

TABLES OF DIFFERENCES
ASA 705 [Revised and Redrafted]
MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

Extant ASA: ASA 701 *Modifications to the Auditor's Report*

ISA: ISA 705 [Revised and Redrafted]

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<i>Key Statistics</i>			
Exhibit		No.	
1	New Requirements [Elevation of Guidance]	5	
1	New Requirements [no previous Equivalent in extant ASA]	12	
N/A	Total number of New Requirements	17	
2	Extant ASA Requirements covered in another standard[s]	-	

This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Changes to this Table from the Last Board meeting

Item #	Para. #	Change Description	ATG Commentary	Accept in ASA Y/N?
Exhibit X				
		N/A Presented to AUASB for 1 st time in Feb 09		

Draft

Requirements in ISA not in Extant ASA

- *Exhibit 1 identifies Requirements in the redrafted ISA that are not present in the equivalent extant ASA*
- *Exhibit 1 does not identify Requirements that are identical; or similar but for differences in expression/wording*

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
Objectives				
1	4	The objective of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when: <ul style="list-style-type: none"> (a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. 	New Objective.	Y
Definitions				
2		For purposes of the ISAs, the following terms have the meanings attributed below: <ul style="list-style-type: none"> (a) Pervasive – A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor’s judgment: <ul style="list-style-type: none"> (i) Are not confined to specific elements, accounts or items of the financial statements; (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or (iii) In relation to disclosures, are fundamental to users’ understanding of the financial statements. (b) Modified opinion – A qualified opinion, an adverse opinion or a disclaimer of opinion. 	New Definitions	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
Circumstances When a Modification to the Auditor’s Opinion Is Required				
3	6	The auditor shall modify the opinion in the auditor’s report when: (a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (Ref: Para. A2-A7) (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement	New Requirement Although strictly a new requirement, the concepts were implicit in the extant Std. No change in the underlying principles. The main driver of the revised Std has changed to a focus on “evidence” and the lack thereof.	Y
Determining the Type of Modification to the Auditor’s Opinion				
4	10	The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.	Elevation of extant ASA Explanatory Guidance [Extant ASA 701 para 14—equivalent Explanatory Guidance]	Y
5	11	If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the scope of the audit that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor shall request that management remove the limitation.	New Requirement	Y
6	12	If management refuses to remove the limitation referred to in paragraph 11, the auditor shall communicate the matter to those charged with governance and determine whether it is possible to perform alternative procedures to obtain sufficient appropriate audit evidence.	New Requirement	Y
7	13	If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the implications as follows: (a) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive, the	New Requirements Although strictly new Requirements, the concepts were implicit in the extant	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		auditor shall qualify the opinion; or (b) If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation, the auditor shall: (Ref: Para. A13-A14) (i) Resign from the audit, where practicable and not prohibited by law or regulation; or (ii) If resignation from the audit before issuing the auditor’s report is not practicable or possible, disclaim an opinion on the financial statements.	Std. No change in the underlying principles. Shaded text has no equivalent in the extant Std.	
8	14	If the auditor resigns as contemplated by paragraph 13(b)(i), before resigning, the auditor shall communicate to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion.	New Requirement Although strictly a new Requirement, was effectively covered by extant ASA 260 <i>Communication of Audit Matters with Those Charged with Governance</i> [Requirement para 15 and guidance para 16]	Y
9	15	When the auditor considers it necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole, the auditor’s report shall not also include an unmodified opinion with respect to the same financial reporting framework on a single financial statement or one or more specific elements, accounts or items of a financial statement. To include such an unmodified opinion in the same report ¹ in these circumstances would contradict the auditor’s adverse opinion or disclaimer of opinion on the financial statements as a whole. Footnote 1: [Proposed] ISA 805 (Revised and Redrafted), “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” deals with circumstances where the auditor is engaged to express a separate opinion on one or more specific elements, accounts or items of a financial statement.	New Requirement	Y
Form and Content of the Auditor’s Report When the Opinion is Modified				

