

## SUBSÉQUENT ÉVÉNEMENTS

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## Objectives

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

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

- Date of the financial statements – The date of the end of the latest period covered by the financial statements.
- 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.
- Date of the auditor's report – The date the auditor dates the report on the financial statements in accordance with ISA 700.
- Date the financial statements are issued – The date that the auditor's report and audited financial statements are made available to third parties.
- 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.

## Important Dates

**Year End 30<sup>th</sup>  
June 2010**

**Start Of Audit  
(normally) 8<sup>th</sup> July  
2010**

**Final Draft with  
Initialed Report  
30<sup>th</sup> September  
2010**

**BOD meeting for  
approval of  
accounts 4<sup>th</sup>  
October 2010**

**Auditor`s Report  
4<sup>th</sup> October 2010**

**Notice of AGM 8<sup>th</sup>  
October 2010**

**AGM 30<sup>th</sup>  
October 2010**

## Subsequent Events

All events that occur between 30<sup>th</sup> June 2010 and 4<sup>th</sup> October 2010 are called “Subsequent Events”.

### Types of Subsequent events

- 1 • Adjusting events
- 2 • Non adjusting events

**Adjusting events are those events which provide further evidence of conditions that existed at the balance sheet date. Such events require recognition in the last year's balance sheet.**

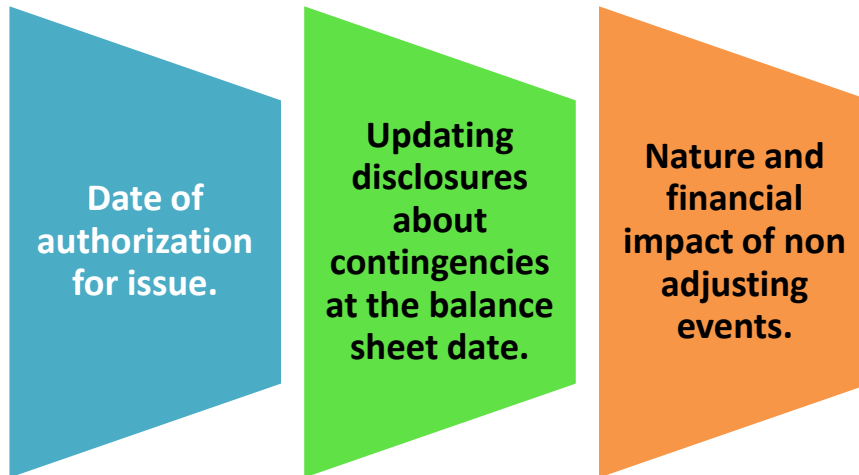
**Non adjusting events are those events which are indicative of conditions that arose after the year end. The effect of such events need not be required. However a disclosure of significant events is required.**

## **Regarding Financial Statements**

**Financial statements need not be adjusted nor a disclosure is required after the date of issue.**

**Financial statements should not be prepared on going concern assumption if after the year end the management intends to discontinue the enterprise**

## Disclosures are required for:



## Examples of Adjusting Events

**Insolvency of a customer resulting in debt becoming irrecoverable before approval of accounts.**

**NRV Test resulting in declining value of stocks.**

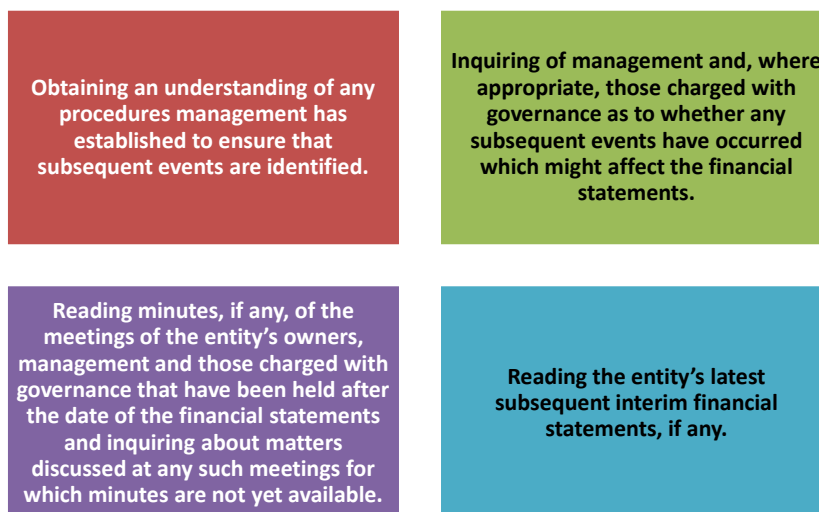
**Impairment of Fixed Assets.**

**The receipt of evidence that the previous estimate of accrued profit on long term contract was materially inaccurate.**

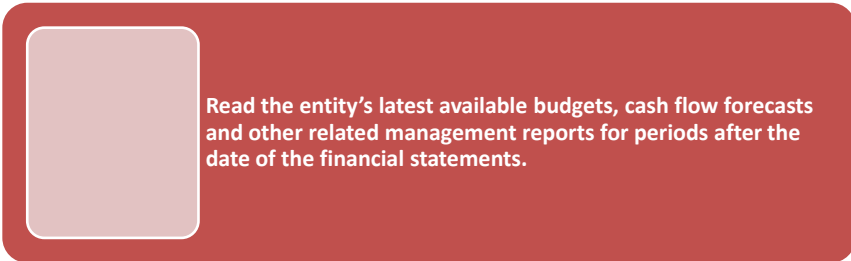
## Examples of Non Adjusting Events



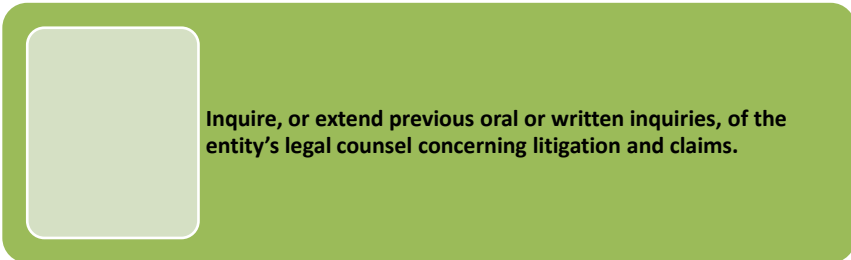
### ***Audit procedures auditor should carry out for identification of subsequent events***



