

# Completion and Review

## SA 560 "Subsequent Events"

### Auditor's Duties

#### Events occurring between the date of F.S. and the date of Auditor's report

- (i) Perform procedures to obtain SAAE that all events which require adj. / disclosure have been identified.
- (ii) For purpose of determining nature & timing of procedures, auditor may:
  - (a) Obtain **understanding of procedures** applied by mngt. for identification of significant events.
  - (b) **Inquire Mngt.** as to occurrence of subsequent events which may affect F.S.
  - (c) Read **Minutes of Meetings** that held after B/S date.
  - (d) Study **Interim F.S.**, if any.
- (iii) If auditor identifies any event which require any adj. / disclosure, **ensure its appropriate treatment.**
- (iv) Obtain **WR from Mngt.** that all known events have been appropriately adjusted/disclosed.

#### Facts that become known to Auditor after date of Auditor's report

##### Before issue of F.S.

1. In general, auditor has no obligation.
2. However, in case of significant matter
  - ⇒ Discuss with Mngt.;
  - ⇒ Determine need to amend F.S.; and
  - ⇒ Inquire how mngt intends to address matter in F.S.
3. If Mngt. amend F.S., auditor shall-
  - ⇒ extend procedures to date of new report, and
  - ⇒ provide new auditor report on amended F.S.

or

  - ⇒ amend audit report to include an additional date restricted to that amendment & include an EOM/OMP.
4. If mngt refuses to amend F.S.-
  - ⇒ Modify report if not yet provided to entity.
  - ⇒ If report already issued, notify to mngt & TCWG not to issue F.S. to third parties.
  - ⇒ If mngt still issues F.S., take appropriate action to prevent reliance on auditor's report.

#### Specific Inquiries to be made from management

1. Whether new commitments, borrowings or guarantees have been entered into.
2. Whether sales or acquisitions of assets have occurred or are planned.
3. Whether there have been increases in capital or issuance of debt instruments.
4. Whether any assets have been appropriated by government or destroyed.
5. Whether there have been any developments regarding contingencies.
6. Whether any unusual accounting adjustments have been made.
7. Whether any events have occurred that will bring into question appropriateness of a/cing policies used in F.S.
8. Whether any events have occurred that are relevant to measurement of estimates or provisions made in F.S.
9. Whether any events have occurred that are relevant to the recoverability of assets.

#### After issue of F.S.

1. In general Auditor has no obligation.
2. However, in case of significant matter
  - ⇒ Discuss with Management
  - ⇒ Determine need to amend F.S.
  - ⇒ Inquire how mngt intends to address matter in F.S.
3. If Mngt. amend F.S. auditor shall:
  - ⇒ Carry out procedures on amended F.S.
  - ⇒ Review steps taken by mngt to ensure that recipient of F.S. are informed of situation.
  - ⇒ Extend audit procedures to date of new auditor's report; and
  - ⇒ provide new auditor report on amended F.S.
4. In amended auditor's report, an EOM Para referring to a note to F.S. that discussed reason of amendment in F.S., should be included.

## SA 570 "Going Concern"



### Mngt. Responsibilities

- Assess entity's ability to continue as a going concern.
- General purpose F.S. are prepared on a going concern basis unless mngt. intends to liquidate entity or to cease operation.
- In case F.S. are not prepared on going concern basis, fact would need to be appropriately disclosed.

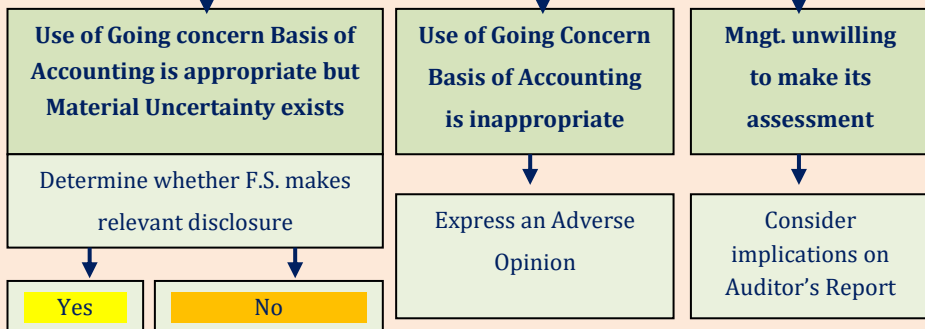
### Auditor's Duties

- To obtain SAAE about the appropriateness of mngt use of going concern basis of accounting.
- Determine whether mngt has already performed a preliminary assessment of entity ability to continue as going concern.
- Auditor identifies **events that cast significant doubt on entity ability to continue as going concern\***.