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
10	18	If there is a material misstatement of the financial statements that relates to narrative disclosures, the auditor shall include in the basis for modification paragraph an explanation of how the disclosures are misstated.	New Requirement Although strictly a new Requirement, was effectively covered by extant para 25 which required the substantive reasons for the modification. The revised Std. distinguishes between amounts and disclosures, whereas the extant does not.	Y
11	19	If there is a material misstatement of the financial statements that relates to the non-disclosure of information required to be disclosed, the auditor shall: (a) Discuss the non-disclosure with those charged with governance; (b) Describe in the basis for modification paragraph the nature of the omitted information; and (c) Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information	19 (a) is a new Requirement although would be normal practice 19 (b) [Extant ASA 701 para 25— equivalent Explanatory Guidance] 19 (c) [Extant ASA 701 para 27— equivalent Explanatory Guidance] Although strictly new Requirements, were effectively covered by extant requirements. The revised Std. distinguishes between amounts and disclosures, whereas the extant does not.	Y
12	20	If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in the basis for modification paragraph the reasons for that inability.	New Requirement Although strictly a new Requirement, was effectively covered by extant para 25 which required the substantive reasons for the modification.	Y
13	21	Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the basis for modification paragraph the reasons for any other matters of which the auditor is aware that would	New Requirement	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		have required a modification to the opinion, and the effects thereof.		
14	23	<p>When the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor shall state in the opinion paragraph that, in the auditor’s opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph:</p> <p>(a) The financial statements present fairly, in all material respects (or give a true and fair view) in accordance with the applicable financial reporting framework when reporting in accordance with a fair presentation framework; or</p> <p>(b) The financial statements have been prepared, in all material respects, in accordance with the applicable financial framework when reporting in accordance with a compliance framework.</p> <p>When the modification arises from an inability to obtain sufficient appropriate audit evidence, the auditor shall use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion.</p>	<p>23 (a) elevation of material in the illustrative reports contained within Appendix 2 of the extant Std.</p> <p>23 (b) New Requirement</p> <p>← Elevation of material in the illustrative reports contained within Appendix 2 of the extant Std</p>	Y
15	24	<p>When the auditor expresses an adverse opinion, the auditor shall state in the opinion paragraph that, in the auditor’s opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion paragraph:</p> <p>(a) The financial statements do not present fairly (or give a true and fair view) in accordance with the applicable financial reporting framework when reporting in accordance with a fair presentation framework; or</p> <p>(b) The financial statements have not been prepared, in all material respects, in accordance with the applicable financial reporting framework when reporting in accordance with a compliance framework.</p>	<p>← Elevation of material in the illustrative reports contained within Appendix 2 of the extant Std.</p> <p>New Requirement</p>	Y
16	25	<p>When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall state in the opinion paragraph that:</p> <p>(a) because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion; and, accordingly,</p>	<p>Elevation of material in the illustrative reports contained within Appendix 2 of the extant Std.</p> <p>Main difference in wording from the extant Std. is that new wording refers to “evidence” and but does not include</p>	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		(b) the auditor does not express an opinion on the financial statements.	“...the effects of any adjustments, if any...”	
17	26	When the auditor expresses a qualified or adverse opinion, the auditor shall amend the description of the auditor’s responsibility to state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s modified audit opinion.	New Requirement	Y
18	27	When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the introductory paragraph of the auditor’s report to state that the auditor was engaged to audit the financial statements. The auditor shall also amend the description of the auditor’s responsibility and the description of the scope of the audit to state only the following: “Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.”	New Requirement	Y
Communication with Those Charged with Governance				
19	28	When the auditor expects to modify the opinion in the auditor’s report, the auditor shall communicate with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification.	Although strictly a new Requirement, was effectively covered by extant ASA 260 <i>Communication of Audit Matters with Those Charged with Governance</i> [Requirement para 15 and guidance para 16]	Y

