment)	The following examples may indicate pre-existing conditions as of the balance sheet date, and we exercise judgment when evaluating such conditions. • Customer bankruptcy • Write-off of slow moving inventory • Sale of a property measured at fair value

Type 2 Events that provide evidence of conditions that did not exist as of the date of the financial statements but arose subsequent to that date (i.e. do not require adjustment but may require disclosure)	The following examples do not provide additional information about conditions existing as of the balance sheet date, they do provide information regarding new conditions that may materially impact an entity's financial performance in future periods. • Sale of bond or capital stock issue • Purchase of a business • Settlement of litigation when the event giving rise to the claim took place subsequent to the balance-sheet date • Loss of plant or inventories as a result of fire or flood • Losses on receivables resulting from conditions (such as a customer's major casualty) arising subsequent to the balance-sheet date

What is our responsibility over the two types of subsequent events?

Based on the evidence obtained in identifying the subsequent events, we determine whether:

- Type 1 events are properly reflected in the underlying accounting records and financial statements, and
- Type 2 events are properly disclosed in the financial statements

How do we determine whether an event is Type 1 or Type 2?

For each subsequent event identified, we gather sufficient, appropriate audit evidence to understand whether it is a Type 1 or Type 2 event, and whether it is properly recognized and disclosed in the financial statements.

To gather and evaluate this evidence, we may:

- Read the financial statements
- Obtain and read source documents supporting the underlying subsequent events, like contracts or correspondence
- Compare the evidence obtained to the information gathered in our identification of the subsequent events
- Trace the evidence obtained to where it is recorded in the financial statements

If the subsequent events are not appropriately reflected in the financial statements, this may represent a possible misstatement or error that warrants evaluation.

4 Obtain written representations for all financial statement periods [ISA | 3851]

What do we do?

Obtain written representations from management for all financial statement periods covered by the auditor's report

Why do we do this?

While management representations do not provide sufficient appropriate audit evidence on their own, they complement the evidence we obtain from other auditing procedures. Specifically, they serve as a written record of management's acknowledgement that they have fulfilled their responsibilities, their understanding and evaluation of audit differences and their honesty and cooperation with us during the audit. Accordingly, failure of management to provide written representations requested by the auditor can have serious implications on the audit and on our report.

Execute the Audit

Which financial statement period(s) do management's written representations relate to? [ISA | 3851.1300]

The written representations relate to all financial statement periods covered in the audit report, including prior periods that are presented in the financial statements.

Why do we obtain management's written representations about prior periods that have already been reported?

Management reaffirms to us that the written representations from previous period(s) remain appropriate before we sign our audit opinion in the current year, as our audit opinion relates to all periods presented in the financial statements. If a restatement has been made to correct a material misstatement in the prior period that affects the comparative financial statements, then we draft a specific representation for management to review and also reaffirm.

What written representations do we obtain from management if we are issuing more than one audit report?

We obtain representations from management for all audit reports issued, either in one representation letter, listing the applicable set of financial statements, or in separate representation letters for each set of financial statements.

Who prepares the management representation letter? [ISA | 3851.1600]

We prepare the MRL template and provide it to management for their review and signature.

How do we prepare the management representation letter? [ISA | 3851.15774]

We first select the appropriate KPMG example MLR template https://alex.kpmg.com/AROWeb/document/lfc/GSC_INTL_AUDDOC_DOCSEAUDIT_TOC/toc/GSC_INTL_AUDDOC_DOCSEAUDIT_TOC?tocref=GSC_INTL_AUDDOC_DOCSEAUDIT_TOC, depending on the applicable auditing standards, financial reporting framework used by the entity and legal and regulatory framework in which the entity operates.

We then determine any additional representations to include in the MLR template. Attachment 1 provides additional representations that we may include, depending on the other circumstances that are applicable to the entity. At a minimum, we include all required representations from the auditing standards, which are included in the KPMG example MLR template.

In some circumstances, we use nationally-tailored versions of the base representation letter and/or listing of additional representations.

Once we have compiled all applicable representations into the MRL template, we provide it to management.

How do we determine which additional representations, beyond those which are required, are appropriate in the circumstances of our audit? [ISA | 3851.1800]

We select additional representations based on the specific facts and circumstances of the audit and the entity we audit. This can include additional representations to address a variety of topics, such as:

- specific circumstances related to the engagement and basis of presentation of the financial statements (e.g. US GAAP, IFRS);
- specific types of transactions, balances and disclosures present at the entity;
- the nonexistence of transactions/balances/disclosures or circumstances that commonly exist for entities or entities within a particular industry;
- management's intent (e.g., intention to reinvest undistributed earnings of a foreign subsidiary) or plans (e.g., going concern);
- oral representations made to us by management, explicitly or implicitly, during the course of our audit (e.g., disclosure of unique sales terms);
- information presented with the audited financial statements that is not contemplated by the base letter (e.g., supplemental information, adjustments to a prior period that are audited by us as the successor auditor);
- specialized circumstances or disclosures (e.g., restatement, restructuring); and
- management's selection and application of accounting policies, for example non-GAAP policies.

When might it be appropriate for management to modify the representations we have requested from them? [ISA | 3851.2100]

We expect that management will not make any major revisions to the letter template we provide. We review the signed letter that is provided back to us to allow us to make sure we agree with final version, including any revisions management may have made or proposed.

In some cases, management may modify a representation to further describe and represent relevant facts and circumstances, but not to change or limit its meaning or contradict the auditing standards.

Base representations (i.e. required representations), are not to be removed or modified by management unless it adds an "except for" clause to highlight a matter already disclosed in the financial statements and/or disclosed to the auditor. If management modifies the base representations, refer to activity 'Consider the effect if management refuses to provide representations ' to determine what to do.

Examples of representations modified by management:

	Default Language:	Example Modified Language:
Scenario 1 : *An event subsequent to the balance sheet has been disclosed in financial statements*	To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or	To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred subsequent to the balance-sheet date and

	disclosure in the aforementioned financial statements.	through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
Scenario 2: *Management plans to dispose of a specific business segment*	The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.	The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for its plans to dispose of segment A, as disclosed in Note X to the financial statements, which are discussed in the minutes of the December 7, 20X1 meeting of the board of directors.
Scenario 3: *Management has received a communication of an allegation of fraud or suspected fraud*	We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, analysts, regulators, short sellers, or others.	Except for the allegation discussed in the minutes of the December 7, 20X1 meeting of the board of directors (or disclosed to you at our meeting on October 15, 20X1), we have no knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, analysts, regulators, short sellers, or others.

