

# Subsequent Events and Other Matters Arising After the Date of the Auditor's Report

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Office of the Chief Auditor  
PCAOB SEIAG Meeting  
November 12, 2024

# AGENDA

- Introduction
- Subsequent events and subsequently discovered facts
- Standards relevant to today's discussion
- Timeline of applicability of current requirements
- Relevant developments since interim standards were adopted
- Overview of current requirements
- Questions for discussion
- Appendix: Relevant Standards Addressing Subsequent Events and Other Matters Arising After the Date of the Auditor's Report

This document was developed by the staff of the Office of the Chief Auditor to foster discussion among the members of the Standards and Emerging Issues Advisory Group (SEIAG) at the November 12, 2024 meeting. It is not a statement of the Board, nor does it necessarily reflect the views of the Board, any individual Board member, or PCAOB staff.

# INTRODUCTION

- As part of the PCAOB's interim standards project, we are considering updating standards that address subsequent events and certain other matters arising after the date of the auditor's report. The updates would address relevant developments in the applicable financial reporting frameworks, PCAOB standards, and auditing practice that have taken place since the interim standards were adopted.
- The Board is interested in the SEIAG members' views and experiences in this area. The Board is also interested in whether SEIAG members are aware of academic research papers, external reports, or other information that provides additional perspectives that should be taken into consideration, including potential economic impacts of updating the standards discussed today.

# SUBSEQUENT EVENTS AND SUBSEQUENTLY DISCOVERED FACTS

- **Subsequent events:** Events that occur after the balance sheet date and require adjustment of or disclosure in the financial statements. U.S. GAAP and IFRS describe two types of subsequent events:
  - Those that provide additional evidence with respect to conditions that existed at the date of the balance sheet; and
  - Those that provide evidence with respect to conditions that did not exist at the balance sheet date.
- **Subsequently discovered facts:** Facts existing at the date of the auditor's report that the auditor becomes aware of subsequent to the report date. Such facts might have affected the auditor's report had the auditor been aware of them.

# STANDARDS RELEVANT TO TODAY'S DISCUSSION

## AS 2801

Subsequent  
Events



## AS 2905

Subsequent  
Discovery of  
Facts Existing  
at the Date of  
the Auditor's  
Report



## AS 3105

Departures  
from  
Unqualified  
Opinions and  
Other  
Reporting  
Circumstances