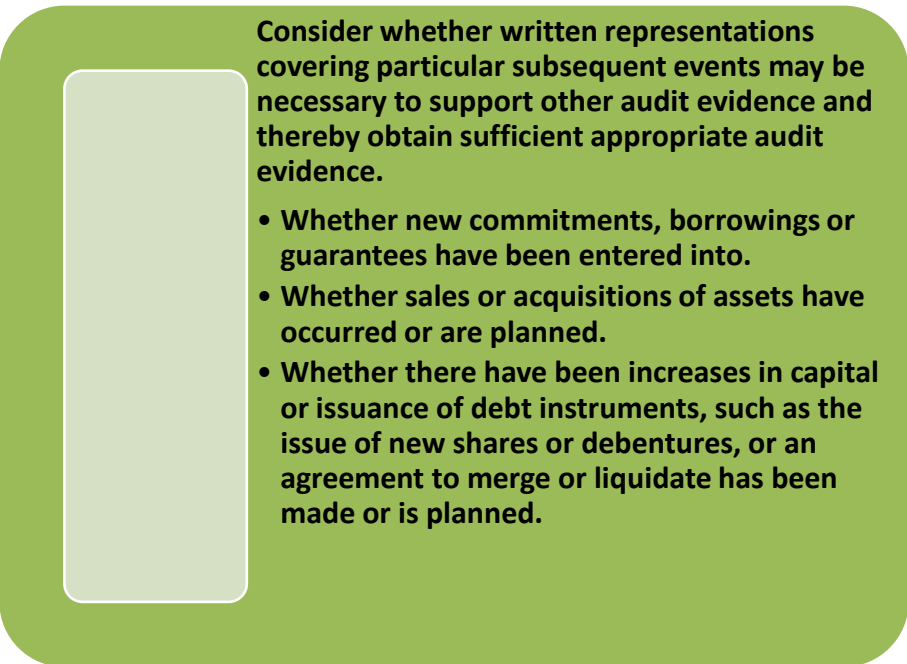
## Examples



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.



Consider whether written representations covering particular subsequent events may be necessary to support other audit evidence and thereby obtain sufficient appropriate audit evidence.


- 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.

## Cont.




Whether any assets have been appropriated by government or destroyed, for example, by fire or flood.


## Cont.



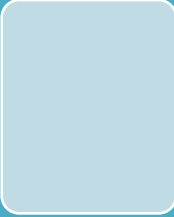
Whether there have been any developments regarding contingencies.




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 is relevant to the measurement of estimates or provisions made in the financial statements.



Whether any events have occurred that is relevant to the recoverability of assets.

### ***Considerations Specific to Public Sector Entities***

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.

## ***Written Representations***

*The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with ISA 580 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*

## **Auditor`s liability under three scenarios covered by this standard**

- Initialed Report Issued by the Auditor (September 30 to October 03, 2010).
- Audit Report Issued but accounts not circulated to Public Between (October 4, 2010 and October 8, 2010).
- Audit report issued and accounts circulated to public( After October 08, 2010)

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

1. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report.
2. 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.

### **Auditor shall:**

**Discuss the matter with management and, where appropriate, those charged with governance;**

**Determine whether the financial statements need amendment and, if so,**

**Inquire how management intends to address the matter in the financial statements.**

## **If management amends the financial statements, then auditor shall in all three scenarios:**

**Carry out the audit procedures necessary in the circumstances on the amendment.**

**Extend the audit procedures referred to the date of the new auditor's report;**

**and Provide a new auditor's report on the amended financial statements.**

**The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.**

## Important

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:

If the auditor's report has not yet been provided to the entity, the auditor shall modify the opinion and provide the management with new modified report

**IMPORTANT NOTE**

**Scenario 1**

**IN CASE WHERE AUDIT REPORT HAS BEEN RELEASED  
AND MANAGEMENT DISAGREE TO AMEND FINANCIAL  
STATEMENTS(scenario 2)**

If the auditor's report has already been provided to the entity, the auditor shall notify management and, , those charged with governance, not to issue the financial statements to third parties before the necessary amendments have been made. However if management despite of auditors notification issues the financial statements without amendments .

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**The auditor shall take appropriate action to seek to prevent reliance on the auditor's report.**

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

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:

### Cont.


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

If management amends the financial statements, the auditor shall

(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.


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



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

**Cont.**

**(i) Extend the audit procedures to the date of the new auditor's report, and date the new auditor's report not earlier than the date of approval of the amended financial statements; and**



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

## Cont.

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.

### **Management Disagreement for Amendment or Informing Stake holders**

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 all of those charged with governance that are involved in managing the entity that auditor will take steps to prevent reliance on previously issued financial statements together with auditor report there on. The steps taken by the auditor will depend on legal advice sorted in these circumstances.