If we think management may have questions as to the meaning of certain terminology used in the MRL template, we may consider providing those definitions to management or requesting that they include the definitions in the MRL response to confirm their understanding.

How does the management representation letter address materiality? [ISA | 3851.2200]

Management representations may be limited to matters that are considered individually or in the aggregate to be material to the financial statements. In order for management to exclude "immaterial" items from its representations, we first come to a common understanding with management as to what is material. Materiality may be different for different representations, similar to the concept of having different materiality considerations for specific areas of the audit.

A discussion of materiality may be included explicitly in the representation letter, in either qualitative or quantitative terms.

Does the concept of materiality apply to all management representations?

No. Materiality does not apply to:

- representations not directly related to financial statement amounts;
- any representations regarding the possible effects of fraud on other aspects of the audit; or
- items that involve an omission or misstatement of accounting information that, based on the circumstance, would change or influence the judgment of a reasonable person relying on the financial statements if the omission or misstatement were adjusted.

The following table sets out some examples of representations in which materiality would not be applicable.

	Representation
Example 1	We confirm that we are responsible for the fair presentation in the [consolidated] financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles [or other applicable accounting framework].
Example 2	We have made available to you all - (a) Financial records and related data, including the names of all related parties and all relationships and transactions with related parties. (b) Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
Example 3	There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.
Example 4	We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

Do we attach any information to the management representation letter? [ISA | 3851.15776]

Yes. We attach a summary of uncorrected misstatements, which includes the nature, amount, and effect of the uncorrected misstatements, excluding those misstatements that are clearly trivial. We also include a listing of omissions of amounts or disclosures in the financial statements.

We use the KPMG template, Summary of Audit Misstatements (SAM) - uncorrected misstatements section for the summary of uncorrected misstatements unless law, regulation or custom specifies a different format.

While not required, we also may choose to attach a summary of corrected misstatements.

How is the management representation letter adjusted when management disagrees with an uncorrected misstatement? [ISA | 3851.15778]

If management does not agree with a misstatement we have included on the SAM - uncorrected misstatements section attached to the MRL, they may modify the representation about uncorrected audit misstatements as follows:

We do not agree that items ... and ... constitute misstatements because [description of reasons].

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

International Standards on Auditing: ISA 560.10-13

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

10. 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: (Ref: Para. A11-A12)

(a) Discuss the matter with management and, where appropriate, those charged with governance;

(b) Determine whether the financial statements need amendment and, if so,

(c) Inquire how management intends to address the matter in the financial statements.

11. If management amends the financial statements, 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 statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.

12. 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 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 statements described in the relevant note to the financial statements; or (Ref: Para. A13)

(b) Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph[5] 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.

---

5 See ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

13. 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: (Ref: Para. A14 - A15)

(a) If the auditor's report has not yet been provided to the entity, the auditor shall modify the opinion as required by ISA 705 (Revised)[6] 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 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. (Ref. Para. A16 - A17)

---

6 ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

ISA Application and Other Explanatory Material: ISA 560.A11-A17

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

Implications of Other Information Obtained after the Date of the Auditor's Report (Ref: Para. 10)

A11. While the auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report but before the date the financial statements are issued, ISA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor's report, which might include other information obtained after the date of the auditor's report, but before the date the financial statements are issued.

Management Responsibility towards Auditor (Ref: Para. 10)

A12. As explained in ISA 210, the terms of the audit engagement include the agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.[10]

---

10 ISA 210, *Agreeing the Terms of Audit Engagements,* paragraph A24

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

A13. 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 statements prior to their subsequent amendment by management remains unchanged because this date informs the reader as to when the audit work on those financial statements 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 statements. 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 Financial Statements by Management (Ref: Para. 13)

A14. In some jurisdictions, management may not be required by law, regulation or the financial reporting framework to issue amended financial statements. This is often the case when issuance of the financial statements for the following period is imminent, provided appropriate disclosures are made in such statements.

Considerations Specific to Public Sector Entities

A15. In the public sector, the actions taken in accordance with paragraph 13 when management does not amend the financial statements 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 statements and the auditor's report.

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

A16. The auditor may need to fulfill additional legal obligations even when the auditor has notified management not to issue the financial statements and management has agreed to this request.

A17. Where management has issued the financial statements despite the auditor's notification not to issue the financial statements to third parties, the auditor's course of action to prevent reliance on the auditor's report on the financial statements depends upon the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Address new facts after report date and before financial statements are issued [ISA | 8018]

What do we do?

Address subsequently discovered facts that become known to us after the date of the auditor's report and before the financial statements are issued.

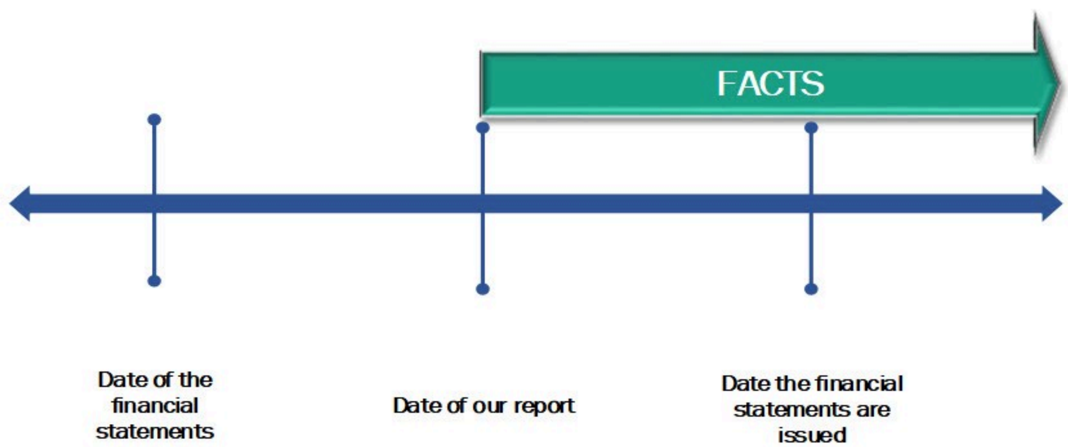
Why do we do this?

