

TABLES OF DIFFERENCES
ASA 706 [Revised and Redrafted]
EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

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

ISA: *ISA 706 [Revised and Redrafted]*

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<i>Key Statistics</i>			
Exhibit		No.	
1	New Requirements [Elevation of Guidance]	1	
1	New Requirements [no previous Equivalent in extant ASA]	3	
—	Total number of New Requirements	4	
2	Extant ASA Requirements covered in another standard[s]	3	

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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		

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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, having formed an opinion on the financial statements, is to draw users’ attention, when in the auditor’s judgment it is necessary to do so, by way of clear additional communication in the auditor’s report, to: <ul style="list-style-type: none"> (a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users’ understanding of the financial statements; or (b) As appropriate, any other matter that is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report. 	New Objective.	Y
Definitions				
2	5	For the purposes of the ISAs, the following terms have the meanings attributed below: <ul style="list-style-type: none"> (a) Emphasis of Matter paragraph – A paragraph included in the auditor’s report that refers to a matter 	New Definitions.	Y

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Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		<p>appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.</p> <p>(b) Other Matter paragraph – A paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.</p>		
Emphasis of Matter Paragraphs in the Auditor’s Report				
3	6	<p>If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements.</p>	<p>New Requirement</p> <p>The new Requirement explicitly places responsibility on the auditor to determine whether or not to use an EOM. In addition, the appendix to ISA 706 lists those ISAs that (specifically) require an EOM.</p> <p>Although not explicit, the extant standard (see guidance para. 8) does not prohibit an auditor from including an EOM for reasons other than those prescribed by the (extant) standard.</p>	Y
4	7	<p>When the auditor includes an Emphasis of Matter paragraph in the auditor’s report, the auditor shall:</p>	<p>Elevation of extant ASA Explanatory Guidance</p>	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
		(a) Include it immediately after the Opinion paragraph in the auditor’s report; (b) Use the heading “Emphasis of Matter,” or other appropriate heading; (c) Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements; and (d) Indicate that the auditor’s opinion is not modified in respect of the matter emphasized	[Extant ASA 701 para 8 and illustrative examples 1 and 2 in Appendix 2—equivalent Explanatory Guidance]	
Other Matter Paragraphs in the Auditor’s Report				
5	8	If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor’s report, with the heading “Other Matter,” or other appropriate heading. The auditor shall include this paragraph immediately after the Opinion paragraph and any Emphasis of Matter paragraph, or elsewhere in the auditor’s report if the content of the Other Matter paragraph is relevant to the Other Reporting Responsibilities section.	New Requirement NOTE: An “Other Matter” paragraph is not to be confused with “Report on Other Legal and Regulatory Requirements” which is dealt with in ASA/ISA 700 paras 38 and 39.	Y

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?
Communication with Those Charged with Governance				
6	9	If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor’s report, the auditor shall communicate with those charged with governance regarding this expectation and the proposed wording of this paragraph.	New Requirement. NOTE: Although a new requirement in this standard, the equivalent obligation currently exists in extant ASA 260 <i>Communication of Audit Matters with Those Charged with Governance</i> [see Requirement para 15 and Guidance para 16]	Y

Draft

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]				
Significant Uncertainty – Going Concern				
1	9	The auditor shall modify the auditor’s report by adding a paragraph to highlight a significant uncertainty regarding a going concern problem	NOTE: The equivalent requirement is (now) found in ASA/ISA 570 <i>Going Concern</i> paras 18 & 19. Therefore there is no reduction in an auditor’s obligations, merely a re-location of the Requirement.	N
2	11	The auditor shall modify the auditor’s report by adding a paragraph if there is a significant uncertainty (other than a significant uncertainty regarding a going concern problem), the resolution of which is dependent upon future events and which may materially affect the financial report.	NOTE: The equivalent requirement is found in ASA/ISA 706 paras 6. This Requirement does not specifically refer to “uncertainty” however, the related guidance at para A1 lists “uncertainly” as one of the examples of circumstances that may prompt an EOM. One example of the long-standing difference between ISAs and ASAs	N

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Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
			whereby the ASA <i>prescribes</i> this circumstance where an EOM paragraph is required but the ISA leaves it up to the auditor's judgement.	
3	17	When information in a document containing the audited financial report is materially inconsistent with that financial report, the auditor's report shall include an emphasis of matter section describing the material inconsistency.	<p>NOTE: The equivalent requirement is now found in ASA/ISA 720 paras 10 (a) [<i>Other Information in Documents Containing the Audited Financial Report</i>]. In these circumstances, an "Other Matter" paragraph is now required whereas under the extant standard, an EOM paragraph was required.</p> <p>Therefore there is no reduction in an auditor's obligations, merely a change in format of the Requirement.</p>	N
4	19	When a financial report and the auditor's report thereon have been issued, and a fact is discovered that leads those charged with governance to prepare a revised financial report, the new auditor's report on the revised financial report shall include an emphasis of matter paragraph. That paragraph shall refer to a note to the financial statements that more extensively discusses the reason for the revision of the previously issued financial report, and to the earlier report issued by the auditor.	<p>NOTE: The equivalent requirement is now found in ASA/ISA 560 para 16 [<i>Subsequent Events</i>]. In these circumstances, an "Other Matter" paragraph is now permitted as an alternative to an EOM paragraph.</p> <p>Therefore there is no reduction in an auditor's obligations, merely a re-location of the Requirement and an alternative format now permitted.</p>	N
Retained in ASA [Revised & Redrafted]				

