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Description of content of ISSAI 1560

Subsequent Events

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1560 is comprised of International Standard on Auditing (ISA) 560 – Subsequent Events, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of 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.¹ Such financial reporting frameworks ordinarily identify two types of events:

- a. Those that provide evidence of conditions that existed at the date of the financial statements; and
- b. Those that provide evidence of conditions that arose after the date of the financial statements.

¹ 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.

ISA 700² 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.

Objective of the auditor in terms of the ISA

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.

Among other matters, the requirements in this ISA deal with:

- a. Procedures required enabling the auditor to conclude 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 and appropriately reflected in the financial statements. This involves a requirement to obtain written representation from those charged with governance.
- b. How the auditor shall respond to facts which become known to the auditor after the date of the auditor's report but before the date the financial statements are issued.
- c. How the auditor shall respond to facts which become known to the auditor after the financial statements have been issued.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 560 when conducting financial audits of public sector entities.

Content of the Practice Note

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.

² ISA 700, Forming an Opinion and Reporting on Financial Statements, Paragraph A38.