We address subsequently discovered facts that become known to us after the date of the auditor's report and before the financial statements are issued to determine the effect on the financial statements and/or the auditor's report.

Execute the audit

What is a subsequently discovered fact? [ISA | 8018.157674]

A subsequently discovered fact is a fact that becomes known to us after the date of the auditor's report that, had they been known to us at that date, may have caused us to revise the auditor's report.



Are our responsibilities when we become aware of subsequently discovered facts BEFORE the financial statements are issued the same as when we become aware of them AFTER the financial statements are issued? [ISA | 8018.157675]

No. Our responsibilities when we become aware of subsequently discovered facts BEFORE the financial statements are issued differ from our responsibilities when we become aware of those facts AFTER the financial statements are issued.

Where can we find the relevant guidance? [ISA | 8018.157676]

This KAEG activity deals with facts that are discovered after the date of the auditor's report but BEFORE the financial statements are issued.

The next section in this chapter ISA 560 deals with facts that are discovered AFTER the financial statements are issued.

What are examples of subsequently discovered facts? [ISA | 8018.157679]

Sometimes, we may become aware of a material misstatement in the financial statements of which we did not know before. This is an example of a subsequently discovered fact.

In addition, financial statements may be affected by certain events that occur after the date of the financial statements (i.e. after period end). Many financial reporting frameworks specifically refer to such events. Therefore, the effect of these subsequently discovered facts will depend on the applicable financial reporting framework. Those financial reporting frameworks that refer to such events ordinarily identify two types of events:

Type of events that occur after the date of the financial statements	Information about those events when we become aware of them BEFORE the financial statements are issued and AFTER the financial statements are issued
First type: Events that provide evidence of conditions that existed at the date of the financial statements	The first type consists of those events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and affect the estimates in the financial statements. If these events become known before the financial statements are issued, the financial statements should be adjusted.
	For example, • a loss on an uncollectible trade account receivable as a result of a customer's deteriorating financial condition leading to bankruptcy subsequent to the balance-sheet date is indicative of conditions existing at the balance-sheet date, thereby calling for adjustment of the financial statements before their issuance. On the other hand, a similar loss resulting from a customer's major casualty, such as a fire or flood, subsequent to the balance-sheet date is NOT indicative of conditions existing at the balance-sheet date and adjustment of the financial statements is not appropriate. • The settlement of litigation for an amount different from the liability recorded in the financial statements calls for an adjustment of those statements if the events, such as personal injury or patent infringement, that gave rise to the litigation took place prior to the balance-sheet date.

	Events occurring between the time of original issuance and reissuance of the financial statements do not result in adjustment of the financial statements unless the adjustment is the correction of a misstatement or a prior period adjustment as defined by the applicable financial reporting framework.
	Financial statements may be reissued, for example: • in reports filed with the Securities and Exchange Commission or other regulatory agencies; or • in comparative form with financial statements of subsequent periods.
Second type: Events that provide evidence of conditions that arose after the date of the financial statements	The second type consists of those events that provide evidence with respect to conditions that did not exist at the date of the balance sheet being reported on but arose subsequent to that date. These events do not result in adjustment of the financial statements. However, if the events are material, disclosure of them is necessary to keep the financial statements from being misleading. Occasionally, such an event may be so significant that disclosure can best be made by supplementing the historical financial statements with pro forma financial data giving effect to the event as if it had occurred on the date of the balance sheet. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical statements.
	Examples of events of the second type that require disclosure to the financial statements (but should not result in adjustment) are: • changes in the quoted market prices of securities; • sale of a bond or capital stock issue; • purchase of a business; • settlement of litigation when the event giving rise to the claim took place subsequent to the balance-sheet date; • loss of plant or inventories as a result of fire or flood; and • losses on receivables resulting from conditions (such as a customer's major casualty) arising subsequent to the balance-sheet date.
	If these events become known before the financial statements are issued, the disclosures should be made. If these events of the second type that require only disclosure in the financial statements to keep them from being misleading occur between

	the time of original issuance and reissuance of the financial statements, management may create a separate note to the financial statements captioned somewhat as follows: "Event (Unaudited) Subsequent to the Date of the Independent Auditor's Report". This is an alternative to making an audited disclosure.
	Financial statements may be reissued, for example: • in reports filed with the Securities and Exchange Commission or other regulatory agencies; or • in comparative form with financial statements of subsequent periods.

What is the date that the financial statements are issued? [ISA | 8018.157680]

The date the financial statements are issued is the date that the auditor's report and audited financial statements are made available to third parties.

Do we perform audit procedures after the date of the auditor's report? [ISA | 8018.157681]

No. We have no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. HOWEVER, if a subsequently discovered fact becomes known to us before the financial statements are issued, it is necessary to address it to determine the effect on the financial statements and/or the auditor's report.

Note that the effect of these subsequently discovered facts will depend on the applicable financial reporting framework

What audit procedures do we perform when we become aware of a subsequently discovered fact before the financial statements are issued? [ISA | 8018.157682]

If a subsequently discovered fact becomes known to us before the financial statements are issued, we:

(a) discuss the matter with management and, when appropriate, those charged with governance.
(b) determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.

Once we determine whether the financial statements need revision, what are the reporting and other implications? [ISA | 8018.157686]

Once we determine whether the financial statements need revision, the reporting and other implications depend on whether:

- management revises the financial statements;
- a) law, regulation or the financial reporting framework prohibits management from restricting the amendment of the financial statements to the effects of the subsequent events causing that amendment, and b) those responsible for approving the financial statements are prohibited from restricting their approval to that amendment;
- the financial reporting framework is IFRS;
- we already provided the auditor's report to the entity; and

- management is required by law, regulation or the financial reporting framework to issue amended financial statements.

These are possible scenarios:

Scenario 1**:**

- Management amends the financial statements;

- management will issue amended financial statements; and

- a) law, regulation or the financial reporting framework PROHIBITS management from restricting the amendment of the financial statements to the effects of the subsequent events causing that amendment, and b) those responsible for approving the financial statements ARE PROHIBITED from restricting their approval to that amendment.