## AS 3110

Dating of the  
Independent  
Auditor's  
Report

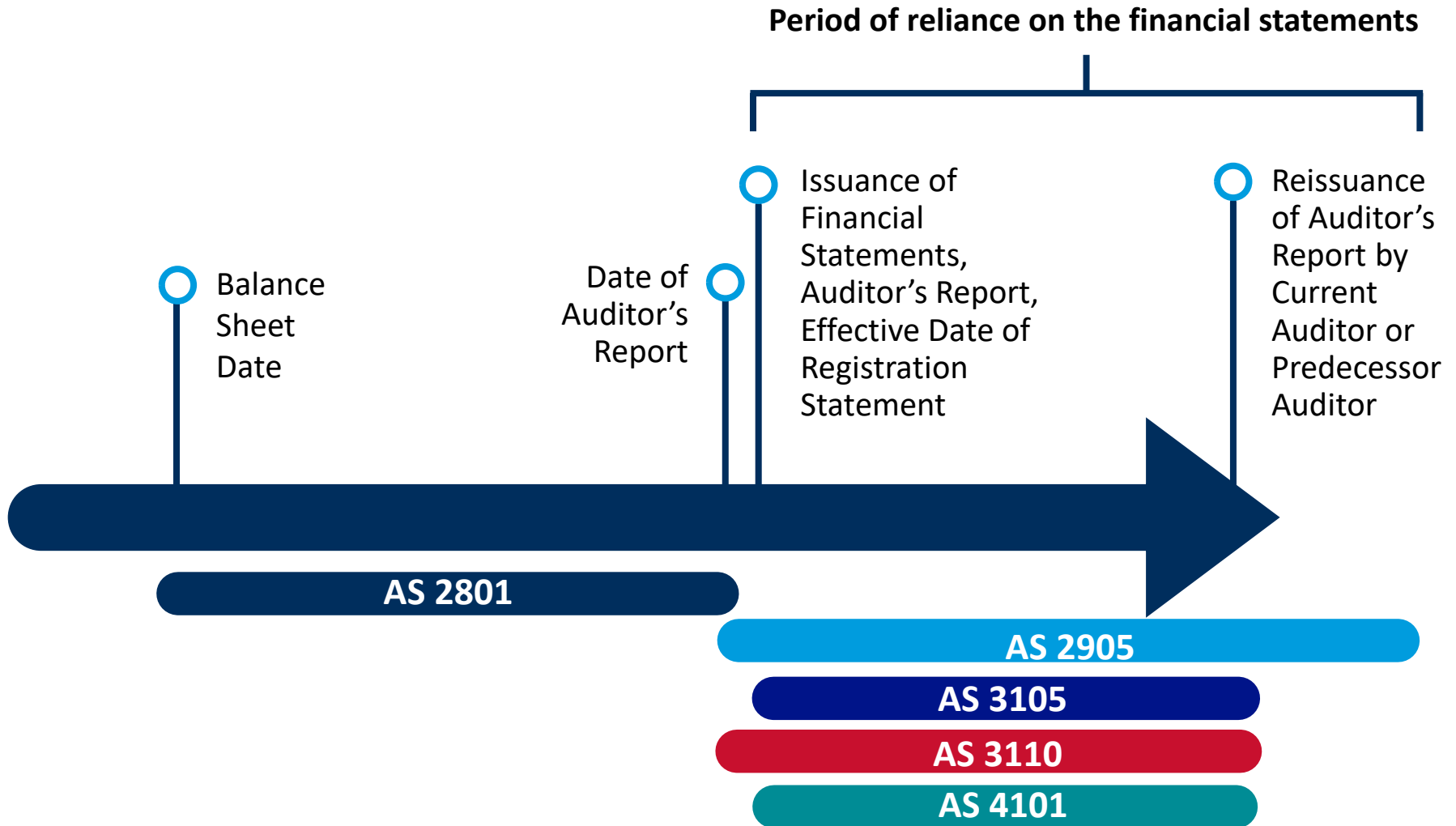


## AS 4101

Responsibilities  
Regarding  
Filings Under  
Federal  
Securities  
Statutes



# TIMELINE OF APPLICABILITY OF CURRENT REQUIREMENTS



## RELEVANT DEVELOPMENTS SINCE INTERIM STANDARDS WERE ADOPTED

- Requirements regarding identification and evaluation of subsequent events have been added to the applicable reporting frameworks
- PCAOB issues risk assessment and reporting standards, including *AS 2110, Identifying and Assessing Risks of Material Misstatement*; *AS 2301, The Auditor's Responses to the Risks of Material Misstatement*; and *AS 2810, Evaluating Audit Results*
- Auditors use technology-assisted analysis to a greater extent when designing and performing audit procedures

# OVERVIEW OF CURRENT REQUIREMENTS – AS 2801

- AS 2801.10-.12 require the auditor to perform procedures to identify events occurring after the balance sheet date that require adjustment of or disclosure in the financial statements, including:
  - Reading (and making comparisons of) the latest available interim financial statements;
  - Performing specific inquiries of officers and other executives having responsibility for financial and accounting matters;
  - Reading available minutes of meetings of stockholders, directors, and appropriate committees;
  - Inquiring of the company's legal counsel concerning litigation, claims, and assessments; and
  - Obtaining a letter of representations, dated as of the date of the auditor's report, from appropriate officials, generally the chief executive officer, chief financial officer, or others with equivalent positions in the entity.



# OVERVIEW OF CURRENT REQUIREMENTS – AS 2905

- The auditor is required to perform procedures to determine whether the information is reliable and whether the subsequently discovered facts existed at the date of the auditor's report. (AS 2905.04)
- When the subsequently discovered information is found both to be reliable and to have existed at the date of the auditor's report, the auditor should determine whether action should be taken to prevent future reliance on the auditor's report. (AS 2905.05)
- The auditor should advise management to make appropriate disclosures of the newly discovered facts and their impact on the financial statements and determine that such disclosures have been made. (AS 2905.06-.07)
- If management does not make the appropriate disclosures, the auditor is required to notify the Board of Directors and others, as applicable (e.g., SEC and regulatory agencies) to prevent future reliance on the auditor's report. (AS 2905.08-.09)

