

EXPOSURE DRAFT

ED 07/09

(March 2009)

**Proposed Auditing Standard
ASA 805
*Special Considerations—
Audits of Single Financial
Statements and Specific
Elements, Accounts or Items
of a Financial Statement
(Revised and Redrafted)
(Re-issuance of ASA 800)***

Issued for Comment by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 6 April 2009. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au.

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This Exposure Draft is available on the AUASB website: www.auasb.gov.au.

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PREFACE

Reasons for Issuing ED 07/09

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

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Main Proposals

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the auditor's responsibilities for an audit of a single financial statement or of a specific element, account or item of a financial statement.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

Main changes from existing ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* (April 2006, as amended)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* (April 2006, as amended), are included in the Tables of Differences provided as an attachment to this Exposure Draft.

This Auditing Standard deals with audits of a single financial statement, or specific element, account or item of a financial statement prepared in accordance with a general or special purpose framework. Extant ASA 800 deals, in addition to this, with audits of financial reports or a complete set of financial statements that are prepared in accordance with a special purpose framework.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA 800, *The Auditor's Report on Special Purpose Audit Engagements* by no later than 6 April 2009. The AUASB is seeking comments on the main changes from the existing ASA 800. In addition, respondents are asked to consider and respond to the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?

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3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
 4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
 5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the main changes to the Requirements of this proposed Auditing Standard are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard.

AUASB Information Note

The IAASB has announced completion of the “Clarity” project. While all currently known conforming amendments are incorporated into this Exposure Draft, readers are advised that the AUASB may decide to make further conforming amendments, and other editorial changes.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (Revised and Redrafted) pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied.

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (Revised and Redrafted)

Application

- Aus 0.1 This Auditing Standard applies to an audit of a single financial statement, or a specific element, account, or item of a financial statement prepared in accordance with a special purpose framework, for any purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

Introduction

Scope of this ASA

1. This Auditing Standard deals with special considerations in the application of the Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800 (Revised and Redrafted)¹ also applies to the audit. (Ref: Para. A1-A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement

¹ See ASA 800 (Revised and Redrafted), *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.

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team for purposes of an audit of a group financial report (see ASA 600 (Revised and Redrafted)²).

3. This Auditing Standard does not override the requirements of other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related notes. The related notes ordinarily comprise a summary of significant

² See ASA 600 (Revised and Redrafted), *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

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accounting policies and other explanatory information relevant to the financial statement or to the element.

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 (Revised and Redrafted) requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity's financial report. If the auditor is not also engaged to audit the entity's financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of the financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5-A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 (Revised and Redrafted) requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

Form of Opinion

9. ASA 210 (Revised and Redrafted) requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the

³ See ASA 200 (Revised and Redrafted), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 18.

⁴ See ASA 210 (Revised and Redrafted), *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁵ See ASA 210 (Revised and Redrafted), paragraph 10(e).

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auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8-A9)

Considerations When Planning and Performing the Audit

10. ASA 200 (Revised and Redrafted) states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6 7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10-A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700 (Revised and Redrafted),⁸ adapted as necessary in the circumstances of the engagement. (Ref: Para. A15-A16)

Reporting on the Entity's Financial Report and on a Single Financial Statement or on a Specific Element of that Financial Report

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the

⁶ See ASA 200 (Revised and Redrafted), paragraph 2.

⁷ See ASA 200 (Revised and Redrafted), paragraph Aus 13.1 which explains the term "financial report" means financial statements for the year ended, and the half-year respectively, notes to the financial statements and the director's declaration about the statements and notes, as defined in the *Corporations Act 2001* and Australian Accounting Standards. Paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.

⁸ See ASA 700 (Revised and Redrafted), *Forming an Opinion and Reporting on a Financial Report*.

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presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16 of this Auditing Standard, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report

14. If the opinion in the auditor's report on an entity's financial report is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor determines the effect that this may have on the auditor's report on a single financial statement or on a specific element of that financial report. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly. (Ref: Para. A15, A17)
15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report, ASA 705 (Revised and Redrafted) does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element that forms part of that financial report.⁹ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report. (Ref: Para. A18)
16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element that is included in that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

⁹ See ASA 705 (Revised and Redrafted), *Modification to the Opinion in the Independent Auditor's Report*, paragraph 15.