Requirements in Extant ASA not in ISA

- Exhibit 2 identifies Requirements in the extant ASA that are not present in the equivalent redrafted ISA
- Exhibit 2 does not identify Requirements that are identical; or similar but for differences in expression [wording]

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
Not Retained in ASA [Revised & Redrafted]				
Disagreement with Those Charged with Governance				
1	34	<p>When the financial report has been prepared in accordance with Australian Accounting Standards but additional disclosures have been made in the financial report on the basis that, or which imply that, application of a particular Accounting Standard has resulted in the financial report being potentially misleading, a qualified opinion shall be expressed in relation to the additional disclosures, unless the auditor is of the opinion that:</p> <p>(a) it is likely, in the absence of the additional disclosures, that users would be misled when making evaluations or decisions about the allocation of scarce resources; and</p> <p>(b) the additional disclosures contain all, and only, relevant and reliable information, and are presented in such a manner as to ensure the financial report as a whole is comparable and understandable in meeting the objectives of the financial report.</p> <p>When these circumstances exist, the auditor shall apply the mandatory requirements in paragraph 15.</p>	<p>Unshaded text effectively covered by revised Std. paras 7 to 9. Unnecessary specifics.</p> <p>Shaded text relates to an “Emphasis of Matter” paragraph and is therefore to be disregarded for purposes of this Std. (ASA/ISA 705).</p> <p>Extant paras 34 and 15 have been dealt with in ASA 706</p>	N
Conflict Between Applicable Financial Reporting Frameworks				

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
2	36	When the accounting policies applied are contrary to those required by relevant statutory and other requirements, the auditor's opinion shall be modified with respect to presentation in accordance with those requirements, whether or not the auditor's opinion with respect to presentation in accordance with Australian Accounting Standards is modified.	Effectively covered by revised Std. paras 7 to 9. Unnecessary specifics.	N
Retained in ASA [Revised & Redrafted] Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted] Reason 3: [Only when requirement necessary for public interest reasons and no inconsistency with the ISA]				

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Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
Conflict Between Applicable Financial Reporting Frameworks				
3	35	<p>When the application of accounting policies required or allowed by relevant statutory and other requirements has not resulted in a fair presentation in accordance with Australian Accounting Standards:</p> <p>(a) an unmodified opinion shall be expressed with respect to presentation in accordance with relevant statutory and other requirements; and</p> <p>(b) a qualified or adverse opinion shall be expressed with respect to presentation in accordance with Australian Accounting Standards as appropriate.</p>	<p>Long-standing conformity difference. Appears to exist for circumstances where, for example, a Government entity is required to use accounting standards other than AASBs.</p> <p>Suggest retain. Insert para as Aus 15.1 with a separate sub-heading.</p>	Y

Draft

Significant Differences in Guidance — ISA and Extant ASA

- *Exhibit 3 identifies significant differences between the Application and Other Explanatory Material (guidance) in the redrafted ISA and the Explanatory Guidance in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 3 does not identify guidance that is identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Guidance	Commentary	Accept in ASA Y/N?
PART A – ISA				
<Insert Standard section heading here>				
		N/A		
PART B – ASA				
Retained in ASA [Revised & Redrafted]				
Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]				
<Insert Standard section heading here>				
		N/A		
Retained in ASA [Revised & Redrafted]				
Reason 2: [Only when requirement necessary for legislative instrument reasons]				
<Insert Standard section heading here>				
		N/A		

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Retained in ASA [Revised & Redrafted]			
Reason 3: [Only when Requirement is deemed necessary for public interest reasons and is not inconsistent with the ISA]			
<Insert Standard section heading here>			
		N/A	

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Significant Differences in Appendices — ISA and Extant ASA

- *Exhibit 4 identifies significant differences between the Appendices in the redrafted ISA and the Appendices in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 4 does not identify Appendices that are identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Appendix	Commentary	Accept in ASA? Y/N
Part A – ISA				
<Insert Standard section heading here>				
		N/A		
Part B – ASA				
<Insert Standard section heading here>				
		N/A		