We:

- carry out the audit procedures on the amendment that are necessary in the circumstances;
- date the new auditor's report no earlier than the date of approval of the amended financial statements;
- extend the subsequent event procedures to the date of the new auditor's report; and
- provide a new auditor's report on the amended financial statements.

See ISRM 3.805 Dating of the report when subsequent events are discovered.

Scenario 2**:**

- Management amends the financial statements;

- management will issue amended financial statements;

- the financial reporting framework is NOT IFRS (*); and

- a) 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 events causing that amendment, and b) those responsible for approving the financial statements ARE NOT PROHIBITED from restricting their approval to that amendment.

(*) See question at the end of this scenario for when the financial reporting framework is IFRS.

We:

- carry out the audit procedures on the amendment that are necessary in the circumstances; and
- are permitted to restrict the subsequent event procedures to that amendment. Accordingly, we EITHER:
    - amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that our procedures on subsequent events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements (i.e. the auditor's report includes both the original date and the new date - this is often referred to as 'dual dating').

The original date of the auditor's report on the financial statements prior to their subsequent revision by management remains unchanged because this date informs the reader about when we obtained sufficient appropriate audit evidence with respect to those financial statements prior to their subsequent revision. Also, the additional date is included to inform users that our procedures subsequent to the original date of the auditor's report were limited to the subsequent revision of the financial statements.

For example:

"(Date of our initial report), except as to Note Y, which is as of (date of completion of audit procedures restricted to amendment described in Note Y)."

or

"February 16, 2022, except as to Note Y, which is as of March 1, 2022."

OR

- provide a new auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter paragraph that conveys that our procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

See ISRM 3.805 Dating of the report when subsequent events are discovered and ISRM 5.105 - second bullet - Relevant to subsequent events.

IFRS | What if the financial reporting framework is IFRS?

If the financial reporting framework is IFRS, Scenario 2 is not applicable. We apply Scenario 1.

Note that the KPMG publication "Insights Into IFRS" contains the following: In our view, two different dates of authorisation for issue of the financial statements (dual dating of financial statements) should not be disclosed, because we believe that only a single date of authorisation for issue of the financial statements complies with IAS 10.

Scenario 3**:**

- Management does not amend the financial statements when we believe they need to be amended; and

- the auditor's report has not been provided to the entity yet.

We:

- consult with the risk management partner when management does not amend the financial statements when we believe amendment is necessary, and
- modify our opinion in accordance with chapter ISA 705 (addressed in chapter 4 of the ISRM) and then provide the auditor's report.

Public Section Entity | Are there considerations specific to public sector entities?

Yes. In the public sector, when management does not amend the financial statements, we may also report separately to the legislature, or other relevant body in the reporting hierarchy, on the implications of the subsequent event for the financial statements and the auditor's report.

Scenario 4**:**

- Management does not amend the financial statements when we believe they need to be amended; and

- the auditor's report has been provided to the entity.

We:

- 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;
- may need to fulfill additional legal obligations even when we have notified management not to issue the financial statements and management has agreed to this request; and
- consult with the risk management partner when management does not amend the financial statements when we believe amendment is necessary.

If the financial statements are nevertheless subsequently issued without the necessary amendments, we take appropriate action to seek to prevent reliance on the auditor's report. Our course of action to prevent reliance on the auditor's report on the financial statements depends upon our legal rights and obligations. Consequently, we may consider it appropriate to seek legal advice.

Finally, we consult with the risk management partner when management does not take the necessary steps to determine that anyone in receipt of the previously issued financial statements together with the auditor's report(s) thereon is informed of the situation.

Public Section Entity | Are there considerations specific to public sector entities?

Yes. In the public sector, when management does not amend the financial statements, we may also report separately to the legislature, or other relevant body in the reporting hierarchy, on the implications of the subsequent event for the financial statements and the auditor's report.

Scenario 5**:**

- Management is not required by law, regulation or the financial reporting framework to issue amended financial statements.

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

Accordingly, we do not provide an amended or new auditor's report.

However, if management does not amend the financial statements in circumstances when we believe they need to be amended, then see Scenarios 3 and 4 above.

Could there be circumstances in which management revises the financial statements after the date of the auditor's report and before the financial statements are issued and we decide not to perform any procedures or revise the report date? [ISA | 8018.157687]

Yes. Management could incorporate minor wording changes to the issued financial statements that are of such insignificance that we may determine it unnecessary to perform procedures to validate the changes or revise the report date.

> An example of such changes could include minor wording changes to the financial statements or footnotes that management believes are necessary for the users of the financial statements but that do not change the substance of the information presented.

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

International Standards on Auditing: ISA 560.14-17

Facts W hich Become Known to the Auditor after the Financial Statements Have Been Issued

14. 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:

(a) Discuss the matter with management and, where appropriate, those charged with governance;

(b) Determine whether the financial statements need amendment; and, if so,

(c) Inquire how management intends to address the matter in the financial statements. (Ref: Para. A18)

15. If management amends the financial statements, the auditor shall: (Ref: Para. A19)

(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 statements together with the auditor's report thereon is informed of the situation.

(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 statements; and

(ii) Provide a new auditor's report on the amended financial statements.

(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 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.

17. 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,[7] 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. A20)

7 ISA 260 (Revised), *Communication with Those Charged with Governance,* paragraph 13

ISA Application and Other Explanatory Material: ISA 560.A18-A20

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

Implications of Other Information Received After the Financial Statements Have Been Issued (Ref: Para. 14)

A18. The auditor's obligations regarding other information received after the date of the auditor's report are addressed in ISA 720 (Revised). While the auditor has no obligation to perform any audit procedures regarding the financial statements after the financial statements have been issued, ISA 720 (Revised) contains requirements and guidance with respect to other information obtained after the date of the auditor's report.

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

Considerations Specific to Public Sector Entities

A19. In some jurisdictions, entities in the public sector may be prohibited from issuing amended financial statements 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)

A20. Where 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 financial statements 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.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Respond to subsequent discovery of facts that may have affected the auditor's report [ISA | 3835]

What do we do?