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- (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The specific element does not constitute a major portion of the entity's financial report.
17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

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Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1)

- A1. ASA 200 (Revised and Redrafted) defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁰
- A2. ASA 200 (Revised and Redrafted) defines the term “financial statements” as a structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.¹¹
- A3. Australian Auditing Standards are written in the context of an audit of a financial report or a complete set of financial statements;¹² they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹³

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. ASA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to

¹⁰ See ASA 200 (Revised and Redrafted), paragraph 13(g).

¹¹ See ASA 200 (Revised and Redrafted), paragraph 13(f).

¹² See ASA 200 (Revised and Redrafted), paragraph 2.

¹³ See ASAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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independence, relating to a financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁴

- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity's financial report. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570 (Revised and Redrafted)¹⁵ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards

¹⁴ See ASA 200 (Revised and Redrafted), paragraphs 4, 18, 22, Aus 22.1 and Aus 23.1.

¹⁵ See ASA 570 (Revised and Redrafted), *Going Concern*.

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setting organisation for the preparation of a financial report (e.g., Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.¹⁶ In accordance with ASA 700 (Revised and Redrafted).¹⁷
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor’s opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor’s opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the element. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (e.g., Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor’s consideration as to whether to use the phrases “presents

¹⁶ See ASA 200 (Revised and Redrafted), paragraph 8.

¹⁷ See ASA 700 (Revised and Redrafted), paragraphs 35-36.

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fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular circumstance.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240 (Revised and Redrafted),¹⁸ ASA 550 (Revised and Redrafted)¹⁹ and ASA 570 (Revised and Redrafted) are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.

¹⁸ See ASA 240 (Revised and Redrafted), *The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*.

¹⁹ See ASA 550 (Revised and Redrafted), *Related Parties*.

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- A11. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement or of a specific element of a financial statement.²⁰ For example, written representations from management, and where appropriate, those charged with governance, about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A12. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's financial report, the auditor may be able to use audit evidence obtained as part of the audit of the entity's financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.
- A13. The individual financial statements that comprise a financial report, and many of the elements of that financial report, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11, 14)

- A15. ASA 700 (Revised and Redrafted) requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²¹ In the case of a single financial statement or of a specific element of a financial statement, it is

²⁰ See ASA 200 (Revised and Redrafted), paragraph 2.

²¹ See ASA 700 (Revised and Redrafted), paragraph 13(e).

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important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.

- A16. Appendix 2 of this Auditing Standard contains illustrations of auditors' reports on a single financial statement and on a specific element of a financial statement.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report (Ref: Para. 14-15)

- A17. Even when the modified opinion on the entity's financial report, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ASA 706 (Revised and Redrafted)).²²
- A18. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial statements as a whole.²³

²² See ASA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 6.

²³ See ASA 510 (Revised and Redrafted), *Initial Audit Engagements—Opening Balances*, paragraph A8, and ASA 705 (Revised and Redrafted), paragraph A16.

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Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (Revised and Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

Compliance with this Auditing Standard enables compliance with ISA 805.

Proposed Auditing Standard ASA 805
Special Considerations—Audits of Single Financial Statements and
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Appendix 1

(Ref: Para. A3)

**Examples of Specific Elements, Accounts or Items of a
Financial Statement**

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a superannuation fund, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation fund, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Proposed Auditing Standard ASA 805
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Appendix 2

(Ref: Para. A16)

Illustrations of Auditors' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

**Example Auditors Report – Single Financial Statement (Balance Sheet)
(fair presentation framework)**

Illustration 1:

- **Circumstances include the following:**
- **Audit of a balance sheet (i.e., a single financial statement).**
- **The balance sheet has been prepared by management of the entity in accordance with the requirements of the Australian Accounting Standards relevant to preparing a balance sheet.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the single financial statement in ASA 210 (Revised and Redrafted).**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company as at 30 June, 20X1 and a summary of significant accounting policies and other explanatory information (together “the financial statement”).