# OVERVIEW OF CURRENT REQUIREMENTS – AS 3105

- AS 3105.54-.56 require the predecessor auditor to perform the following procedures when reissuing the auditor’s report, including:
  - Inquiring of management and the successor auditor;
  - Reading the latest available financial statements; and
  - Comparing the latest available financial statements to the prior-period financial statements the predecessor auditor reported on.
- When the predecessor auditor becomes aware of events or transactions occurring subsequent to the date of their previous auditor’s report on the financial statements of a prior period that may affect their previous report, the predecessor auditor should make inquiries and perform other procedures considered necessary and decide whether to revise their auditor’s report. (AS 3105.56)
- When reissuing the auditor’s report on prior-period financial statements, a predecessor auditor should use the date of their previous auditor’s report. If the predecessor auditor revises their auditor’s report or the financial statements are adjusted, the predecessor auditor should dual-date the report. (AS 3105.57)

# OVERVIEW OF CURRENT REQUIREMENTS – AS 3110

- The auditor should date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate evidence to support the auditor's opinion. (AS 3110.01)
- When a subsequent event disclosed in the financial statements occurs after the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion, but before the issuance of the related financial statements, the auditor should either:
  - Dual-date the auditor's report (for example, "February 16, 20\_\_, except for Note \_\_, as to which the date is March 1, 20\_\_,"); or
  - Date the report as of the later date. (AS 3110.05)
- When the auditor dates the auditor's report as of the later date, the auditor's procedures required under AS 2801 related to subsequent events should be extended to the later date. (AS 3110.05)
- When reissuing the auditor's report, the auditor should generally use the original report date, unless the auditor becomes aware of an event that occurred subsequent to the date of the original auditor's report that requires adjustment or disclosure in the financial statements. In such cases the auditor should either dual-date the auditor's report or date the report as of a later date. (AS 3110.06-.07)

# OVERVIEW OF CURRENT REQUIREMENTS – AS 4101

- AS 4101.02 and .05 discuss, among other things, that Section 11(a) of the Securities Act of 1933, as amended, 15 U.S.C. § 77k(a), imposes responsibility on every accountant for false or misleading statements in an effective registration statement, or for omissions that render statements made in such a document misleading.
- The auditor should extend their procedures with respect to subsequent events from the date of their auditor's report up to the effective date of the registration statement, including those procedures required by AS 2801.12. (AS 4101.10-.11)
- The auditor (or predecessor auditor) should also read pertinent portions of the prospectus and of the registration statement. (AS 4101.10-.11)
- The auditor should obtain written representations from officers and other executives responsible for financial and accounting matters. (AS 4101.10)
- The predecessor auditor should obtain written representations from the successor auditor. (AS 4101.11)
- The auditor (or predecessor auditor) should follow the requirements of AS 2801, AS 2905, and AS 3110 when either subsequent events requiring adjustment or disclosure in the financial statements or subsequently discovered facts are discovered. (AS 4101.12)

# QUESTIONS FOR DISCUSSION

1. What are examples of subsequent events and subsequently discovered facts that you have encountered?
2. If you encountered situations where subsequent events were identified by the auditor and not by the company, what were the subsequent events and what procedures did the auditor perform to identify them?
3. How have advancements in technology affected the nature, timing, and extent of procedures auditors perform to determine whether subsequent events have been appropriately identified and addressed by the company?
4. In your experience, how do the number and nature of subsequent events affect the audit plan and audit response?

# QUESTIONS FOR DISCUSSION (CONT.)

5. If you encountered situations where the date of the auditor's report was different from the date the financial statements were filed with the SEC, what were the reasons for the difference and how did it affect the nature, timing, and extent of the auditor's procedures related to subsequent events?
6. For investors and other users of financial statements, what are your concerns about subsequent events that you believe auditors can address?
7. For investors and other users of financial statements, what are your concerns about subsequently discovered facts that you believe auditors can address?
8. Are there other matters related to subsequent events, subsequently discovered facts, reissuance of the auditor's report (including for registration statements filed with the SEC) or dating of the auditor's report that should be evaluated when considering changes to the auditing standards?