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]				
<Insert Standard section heading here>				
1	15	<p>When an unqualified opinion is expressed in the rare circumstances described in paragraph 34, the auditor's report shall include an emphasis of matter section headed "Application of Australian Accounting Standard AASB ..." which:</p> <ul style="list-style-type: none"> (a) draws attention to the additional disclosures; (b) states that in the auditor's opinion application of the particular Accounting Standard has, in this instance, resulted in the financial report being potentially misleading; (c) states the specific reasons why the auditor believes the additional disclosures are necessary to ensure the financial report as a whole is not misleading (the auditor's reasons are to be stated in the auditor's report itself rather than only by reference to the reasons included in the financial report); and (d) states that, in the auditor's opinion, the additional disclosures are relevant and reliable in meeting the objectives of the financial report. 	<p>NOTE: Extant paras 15 and 34 are linked.</p> <p><u>Suggestion:</u></p> <p>Combine and re-word the two Requirements and retain together with guidance at extant para 16. As follows:</p> <p>Requirement—insert as Aus 7.1</p> <p><i>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, and the auditor is of the opinion that:</i></p> <ul style="list-style-type: none"> (a) <i>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</i> (b) <i>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</i> 	

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
			<p><i>comparable and understandable in meeting the objectives of the financial report,</i></p> <p><i>the auditor's report shall include an emphasis of matter paragraph headed "Application of Australian Accounting Standard AASB ..." which:</i></p> <ul style="list-style-type: none"> (a) <i>draws attention to the additional disclosures;</i> (b) <i>states that in the auditor's opinion application of the particular Accounting Standard has, in this instance, resulted in the financial report being potentially misleading;</i> (c) <i>states the specific reasons why the auditor believes the additional disclosures are necessary to ensure the financial report as a whole is not misleading (the auditor's reasons are to be stated in the auditor's report itself rather than only by reference to the reasons included in the financial report); and</i> (d) <i>states that, in the auditor's opinion, the additional disclosures are relevant and reliable in meeting the objectives of the financial report.</i> <p>Application and Other Explanatory Material—insert extant para 16 as Aus A4.1</p>	

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Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
			<p><i>When an auditor's report is prepared on a financial report prepared under the Corporations Act 2001, section 308(3B) requires that if the financial report includes additional information under paragraph 295(3)(c) (additional information included to give a true and fair view of the entity's financial position and performance), the auditor's report includes the auditor's opinion on whether the additional information was necessary to give a true and fair view. Appendix 3, Example 2 provides an example of such reporting requirements in the context of the circumstances described in paragraph Aus 7.1 of this Auditing Standard. See also ASA 700 (Revised and Redrafted) for Requirements and explanatory guidance on Other Reporting Responsibilities.</i></p>	
2	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> <ul style="list-style-type: none"> (e) 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 (f) 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. 	See commentary directly above.	

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?
		When these circumstances exist, the auditor shall apply the mandatory requirements in paragraph 15.		
3	Appendix 2 Example 2	Refer illustrative auditor's report in extant ASA 701	See commentary directly above. Include illustrative auditor's report on a sec 308 (3B) situation.	Y
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]				
<Insert Standard section heading here>				
Retained in ASA [Revised & Redrafted] Reason 3: [Only when requirement necessary for public interest reasons and no inconsistency with the ISA]				
<Insert Standard section heading here>				

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				
Other Matter Paragraphs in the Auditor’s Report				
Restriction on distribution or use of the auditor’s report				
	A9	Financial statements prepared for a specific purpose may be prepared in accordance with a general purpose framework because the intended users have determined that such general purpose financial statements meet their financial information needs. Since the auditor’s report is intended for specific users, the auditor may consider it necessary in the circumstances to include an Other Matter paragraph, stating that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties.	New guidance on distribution and use of the <i>auditor’s report</i> relating to a special purpose financial report.	Y
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>				

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Retained in ASA [Revised & Redrafted]			
Reason 2: [Only when requirement necessary for legislative instrument reasons]			
<Insert Standard section heading here>			

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>			

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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>				

Part B – ASA				
<Insert Standard section heading here>				
	Appendix 2 Example 2	EOM – Concurrence with ‘additional information’	Example of a sec 308 (3B) requirement	Y