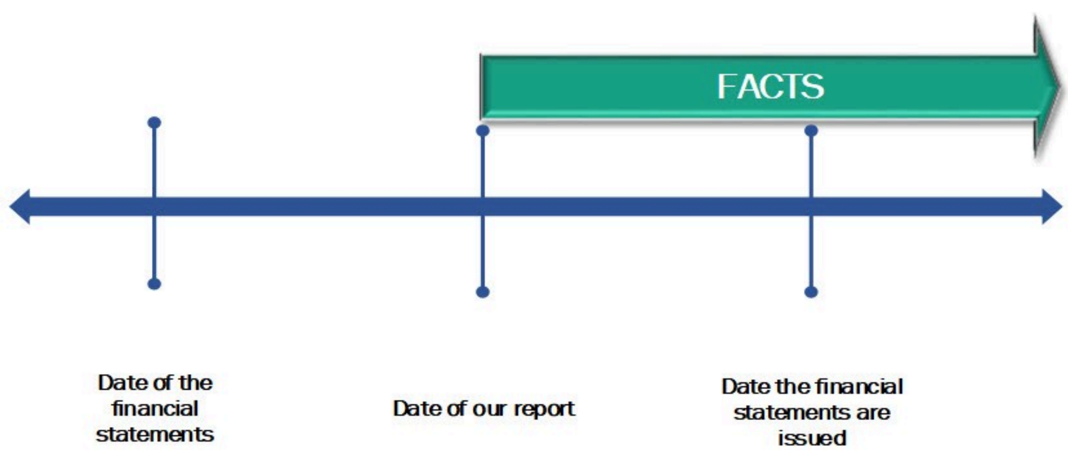
IF after we issue the auditor's report, we become aware of facts which may have affected the report had they been known, even when we have resigned or been discharged THEN take additional steps.

Why do we do this?

The subsequent discovery of facts may reveal a potential material misstatement that was not identified by the entity or our audit, which could mean that the issued financial statements contain a material misstatement and our associated audit opinion may not be appropriate.

Execute the Audit

What are 'subsequently discovered facts'? [ISA | 3835.1300]



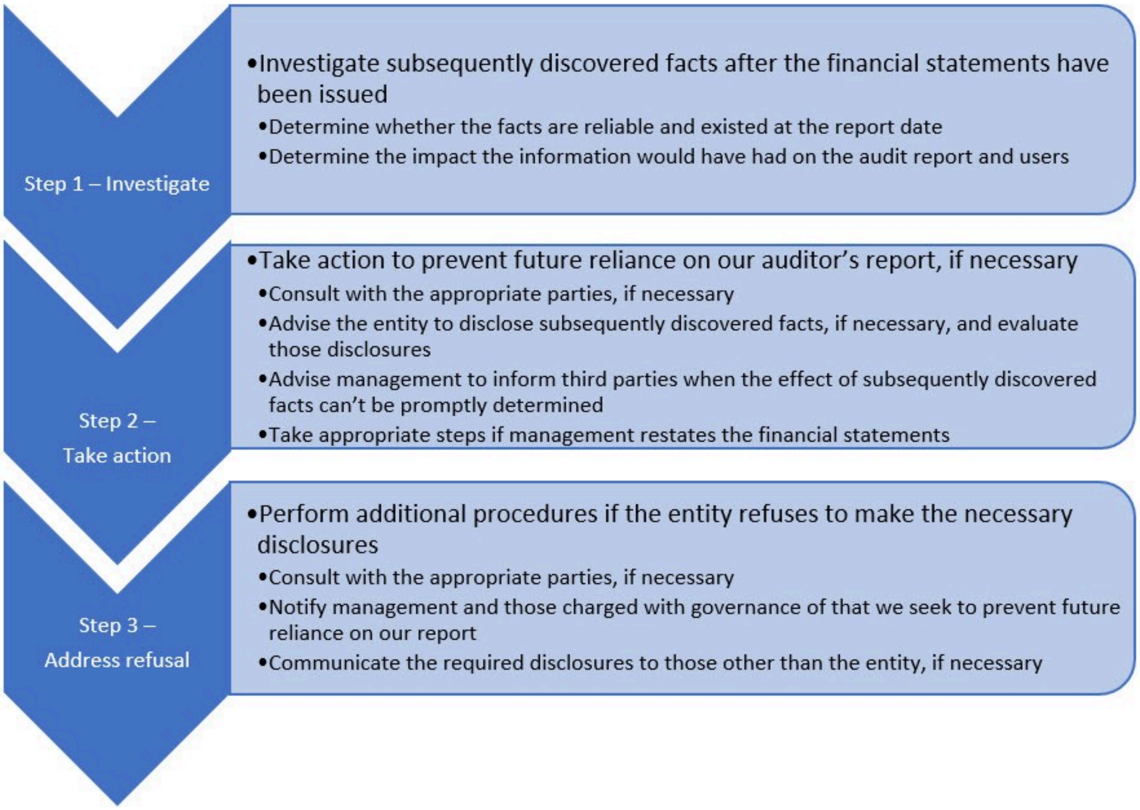
Subsequently discovered facts means new information related to the financial statements that we become aware of after the date of our report. The source of subsequently discovered facts can be wide-ranging, including external sources (e.g. news media, industry development) or internal sources (e.g. a conversation with management, subsequent year's audit planning and/or execution, an inspection).

Subsequently discovered facts after the date the financial statements are issued are addressed in this chapter.

The new information provides additional information about conditions that may have existed at the time of the audit.

How do we respond to the subsequent discovery of facts? [ISA | 3835.1400]

Our response to the subsequent discovery of facts can be broken down into the following three-step model:



We perform these procedures even if we have resigned or been discharged.

Are we responsible for looking for facts that existed at the audit report date that may have affected our opinion? [ISA | 3835.1500]

No. After the date of our auditor's report, we have no responsibility to perform procedures to detect facts that may affect our previously expressed audit opinion. We may, however, become aware of these facts subsequently - for example, by performing audit procedures in a subsequent period.

2 Investigate subsequently discovered facts after the financial statements have been issued [ISA | 3836]

What do we do?

IF we discover a fact after the financial statements have been issued, THEN perform additional procedures to investigate

Why do we do this?

We perform additional auditing procedures to investigate and determine whether facts discovered subsequent to the audited financial statements could have affected the report had we been aware of such facts. We do this in order to assess whether our audit opinion can still be supported.

Execute the Audit

What procedures do we perform if we discover a fact after the financial statements have been issued? [ISA | 3836.1300]

If we discover a fact after the financial statements have been issued, we perform the following procedures:

- Determine whether subsequent facts are reliable and existed at the report date
- Determine the impact subsequent facts would have had on the auditor's report and users

2.1 Determine whether the subsequent facts are reliable and existed at the report date [ISA | 3837]

What do we do?

