

Agenda Item 10-E

Proposed ISA 560 (Redrafted) – Proposed Disposition of the Present Tense and Other Statements

I. Those That Have Been Elevated to a Requirement or Essential Guidance

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
5.3	The auditor is not, however, expected to conduct a continuing review of all matters to which previously applied procedures have provided satisfactory conclusions:	6.2 requirement	This limits the extent of the auditor's responsibilities and therefore represents essential guidance (negative requirement).
6.1	The procedures to identify events that may require adjustment of, or disclosure in, the financial statements would be performed as near as practicable to the date of the auditor's report and ordinarily include the following:	7.1 requirement	Requirement, as it is essential in virtually all cases that certain procedures be performed as near to the date of the auditor's report as practicable.
6.1b1	<ul style="list-style-type: none"> Reviewing procedures management has established to ensure that subsequent events are identified. 	requirements 7(a)	Conditional requirement. Essential in all cases as far as such procedures exist.
6.1b2	<ul style="list-style-type: none"> Reading minutes of the meetings of shareholders, the board of directors and audit and executive committees held after period-end <u>the date of the financial statements</u> and inquiring about matters discussed at meetings for which minutes are not yet available. 	7(b)	Conditional requirement. These procedures are required, to the extent that the relevant information exists.
6.1b3/c1	<ul style="list-style-type: none"> Reading the entity's latest available interim financial statements and 	7(c)	Conditional requirement. These procedures are required, to the extent that the relevant information exists.
6.1b5.1	<ul style="list-style-type: none"> Inquiring of management as to whether any subsequent events have occurred which might affect the financial statements. 	7(d)	Essential in all cases: requirement.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
9.1	The auditor does not have any responsibility to perform procedures or make any inquiry regarding the financial statements after the date of the auditor's report.	9.1 requirement	This limits the extent of the auditor's responsibilities for the period following issuance of the auditor's report and therefore represents essential guidance (negative requirement).
11	When management amends the financial statements, the auditor would carry out the procedures necessary in the circumstances and would provide management with a new report on the amended financial statements. The new auditor's report would be dated not earlier than the date the amended financial statements are signed or approved <u>of approval of the amended financial statements</u> and, accordingly, the procedures referred to in paragraphs 4 and 5 would be extended to the date of the new auditor's report.	10 conditional requirements	Conditional requirements. All three actions are necessary in these circumstances.
13.1	When the auditor's report has been released to the entity, the auditor would notify those persons ultimately responsible for the overall direction of the entity not to issue the financial statements and the auditor's report thereon to third parties.	11.2 conditional requirement	Conditional requirement to notify persons within the entity in this circumstance.
13.2	If the financial statements are subsequently released, the auditor needs to take action to prevent reliance on the auditor's report.	11.3 conditional requirement	Conditional requirement to take action to prevent reliance on the auditor's report in this circumstance.
14	After the financial statements have been issued, the auditor has no obligation to make any inquiry regarding such financial statements.	12.1 requirement	Essential guidance (negative requirement), as this limits the auditor's responsibilities, and thereby sets the context for the following requirement.
16	When management revises the financial statements, the auditor would carry out the audit procedures necessary in the circumstances, would 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, and would issue a new report on the revised financial statements.	13 conditional requirement	Conditional requirement: All three steps are necessary in the circumstances.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
17.2	The new auditor's report would be dated not earlier than the date the revised financial statements are approved of approval of the revised financial statements and, accordingly, the procedures referred to in paragraphs 4 and 5 would ordinarily be extended to the date of the new auditor's report.	15.1	The requirements have been separated from that in extant 17.1, since 17.2 to 17.4 address the same issue. This improves presentation.
17.3	Local regulations of some countries permit the auditor to restrict the audit procedures regarding the revised financial statements to the effects of the subsequent event that necessitated the revision.	15.2	
17.4	In such cases, the new auditor's report would contain a statement to that effect.	15.3	
18.1	When management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation and does not revise the financial statements in circumstances where the auditor believes they need to be revised, the auditor would notify those persons ultimately responsible for the overall direction of the entity that action will be taken by the auditor to prevent future reliance on the auditor's report.	16 conditional requirement	Conditional requirement necessary in these circumstances.
19	It may not be necessary to revise the financial statements and issue a new auditor's report when issue of the financial statements for the following period is imminent, provided appropriate disclosures are to be made in such statements.	17	This limits the auditor's responsibilities for the specified circumstances.

II. Those That Have Been Treated as Application Material and Redrafted

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
5.2	These procedures are in addition to routine procedures which may be applied to specific transactions occurring after period end <u>the date of the financial statements</u> to obtain audit evidence as to account balances as at period end <u>the date of the financial statements</u> , for example, the testing of inventory cutoff and payments to creditors.	A3	This is guidance and includes examples, therefore it has been placed in application material.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
6.1b3/c 2	... as considered necessary and appropriate, budgets, cash flow forecasts and other related management reports.	A4b1	Application material, as this procedure may not be necessary in all cases.
6.1b4	Inquiring, or extending previous oral or written inquiries, of the entity's lawyers concerning litigation and claims.	A4b2	Application material, as this procedure may not be necessary in all cases.
6.1b5.2	<p>Examples of inquiries of management on specific matters are:</p> <ul style="list-style-type: none"> • The current status of items that were accounted for on the basis of preliminary or inconclusive data. • Whether new commitments, borrowings or guarantees have been entered into. • Whether sales of assets have occurred or are planned. • Whether 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 risk areas and 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. 	A5	Application material as these are examples of matters about which the auditor may consider it appropriate to inquire. It is neither a complete list nor are all aspects essential.
7	When a component, such as a division, branch or subsidiary, is audited by another auditor, the auditor would consider the other auditor's procedures regarding events after period-end <u>and the date of the financial statements</u> and the need to inform the other auditor of the planned date of the auditor's report.	-	This topic is dealt with in more detail by the requirements of ISA 600. Accordingly, this text has been deleted.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
9.2	During the period from the date of the auditor's report to the date the financial statements are issued, the responsibility to inform the auditor of facts which may affect the financial statements rests with management.	A9	This is background information and has been placed in the application material, slightly reworded, so as to not create an obligation on the part of management within the standard.
13.3	The action taken will depend on the auditor's legal rights and obligations and the recommendations of the auditor's lawyer.	A10	Application material as it explains factors that will drive the auditor's action.
18.2	The action taken will depend on the auditor's legal rights and obligations and the recommendations of the auditor's lawyers.	A11	Application material as it explains factors that will drive the auditor's action.

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