

INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 560

Subsequent Events (ISA (NZ) 560)

Issued July 2011
This compilation was prepared in February 2020 and incorporates amendments up to and including February 2020.

Effective for audits of historical financial statements for periods beginning on or after 1 September, 2011.

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INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 560

SUBSEQUENT EVENTS

Issued by the New Zealand Auditing and Assurance Standards Board

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International Standard on Auditing (New Zealand) (ISA (NZ)) 560, "Subsequent Events" should be read in conjunction with ISA (NZ) 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)."

History of Amendments

Table of pronouncements – ISA (NZ) 560 *Subsequent Events*

This table lists the pronouncements establishing and amending ISA (NZ) 560.

Pronouncements	**Date approved**	**Effective date**
International Standard on Auditing (New Zealand) 560	July 2011	This ISA (NZ) is effective for audits of historical financial statements for periods beginning on or after 1 September, 2011.
Use of management and those charged with governance	December 2013	Effective for audits of financial statements for periods beginning on or after 1 July 2014
Conforming amendments to ISAs (NZ) and other pronouncements (Auditor Reporting)	September 2015	Effective for audits of financial statements for periods ending on or after 15 December 2016.
Amendment to Standards Issued by the NZAuASB: ISA (NZ) 560 Subsequent Events	February 2020	Effective for audits of financial statements for periods beginning on or after 15 July 2020. Early adoption is permitted.

Table of Amended Paragraphs in ISA (NZ) 560		
Paragraph affected	**How affected**	**By…[date]**
Various	Amended	Use of management and those charged with governance [Dec 2013]
1, A1 A11,A18	Amended Inserted	Conforming amendments to ISAs (NZ) and other pronouncements (Auditor Reporting) [Sept 2015]
14 NZ 14.1, NZ A20.1	Amended Inserted	Amendment to Standards Issued by the NZAuASB: ISA (NZ) 560 Subsequent Events

Introduction

Scope of this ISA (NZ)

1. This International Standard on Auditing (New Zealand) (ISA (NZ)) 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 (NZ) 720 (Revised)[1]. However, such other information may bring to light a subsequent event that is within the scope of this ISA (NZ). (Ref: Para. A1)

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 (NZ) 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]

Effective Date

3. This ISA (NZ) is effective for audits of financial statements for periods beginning on or after 1 September, 2011.

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.

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

2 For example, New Zealand equivalent to International Accounting Standard (NZ IAS) 10, "Events After the Balance Sheet Date" deals with the treatment in financial statements of events, both favourable and unfavourable, that occur between the date of the financial statements (referred to as the "balance sheet date" in the NZ IAS) and the date when the financial statements are authorised for issue.

3 ISA (NZ) 700, "Forming an Opinion and Reporting on Financial Statements," paragraph A38.

Definitions

5. For purposes of the ISAs (NZ), 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 recognised 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 (NZ) 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.

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) Enquiring 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 enquiring 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. When, 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. [Amended by the NZAuASB.]

NZ9.1 The auditor shall request those charged with governance to provide a written representation in accordance with ISA (NZ) 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.

Facts **Which Become Known to the Auditor a**fter 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) Enquire 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[5], 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

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4 ISA (NZ) 580, "Written Representations."

5 These prohibitions are unlikely to exist in New Zealand.

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[6] 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.

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 (NZ) 705[7] 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 action to seek to prevent reliance on the auditor's report. (Ref. Para: A16-A17)

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

14. [*Amended by the NZAuASB*]

NZ14.1 After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall: (Ref: Para. A18)

(a) Discuss the matter with management and, where appropriate, those charged with governance within a reasonable period of time;

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

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

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.

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6 See ISA (NZ) 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report."

7 ISA (NZ) 705, "Modifications to the Opinion in the Independent Auditor's Report."

(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(s) 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[8], 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-NZ A20.1)

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Application and Other Explanatory Material

Scope of this ISA (NZ) (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 (NZ) 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.[9]

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8 ISA 260, "Communication with Those Charged with Governance," paragraph 13.

