

INTOSAI



Practice Note to ISA 560

Subsequent Events

INTOSAI



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This Practice Note in combination with the International Standard on Auditing (ISA) 560 "Subsequent Events" issued by the International Federation of Accountants (IFAC) constitute ISSAI 1560.

Practice Note¹ to International Standard on Auditing (ISA) 560

Subsequent Events

Background

This Practice Note provides supplementary guidance on ISA 560 – Subsequent Events. It is read together with the ISA. ISA 560 is effective for audits of financial statements for periods beginning on or after December 15, 2009. The Practice Note is effective the same date as the ISA.

Introduction to the ISA

ISA 560 deals with the auditor’s responsibilities relating to subsequent events in an audit of financial statements.

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

Content of the Practice Note

- P1. The Practice Note provides additional guidance for public sector auditors related to:
- (a) Events Occurring between the Date of the Financial Statements and the Date of the Auditor’s Report.
 - (b) Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued.

¹ All Practice Notes are considered together with ISSAI 1000, “General Introduction to the INTOSAI Financial Audit Guidelines.”

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, “Forming an Opinion and Reporting on Financial Statements.” Paragraph A38.

Applicability of the ISA in Public Sector Auditing

- P2. ISA 560 is applicable to auditors of public sector entities in their role as auditors of financial statements.

Additional Guidance on Public Sector Issues

- P3. ISA 560 contains application and other explanatory material with considerations specific to public sector entities in paragraphs A5, A10, A14 and A17 of the ISA.
- P4. Public sector requirements with regard to subsequent events may be different as to the date of the auditor's report and other requirements as stipulated by relevant legislation. Public sector auditors familiarize themselves with applicable legislation in regard to subsequent events.
- P5. When the audit mandate includes objectives on regularity of transactions the public sector auditors may need to consider subsequent events which may provide additional evidence on the regularity of transactions such as the outcome of a court case. Public sector auditors consider ISSAI 4200.⁴

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

- P6. In addition to the specific inquiries identified in paragraph A9 of the ISA, public sector auditors may also consider events that have occurred which:
- (a) Have relevance for the government entity's ability to fulfill its program objectives; and
 - (b) May impact the presentation of any performance information in the financial statements.
- P7. In addition to the procedures described in paragraph A10 of the ISA, the public sector auditors considers matters arising from relevant proceedings of the legislature and other relevant bodies which the public sector auditors may have become aware of during the course of the audit as being scheduled to take place at or after the period end, the outcome of which may require adjustment of or disclosure in the financial statements.

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

- P8. As regards auditor action to seek to prevent reliance on auditor's report as set out in paragraphs A16 and A18 of the ISA, public sector auditors may seek legal advice and also consider reporting to the appropriate statutory body.

⁴ ISSAI 4200, "Compliance Audit Guidelines – Compliance Audit Related to the Audit of Financial Statements."