Management’s²⁴ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the requirements of the Australian Accounting Standards relevant to preparing such a financial statement; and

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

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for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.²⁵ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of ABC Company as at 30 June, 20X1 in accordance with the requirements of the Australian Accounting Standards relevant to preparing such a financial statement.

²⁵ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances.”

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[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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Example Auditors Report – Single Financial Statement (Statements of Cash Receipts and Disbursements)
(fair presentation framework)

Illustration 2:

Circumstances include the following:

- **Audit of a statement of cash receipts and disbursements (i.e., a single financial statement).**
- **The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.²⁶**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.**
- **Distribution or use of the auditor’s report is not restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Company for the year ended 30 June, 20X1 and a summary of significant accounting policies and other explanatory information (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.

²⁶ See ASA 800 (Revised and Redrafted) which contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

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Specific Elements, Accounts or Items of a Financial Statement (Revised
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Management's²⁷ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as those management determines are necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of ABC Company for the year ended 30 June, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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**Example Auditors Report – Element, Account or Item of a Financial Statement (Liability incurred but not reported)
(compliance framework)**

Illustration 3:

Circumstances include the following:

- **Audit of the liability for “incurred but not reported” claims in an insurance portfolio (i.e., element, account or item of a financial statement).**
- **The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory authority to meet the requirements of that authority. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.²⁸**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ASA 210 (Revised and Redrafted).**
- **Distribution of the auditor’s report is restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as of 30 June, 20X1 (“the schedule”). The schedule has been prepared by management based on [describe the financial reporting provisions established by the regulatory authority].

²⁸ See ASA 800 (Revised and Redrafted) which contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

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Special Considerations—Audits of Single Financial Statements and
Specific Elements, Accounts or Items of a Financial Statement (Revised
and Redrafted) (Re-issuance of ASA 800)

Management’s²⁹ Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulatory authority], and for such internal control as management determines are necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information in the schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as of 30 June, 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulatory authority].

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Insurance Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Insurance Company and Regulator DEF and should not be distributed to parties other than ABC Insurance Company or Regulator DEF.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Tables of Differences — ASA 805 (Revised and Redrafted) and Extant ASA 800

Underlying Standard

ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (Revised and Redrafted) is used as the underlying Auditing Standard for the purpose of re-drafting this proposed Auditing Standard. The underlying Auditing Standard will be amended for the following matters:

- Australian Laws and Regulations (including the *Corporations Act 2001*);
- Changes considered necessary because this Auditing Standard is a legislative instrument; and
- Changes considered necessary in the public interest.

Summary of Main Differences — ASA 805 (Revised and Redrafted) and Extant ASA 800

The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and extant ASA 800.

Requirements in ASA (Revised and Redrafted) not in Extant ASA

Item #	ASA (Revised & Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Scope			
1	1-3	1. This Auditing Standard deals with special considerations in the application of the Australian Auditing Standards to an audit of a single financial statement or of a specific element, account, or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800 (Revised and Redrafted) also applies to the	New Scope section included.

Item #	ASA (Revised & Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		audit. (Ref: Para. A1-A4) 2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements (see ASA 600 (Revised and Redrafted)). 3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.	
Objectives			
2	5	The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to: (a) The acceptance of the engagement; (b) The planning and performance of that engagement; and (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.	New Objectives included.
Considerations when accepting the Engagement			
3	7	ASA 200 (Revised and Redrafted) requires the auditor to comply with all Australian Auditing Standards relevant to the audit. In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity's financial	Elevation of extant ASA Explanatory Guidance. [Extant ASA 800 para 27—equivalent Explanatory Guidance]

Item #	ASA (Revised & Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		report. If the auditor is not also engaged to audit the entity's complete set of financial statements, the auditor shall determine whether the audit of a single financial statement or of a specific element of that financial report is in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5-A6)	
Considerations when Planning and Performing the Audit			
4	10	ASA 200 (Revised and Redrafted) states that Australian Auditing Standards are written in the context of an audit of financial statements; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10-A14)	Requirement has no extant ASA equivalent.
Forming an Opinion and Reporting Considerations			
5	11	When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700 (Revised and Redrafted), adapted as necessary in the circumstances of the engagement. (Ref: Para. A15-A16)	Elevation of extant ASA Explanatory Guidance. [Extant ASA 800 para 27—equivalent Explanatory Guidance]
6	12	If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement.	Elevation of extant ASA Explanatory Guidance. [Extant ASA 800 para 27—equivalent Explanatory Guidance]