9 See ISA (NZ) 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)," 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[10]. In other jurisdictions, the approval process is not prescribed in law or regulation and the entity follows its own procedures in preparing and finalising 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 (NZ) is the earlier date on which those with the recognised authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognised 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 recognised authority have asserted that they have taken responsibility for those financial statements.[11] 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.

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.

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[10] For most New Zealand entities those charged with governance are responsible for the preparation and presentation of the financial statements.

[11] ISA (NZ) 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.

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** (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 cut-off 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 enquiries.

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;
- Enquire, or extend previous oral or written enquiries, 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.

Enquiry (Ref. Para. 7(b))

A9. In enquiring 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 enquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific enquiries 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 which 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 enquire about matters addressed in proceedings for which official records are not yet available.

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 (NZ) 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.

Responsibility of Those Charged with Governance towards Auditor (Ref: Para. 10)

A12. [Amended by the NZAuASB.]

NZA12.1 As explained in ISA (NZ) 210, the terms of the audit engagement include the agreement of those charged with governance to inform the auditor of facts that may affect the financial statements, of which they may become aware during the period from the date of the auditor's report to the date the financial statements are issued.[12]

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

[12] ISA (NZ) 210, "Agreeing the Terms of Audit Engagements," paragraph A23.

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 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.[13]

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.

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 (NZ) 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 (NZ) 720 (Revised) contains requirements

[13] Unlikely to be the case in New Zealand.

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.[14]

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.

NZ A20.1 Unless legal advice obtained recommends a different course of action, possible actions the auditor may consider include:

(a) Notifying management and those charged with governance that the auditor's report must no longer be associated with the financial statements.

(b) If applicable, notifying the appropriate authority having jurisdiction over the entity that the auditor's report should no longer be relied upon, and requesting the authority to take steps to provide appropriate disclosure.

(c) If practicable, notifying each person known to the auditor to be relying on the financial statements that the auditor's report should no longer be relied upon.

[14] This is unlikely to be the case in New Zealand.

ACCOMPANYING ATTACHMENT: CONFORMITY TO THE INTERNATIONAL STANDARDS ON AUDITING

This conformity statement accompanies but is not part of ISA (NZ) 560.

Conformity with International Standards on Auditing

This International Standard on Auditing (New Zealand) (ISA (NZ)) conforms to International Standard on Auditing ISA 560 *Subsequent Events*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this ISA (NZ) (and do not appear in the text of the equivalent ISA) are identified with the prefix "NZ".

- References to "management" and "those charged with governance" have been amended in the ISAs (NZ) because the responsibility for the preparation of the financial statements on behalf of the entity generally rests with those charged with governance. The ISAs require the auditor to agree the terms of the engagement and to obtain written representations from management. The ISAs (NZ) require the auditor to agree terms of the engagement and obtain written representations from those charged with governance. Paragraphs where references to "management" have been amended have been labelled as NZ paragraphs.
- 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, paragraph NZ 14.1 requires the auditor to discuss the matter with management and, where appropriate, those charged with governance within a reasonable period of time. Paragraph NZ A20.1 provides guidance on the actions the auditor may take to seek to prevent reliance on the auditor's report.

This ISA (NZ) incorporates terminology and definitions used in New Zealand.

Compliance with this ISA (NZ) enables compliance with ISA 560.

Comparison with Australian Auditing Standards

In Australia the Australian Auditing and Assurance Standards Board (AUASB) has issued Australian Auditing Standard ASA 560 *Subsequent Events*

ASA 560 conforms to ISA 560.

The following requirements are additional to ISA 560 and ISA (NZ) 560:

- For an audit engagement conducted under the *Corporations Act 2001*, management, and those charged with governance, are prohibited from restricting an amendment of the financial report to the effects of the subsequent event or events causing that amendment. Consequently, the auditor is prohibited from restricting audit procedures as required under paragraph 11(b)(i) of this Auditing Standard to such an amendment. [Ref: Para. Aus 12.1]