IF we become aware of facts related to the previous financial statements, but which were not known to us as of the auditor's report date AND we would have investigated them if we had been aware, THEN discuss with management and those charged with governance, AND determine whether the subsequent facts are reliable and existed as of the report date

Why do we do this?

If we become aware of information related to the previously issued financial statements, we first investigate whether the information is reliable and whether the facts existed at the date of our auditor's report. In order to fully investigate and make our determination, we discuss the matter with management and, where appropriate, those charged with governance. Having a thorough and reliable understanding of the facts is important to our ability to evaluate the impact on our previously issued audit report.

Execute the Audit

Why do we conduct our discussion of a subsequently discovered fact with management and those charged with governance? [ISA | 3837.1300]

Both the entity and we are responsible to investigate and determine whether subsequently discovered facts warrant a restatement of previously issued financial statements. We discuss with management and, where appropriate, those charged with governance to achieve a consistent understanding of the facts in making this evaluation.

Those charged with governance may wish to conduct their own, more thorough investigation into management. This investigation may overlap with our determination of whether subsequently discovered facts are a result of a deficiency in internal control or illegal acts or fraud.

We may gather valuable facts, evidence, or insight from management or those charged with governance. This is especially true when those charged with governance have undertaken an investigation into the facts.

How do we determine whether information related to the previous financial statements, but which was not known to us as of the auditor's report date, is reliable? [ISA | 3837.1400]

We consider the nature of the information, the source of the information, and our means on obtaining the information as part of our assessment. This evaluation is similar to our evaluation of the relevance and reliability of information at other times during our original audit.

See the chapter on audit evidence (AS 1105 , AU-C 500 , ISA 500) for more information on how we evaluate the relevance and reliability of information.

How do we determine whether subsequently discovered facts existed at the date of our auditor's report? [ISA | 3837.1500]

The determination of whether the facts existed at the date of our auditor's report is similar to our evaluation of whether subsequent events are 'Type 1' or 'Type 2' subsequent events (see activity 'Determine whether subsequent events are reflected in the financial statements ').

Sometimes it will be clear that events or transactions occurred during the period under audit, or that events or transactions occurred during the subsequent events period. Relatively less judgment is necessary in these cases to conclude that the facts existed at the date of our auditor's report.

In other cases, we evaluate whether conditions or information, internal or external to the entity, were present as of the date of our audit report and result in adjustment or disclosure. This evaluation is more challenging and involves judgment, because it depends on whether the information was known or should have been known.

2.2 Determine the impact subsequent facts would have had on the auditor's report and users [ISA | 3839]

What do we do?

IF we determine that the subsequently discovered facts are reliable and existed at the report date, THEN determine whether our auditor's report would have been affected if the facts had been known as of the report date AND whether people would attach importance or are relying or will rely on the financial statements

Why do we do this?

When we identify subsequently discovered facts, additional steps are necessary to determine whether they would have affected our report had they been known and whether the information could impact users relying or likely to rely on the report. This aligns with our responsibility to properly support our audit opinion.

Execute the Audit

What may be potential impacts of subsequently discovered facts on our report had they been known as of the report date? [ISA | 3839.1300]

The potential impacts of subsequently discovered facts on our report could include:

- misstatements that existed in the financial statements;
- disclosures that were omitted, incorrect or incomplete;
- deficiencies that existed in internal control that could impact our audit; and/or

- evidence that may contradict a conclusion we reached - for example, agreements that we were not aware of that could impact the assumptions made in an estimate.

How do we determine whether our report would have been affected if the subsequently discovered information had been known as of the report date? [ISA | 3839.1400]

To determine whether our report would have been affected by the subsequently discovered facts, we attempt to answer the question - would we have issued a different opinion or reached a different conclusion at the time of our audit if the information had been known?

We do this in much the same way as when we evaluate the results of our audit, considering whether, based on all of our cumulative audit evidence, including the evidence subsequently discovered to the audit report date, the consolidated financial statements present fairly, in all material respects, the financial position, the results of its operations and cash flows and the information disclosed in the notes to the financial statements for the period under audit.

What if we determine there is a misstatement in the financial statements? [ISA | 3839.6438]

If we determine there is a misstatement in the financial statements, we perform the activity 'Evaluate the nature, circumstances, effect and implications of misstatements' and its sub-activities.

In particular, we:

- determine whether the misstatement is the result of a control deficiency or the result of fraud/ illegal act;
- determine the implications of those matters to the financial statements and the previously expressed opinion; and
- evaluate the effect of the misstatements in the financial statements (e.g. whether a restatement is necessary) by following the requirements of the applicable financial reporting framework.

US GAAP | How do we evaluate the effect of the misstatements in the prior period financial statements (e.g. whether a restatement is necessary)? [ISA | 3839.6439]

To evaluate the effect of the misstatements in the prior period financial statements, we perform activity 'Evaluate misstatements detected in the current period that relate to prior periods'

How do we document these new procedures and new conclusions and what work paper do we complete? [ISA | 3839.6440]

See activities 'Complete relevant work paper when we perform new procedures/draw new conclusions after report date' and 'Make necessary additions to audit documentation and complete relevant workpaper'.

How do we determine whether users would attach importance to the information or if users are relying or will rely on the financial statements when we subsequently discover facts that existed at the auditor's report date? [ISA | 3839.6442]

To determine users' reliance on the financial statements, we first understand who the users are through discussion with management, those charged with governance and using information we gathered throughout the audit. We then determine whether users would attach importance to the subsequently discovered facts.

Whether users currently rely on the financial statements or would attach importance to the information depends on the facts and circumstances, including:

- the time elapsed since the financial statements were issued; and
- the nature of the subsequently discovered facts.

For example, if a December 31 year-end entity discovers on November 1, 20X8 that a material error occurred in the December 31, 20X7 financial statements, we assess whether financial statement users continue to attach importance to the information in the financial statements.

Since the December 31, 20x7 financial statements are still the most current, users may currently rely on those financial statements and continue to do so until the 20X8 financial statements are issued.

Do we view users of the financial statements individually or collectively for the full set of financials? [ISA | 3839.6443]

Collectively. We are not expected to understand and consider the needs of individual users.