For this purpose, auditor is required to:

- Cover the same period as that used by mngt.
- Consider whether mngt has considered all relevant info. of which auditor is aware.

### Perform additional procedures



**Express Qualified or Adverse Opinion; & in Basis for Qualified (Adverse) Opinion section, state that a material uncertainty exists that may cast significant doubt on entity's ability to continue as a going concern and that F.S. do not adequately disclose this matter.**

**Express unmodified opinion & include a separate section "Material Uncertainty Related to Going Concern" to:**

- Draw attention to note in F.S. that discloses the matters; and
- State that these events or conditions indicate that material uncertainty exists that may cast significant doubt on entity's ability to continue as a going concern & that auditor's opinion is not modified in respect of matter.

- Where mngt has not yet performed assessment of entity's ability to continue as a going concern, requesting mngt to make its assessment.
- Evaluating mngt. plans for future actions, whether outcome of these plans is likely to improve situation & whether these plans are feasible in the circumstances.
- Where entity has prepared a cash flow forecast, evaluate reliability of underlying data used to prepare forecast & determine whether there is adequate support for assumptions underlying forecast.
- Considering whether any additional facts or information have become available since date on which mngt. made its assessment.
- Requesting WR from mngt. & TCWG, regarding their plans for future actions and feasibility of these plans.

### \*Conditions that may cast doubt about G.C. Assumption

Financial Conditions	Operating Conditions	Others
<ol style="list-style-type: none"> <li>Net Liability position.</li> <li>Non-renewal of borrowings.</li> <li>Withdrawal of Financial Support.</li> <li>Adverse Financial Ratios.</li> <li>Inability to pay creditors.</li> <li>Substantial Losses.</li> <li>Inability to arrange finances.</li> <li>Negative Operating cash flow.</li> <li>Deterioration in value of assets.</li> <li>Discontinuation of dividend.</li> </ol>	<ol style="list-style-type: none"> <li>Management intention to liquidate the entity.</li> <li>Loss of KMP.</li> <li>Loss of a major market, key customer, franchise etc.</li> <li>Labour Difficulties.</li> <li>Shortage of Important Supplies.</li> <li>Emergence of successful competitor.</li> </ol>	<ol style="list-style-type: none"> <li>Non-compliance of Statutory Requirements.</li> <li>Pending legal proceedings against the entity.</li> <li>Changes in Law or regulation.</li> <li>Uninsured or underinsured assets.</li> </ol>

# SA 580 "Written Representation"



## Meaning and Nature of WR

A written statement by Management provided to auditor to confirm certain matters or to support other audit evidence.

- WR recognized as audit evidence as a response to inquiries.
- WR do not provide SAAE

WR should be in the form of a representation letter addressed to Auditor.

## Matters for which WR may be obtained

<b>1</b>	<b>Management responsibilities</b>	<p>(a) <b>Preparation and presentation of F.S.:</b> In accordance with applicable FRF.</p> <p>(b) <b>Information provided to Auditor:</b> As agreed in terms of engagement</p> <p>(c) <b>Description of management Responsibilities:</b> In the manner as described in terms of engagement</p>
<b>2</b>	<b>Others</b>	<p>As required by other SA <span style="padding-left: 100px;">Or</span> Where auditor determines that it is necessary to obtain one or more WR.</p>

## Date of & Period(s) Covered by WR

- Date of WR shall be as near as practicable to date of auditor's report. However, it should not be after date of auditor's report.
- WR shall be for all F.S. & period(s) referred to in auditor's report.
- In some circumstances it may be appropriate for auditor to obtain a WR about a specific assertion in F.S. during course of the audit. In such case, it may be necessary to request an updated WR.
- WR are for all periods referred to in auditor's report because management needs to reaffirm that WR it previously made w.r.t. prior periods remain appropriate.
- Situations may arise where current mngt. was not present during all periods referred to in auditor's report. Such persons may assert that they are not in a position to provide some or all of WR because they were not in place during the period; in such cases also requirement for auditor to request WR still applies.

## Auditor Responses in different Situations

### Management refuses to provide WR

- Discuss matter with management.
- Re-evaluate reliability & integrity of mngt.
- Determine possible effect on opinion.
- Issue disclaimer of opinion.

### Reliability of WR is doubtful

- In case of having concerns about competence & integrity of mngt, determine their effect in reliability of WR & other audit evidence in general.
- IF WR inconsistent with other evidences, perform additional procedures.
- If conclude that WR is not reliable, determine possible effect on audit opinion.
- In case of sufficient doubt over integrity of management, issue a disclaimer of opinion.