Item #	ASA (Revised & Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Acceptability of the Financial Reporting Framework			
7	13	An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited complete set of financial statements. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16 of this Auditing Standard, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.	(1) Shaded text is an elevation of extant ASA Explanatory Guidance. [Extant ASA 800 para 35—equivalent Explanatory Guidance] (2) Unshaded text has not extant ASA equivalent.
8	15	If the opinion in the auditor's report on an entity's financial report is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor shall determine the effect that this may have on the auditor's report on a single financial statement or on a specific element of those financial statements. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly. (Ref: Para. A17)	Requirement has no extant ASA equivalent
9	16	If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:	(1) Shaded text is equivalent in meaning to extant ASA Requirement. [Extant ASA 800 para 36—equivalent Requirement] (2) Unshaded text has not extant ASA equivalent.

Item #	ASA (Revised & Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		(a) The auditor is not prohibited by law or regulation from doing so; (b) That opinion is expressed in an auditor’s report that is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion; and (c) The specific element does not constitute a major portion of the entity’s financial report.	
10	17	The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report. This is the case even if the auditor’s report on the single financial statement is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.	Requirement has no extant ASA equivalent.

Significant Differences in Guidance — ASA (Revised and Redrafted) and Extant ASA

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
Considerations when Accepting the Engagement			
1	A5-A7, A9	<p>A5 ASA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist or application of the requirement (s) would related to classes of transactions, account balances or disclosures that are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the audit, where possible, performs appropriate alternative audit procedures.</p> <p>A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity’s financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the financial report. Accordingly, the auditor may need</p>	New Explanatory Guidance.

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
		<p>further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570 (Revised and Redrafted) are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.</p> <p><i>Acceptability of the Financial Reporting Framework (Ref: Para. 8)</i></p> <p>A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (e.g., International Financial Reporting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.</p>	

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
		<p>A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the element. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (e.g., International Financial Reporting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor’s consideration as to whether to use the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:</p> <ul style="list-style-type: none"> • Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report. • Whether the single financial statement or the specific element of a financial statement will: <ul style="list-style-type: none"> • Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element and the presentation of the financial statement or the element include the related notes. • If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework. 	

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
		<p>The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.</p>	
Considerations when Planning and Performing the Audit			
2	A10-A14	<p>A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240 (Revised and Redrafted), ASA 550 (Revised and Redrafted) and ASA 570 (Revised and Redrafted) are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.</p> <p>A11. Furthermore, (Revised and Redrafted) are written in the context of an audit of A financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement or of a specific element of a financial statement. For example, written representations from management about the complete set of financial statements would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.</p>	New Explanatory Guidance.

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
		<p>A12. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's financial report, the auditor may be able to use audit evidence obtained as part of the audit of the entity's complete set of financial statements in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.</p> <p>A13. The individual financial statements that comprise a complete set of financial statements, and many of the elements of those financial statements, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.</p> <p>A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's complete set of financial statements; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.</p>	

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
Forming an Opinion and Reporting Considerations			
3	A15-A18	<p>A15 ASA 700 (Revised and Redrafted) requires the auditor, in forming an opinion, to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements. In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.</p> <p>A16. Appendix 2 of this Auditing Standard contains illustrations of auditors' reports on a single financial statement and on a specific element of a financial statement.</p> <p><i>Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report (Ref: Para. 14-15)</i></p> <p>A17. Even when the modified opinion on the entity's financial report, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users'</p>	New Explanatory Guidance.

Item #	ASA (Revised & Redrafted) Para. #	Guidance	Commentary
		<p>understanding of the audited financial statement or the audited element or the related auditor’s report (see ASA 706 (Revised and Redrafted)).</p> <p>A18. In the auditor’s report on an entity’s financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report.</p>	