How does the time elapsed since the financial statements were issued impact our determination of whether users are relying or will rely on the financial statements? [ISA | 3839.6444]

The longer the time period since the financial statements were issued, the less likely that financial statement users are relying on the previously issued financial statements. This is particularly relevant when subsequent audited financial statements have been issued, which people are more likely to be relying on.

For example, a material misstatement discovered in 20x8 relating to fiscal year 20x2 would likely have less importance to financial statement users than a misstatement relating to fiscal year 20x7

How does the nature of the subsequently discovered facts impact our determination of whether users are relying or will rely on the financial statements? [ISA | 3839.6445]

The nature of the subsequently discovered facts allow us to evaluate the quantitative and qualitative impact of any misstatements. For instance, if we determine there is a misstatement in the financial statements, we perform the activity 'Evaluate the nature, circumstances, effect and implications of misstatements' and its sub-activities.

3 Take action to prevent future reliance on our auditor's report, if necessary [ISA | 3840]

What do we do?

IF action is necessary to prevent future reliance on our auditor's report due to the subsequent discovery of facts, THEN perform additional procedures

Why do we do this?

We perform additional procedures when action should be taken to prevent future reliance on our auditor's report. We do this so that we are not associated with financial statements that may be materially misstated.

Execute the Audit

What additional procedures do we perform to prevent future reliance on our auditor's report due to subsequently discovered facts? [ISA | 3840.6429]

- We consult with the appropriate parties, if necessary
- We review the steps taken by management to ensure those in receipt of the previously issued financial statements are informed
- We take appropriate steps if management restates the financial statements

3.1 Consult with the appropriate parties in certain circumstances [ISA | 3841]

What do we do?

IF management or we are considering whether it is necessary for the financial statements to be restated, THEN consult with the appropriate parties AND provide the necessary information for the consultation(s).

Why do we do this?

We consult to help us comply with our duties and responsibilities under professional standards and other contractual arrangements. Given the importance and potential impact of the topic, this also allows the appropriate parties to be involved early in the process.

Execute the Audit

When do we consult and with whom? [ISA | 3841.1300]

We consult with DPP whenever:

- the entity informs us that it is considering restating previously issued annual financial statements or interim financial information (for reasons other than due to the adoption of new accounting pronouncements, a change in accounting principle or the application of an accounting principle that requires or permits retroactive application), or
- we are independently considering whether to advise management that previously issued annual financial statements or interim financial information should be restated (for reasons other than due to the adoption of new accounting pronouncements, a change in accounting principle or the application of an accounting principle that requires or permits retroactive application).

We discuss the matter with the following parties before consulting with DPP:

In the US	In other countries

The EQCR or LSQCR and the BUPPP.	The EQCR or LSQCR (when there is one) and the RMP

What information do we provide during our consultation when a restatement is being considered? [ISA | 3841.6430]

We follow local risk management policies and procedures and provide whatever information is requested by the consulting party.

In particular, we provide:

- all significant new information related to the previously issued annual financial statements or interim financial information not known by us at the issuance date of the auditor's or review report; and
- the most recent annual financial statements or interim financial information.

3.2 Review the steps taken by management [ISA | 3842]

What do we do?

Review the steps taken by management to inform anyone in receipt of the previously issued financial statements of the subsequently discovered facts

Why do we do this?

When it has been determined that the previous financial statements should not be relied on, management takes steps to make anyone in receipt of them aware of the situation. This is done so those relying or are likely to rely on our report are aware that there are potential changes to the financial statements, and possibly our opinion.

Execute the Audit

How quickly do we expect management to take steps to inform financial statement recipients of the newly discovered facts and their impact on the financial statements? [ISA | 3842.1300]

Once a decision has been made that the previous financial statements should not be relied on, we expect management to take the necessary steps to inform those in receipt of those previously issued financial statements as soon as possible. We assess whether the steps taken by management are timely and appropriate so that those in receipt of the financial statements are informed of the situation, including that the financial statements should no longer be relied upon.

If management does not take the appropriate steps, we perform additional procedures to prevent future reliance on our auditor's report (see activity 'Perform additional procedures if the entity refuses to make necessary disclosures').

3.3 Take appropriate steps if management restates the financial statements [ISA | 3845]

What do we do?

IF management restates the financial statements, THEN take appropriate steps related to issuing our audit report(s)

Why do we do this?

We perform additional procedures if management restates the financial statements as a result of the subsequently discovered facts. We do this to update our audit report when the financial statements may be materially misstated and to obtain sufficient and appropriate audit evidence to support our updated audit report.

Execute the Audit

What steps do we take when management restates the financial statements because of subsequently discovered facts? [ISA | 3845.1400]

If management engages us to audit restated financial statements, we:

- perform the additional procedures necessary to be able to issue our new opinion over the restated financial statements, and
- prepare and issue the auditor's report.

As a result, we reperform any activities required by the auditing standards and our methodology necessary to perform an audit and issue our report.

What additional procedures may we perform when management restates the financial statements because of subsequently discovered facts? [ISA | 3845.6446]

We re-evaluate our audit planning and risk assessment to design further audit procedures. Some of the procedures that are typical in an audit of restated financial statements include:

- procedures designed to address risks of material misstatement related to the accounts or disclosures that were misstated in the originally issued financial statements
- procedures to understand the root cause of the matter and to test the completeness of the identified misstatement and its correction

In addition, we extend our audit procedures to the date of our auditor's report, which includes performing subsequent events procedures, such as:

- reading the latest interim financial statements;
- inquiring with management and legal counsel;
- reading available meeting minutes;
- obtaining management representation letters; and
- making additional inquiries and performing other procedures as deemed necessary

See the chapter on subsequent events and/or subsequent discovery of facts (ISA 560, AU-C 560, AS 2801) and the chapter on engagement quality review (ISA 220, AU-C 220, AS 1220) for further information.

We assess the adequacy of management's financial statement disclosures.

How might we respond to changes in our risk assessments when management restates the financial statements? [ISA | 3845.6448]

Restatements may cause changes to our initial risk assessments, which may cause us to:

- adjust our materiality measures;
- update our inherent risk assessment;
- update our control risk assessment; and/or
- Adjust the nature, timing, and/or extent of our audit procedures.

