

AU-C Section 585

Consideration of Omitted Procedures After the Report Release Date

Source: SAS No. 122.

Effective for audits of financial statements for periods ending on or after December 15, 2012.

Introduction

Scope of This Section

.01 This section addresses the auditor's responsibilities when, subsequent to the report release date, the auditor becomes aware that one or more auditing procedures that the auditor considered necessary in the circumstances existing at the time of the audit were omitted from the audit of the financial statements. Section 560, *Subsequent Events and Subsequently Discovered Facts*, is applicable when a fact becomes known to the auditor after the report release date that, had it been known to the auditor at that date, may have caused the auditor to revise the auditor's report.

.02 The provisions of this section do not apply to an engagement in which an auditor's work is at issue in a threatened or pending legal proceeding or regulatory investigation. A *threatened legal proceeding* means that a potential claimant has manifested to the auditor an awareness of, and a present intention to assert, a possible claim.

Effective Date

.03 This section is effective for audits of financial statements for periods ending on or after December 15, 2012.

Objectives

.04 The objectives of the auditor are to

- a. assess the effect of omitted procedures of which the auditor becomes aware on the auditor's present ability to support the previously expressed opinion on the financial statements, and
- b. respond appropriately.

Definition

.05 For purposes of generally accepted auditing standards, the following term has the meaning attributed as follows:

Omitted procedure. An auditing procedure that the auditor considered necessary in the circumstances existing at the time of the audit of the financial statements but which was not performed.

Requirements

.06 If, subsequent to the report release date, the auditor becomes aware of an omitted procedure, the auditor should assess the effect of the omitted procedure on the auditor's present ability to support the previously expressed opinion on the financial statements. (Ref: par. .A1–.A4)

.07 If the auditor concludes that an omitted procedure of which the auditor has become aware impairs the auditor's present ability to support a previously expressed opinion on the financial statements and the auditor believes that there are users currently relying, or likely to rely, on the previously released report, the auditor should promptly perform the omitted procedure, or alternative procedures, to determine whether there is a satisfactory basis for the auditor's previously expressed opinion. The auditor should include in the audit documentation the procedures performed, in accordance with the provisions of section 230, *Audit Documentation*.¹ (Ref: par. .A3–.A5)

.08 When, as a result of the subsequent performance of an omitted procedure or alternative procedures, the auditor becomes aware of facts regarding the financial statements that existed at the report release date that, had they been known to the auditor at that date, may have caused the auditor to revise the auditor's report, the auditor should apply the provisions of section 560²

Application and Other Explanatory Material

.A1 The auditor's present ability to support the previously expressed opinion on the financial statements is dependent on whether the omitted procedure affects the auditor's conclusion that sufficient appropriate audit evidence was obtained. In accordance with section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, the auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion.³ (Ref: par. .06)

.A2 After the report release date, the auditor has no responsibility to carry out any retrospective review of the audit work performed. However, situations may arise in which the auditor becomes aware that an auditing procedure considered necessary by the auditor in the circumstances existing at the time of the audit was omitted. For example, after the report release date, reports and supporting audit documentation for particular engagements may be subjected to review in connection with a firm's inspection or monitoring process,⁴ or otherwise, and the omission of a necessary audit procedure may be identified. (Ref: par. .06)

.A3 Procedures that the auditor may perform in connection with assessing the effect of an omitted procedure on the auditor's present ability to support a previously expressed opinion on financial statements include the following:

- Review of the audit documentation

¹ Paragraph .14 of section 230, *Audit Documentation*.

² Paragraphs .15–.18 of section 560, *Subsequent Events and Subsequently Discovered Facts*.

³ Paragraph .19 of section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*.

⁴ See QC section 10, *A Firm's System of Quality Control*, regarding inspection in the context of the monitoring element of quality control.

- Discussion of the circumstances with engagement personnel and others within the firm
- Reevaluation of the overall scope of the audit

The results of other audit procedures that were performed may tend to compensate for the omitted procedure or make the effect of its omission less significant. Additionally, subsequent audits may provide audit evidence in support of the previously expressed opinion. (Ref: par. .06–.07)

.A4 The period of time during which the auditor considers whether this section applies to the circumstances of a particular engagement and then takes the actions, if any, that are required hereunder may be important. Because of the legal implications that may be involved in taking the actions contemplated herein, the auditor may decide to seek legal advice in determining an appropriate course of action. (Ref: par. .06–.07)

.A5 If, in the circumstances addressed in paragraph .07, the auditor is unable to perform a previously omitted procedure, or alternative procedures, to determine that there is a satisfactory basis for the auditor's previously expressed opinion, the auditor may decide to seek legal advice to determine an appropriate course of action concerning the auditor's responsibilities to the entity; regulatory authorities, if any, having jurisdiction over the entity; and users relying, or likely to rely, on the auditor's report. (Ref: par. .07)