How do we prepare a new or amended auditor's report? [ISA | 3845.6623]

The preparation of the new or amended auditor's report depends on whether:

- 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 events causing that amendment; and
- those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment.

If the above circumstances apply, we:

- 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 (i.e. the auditor's report includes both the original date and the new date) (1); or

> A dual date example is "(Date of our initial 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 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.

If the above circumstances do not apply, we:

- extend the subsequent event procedures 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 statements; and
- provide a new auditor's report on the amended financial statements.

In addition, we 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 us.

See ISRM 3.805 *Dating of the report when subsequent events are discovered and ISRM 5.105 - second bullet - Relevant to subsequent events.*

(1) If the financial reporting framework is IFRS, we cannot dual date the report. Note that the KPMG publication "Insights Into IFRS" contains the following: In our view, two different dates of authorisation for issue of the financial statements (dual dating of financial statements) should not be disclosed, because we believe that only a single date of authorisation for issue of the financial statements complies with IAS 10.

What if we determine management's disclosures in the restated financial statements are not adequate? [ISA | 3845.6451]

If we believe management's disclosures are not adequate, then we consider the impact on our audit opinion. We refer to the following chapters for further guidance:

If reporting in accordance with:	Refer to the chapter on:
PCAOB	Departures from unqualified opinions and other reporting circumstances (AS 3105)
US GAAS	Modifications to the opinion (AU-C 705)
ISA	Modifications to the opinion (ISA 705)

4 Perform additional procedures if management refuses to take the necessary steps to prevent reliance [ISA | 3846]

What do we do?

IF management refuses to make the necessary disclosures to prevent future reliance on our auditor's report due to the subsequent discovery of facts THEN perform additional procedures

Why do we do this?

In circumstances in which management does not take the necessary steps to prevent future reliance on our auditor's report due to the subsequent discovery of facts, we perform additional procedures so that we are not associated with financial statements which are misleading or may be materially misstated.

Execute the Audit

What procedures do we perform if the entity refuses to make the necessary disclosures of the newly discovered facts and their impact on the financial statements to those who are relying or likely to be relying? [ISA | 3846.6459]

If the entity refuses to make the necessary disclosures of the newly discovered facts and their impact on the financial statements, we perform the following procedures:

- Consult with the appropriate parties
- Notify management and those charged with governance that we seek to prevent future reliance on our report
- Communicate the disclosures to those other than the entity, if necessary

4.1 Consult with the appropriate parties [ISA | 3847]

What do we do?

IF we are considering action to prevent future reliance on a previously issued report, THEN consult with the appropriate parties

Why do we do this?

In circumstances in which management does not take the necessary steps to prevent future reliance on our auditor's report due to the subsequent discovery of facts, we take additional actions to prevent reliance on a previously issued report. In these circumstances, we consult with the appropriate parties to help us comply with our responsibilities and duties under professional standards and/or other contractual arrangements.

Execute the Audit

Under what circumstances do we consult in relation to subsequently discovered facts? [ISA | 3847.1400]

We consult with the risk management partner when we are considering action to prevent reliance on a previously issued report, including withdrawal of our report. This includes an auditors' or review report (or association with the interim financial information if no review report was issued), as well as a report on ICFR.

Who do we consult in relation to taking action to prevent future reliance on a previously issued report? [ISA | 3847.6458]

When we are considering action to prevent reliance on a previously issued report, we consult with the risk management partner.

4.2 Notify management and those charged with governance that we seek to prevent future reliance on our report [ISA | 3848]

What do we do?

Notify management and those charged with governance that we seek to prevent future reliance on our report.

Why do we do this?

If management does not take the necessary steps to make sure that anyone in the receipt of the audited financial statements is informed of the situation, we notify management and those charged with governance that we will seek to prevent future reliance on our report. We do this so that they are informed of our intention before we take further steps.

Execute the Audit

Who do we notify if the entity does not take the necessary steps to address subsequently discovered facts and their effects on the financial statements? [ISA | 3848.1300]

We notify management, as well as those charged with governance, that we will seek to prevent future reliance on our report.

What further steps do we take if management does not take the necessary steps to make sure those in receipt of the financial statements are informed of the situation and refuses to amend the financial statements? [ISA | 3848.1400]

Our course of action may depend on our legal rights and obligations; consequently, we may consider it appropriate to seek legal advice.

If management does not take the necessary steps to make sure those in receipt of the financial statements are informed of the situations, we consult with the following parties:

In the US	In other countries
DPP	Risk Management Partner

4.3 Communicate the disclosures to those other than the entity, if necessary [ISA | 3849]

What do we do?

IF the information has been found reliable and to have existed at the date of our report AND we cannot conduct a satisfactory investigation as a result of management not cooperating THEN communicate the disclosures to those other than the entity.

Why do we do this?

In circumstances in which management does not take the necessary steps to prevent future reliance on our auditor's report due to the subsequent discovery of facts, we take additional actions to prevent reliance on a previously issued report. We seek to prevent future reliance on our report so that we are not associated with financial statements which are misleading or may be materially misstated.

Execute the Audit

What does it mean for management not to cooperate in relation to subsequently discovered facts? [ISA | 3849.1300]

Management doesn't cooperate if they:

- do not disclose the revision to previously issued financial statements;
- do not allow us to investigate a possible error in previously issued financial statements; or
- otherwise prohibit us from following the auditing standards.

What actions do we take when management has not cooperated in relation to subsequently discovered facts? [ISA | 3849.1500]

If management has not cooperated and we are unable to conclude whether sufficient appropriate audit evidence has been obtained related to the subsequent discovery of facts, then we take appropriate action to seek to prevent future reliance on our auditor's report. The course of action may depend on our legal rights and obligations.

What procedures do we perform if the entity does not make the necessary disclosures about subsequently discovered facts? [ISA | 3849.1800]

If management does not take the necessary steps to ensure that anyone in the receipt of the financial statements is informed of the situation, or if management issues the financial statements despite the auditor's notification not to, it may be appropriate to consult with OGC. Our consultation with OGC is in relation to whether any additional steps or procedures are appropriate in this situation.

5 Consider down-to-date responsibilities when reissuing the audit report [ISA | 3787]

5.1 Consider down-to-date responsibilities when reissuing the audit report with adjustments to the financial statements or disclosures [ISA | 3789]

Copyright