



**Agenda Item 1K (705)**

**Comparison of Proposed Statement on Auditing Standards (SAS), *Modifications to the Opinion in the Independent Auditor’s Report to ISA 705 (Revised)*, *Modifications to the Opinion in the Independent Auditor’s Report* and extant AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report***

| A   | B  | C  | D               |
|---|--|--|-----------------|
| <b>ISA 705 (Revised)<sup>1</sup></b>  | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
| <b>Introduction</b>   | <b>Introduction</b>  | <b>Introduction</b>  |                 |
| <b>Scope of this ISA</b>  | <b>Scope of this <del>ISA</del> <u>Proposed SAS</u></b>  | <b>Scope of this <del>Section</del> <u>Proposed SAS</u></b>  |                 |
| 1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with ISA 700 (Revised), <sup>1</sup> the auditor concludes that a modification to the auditor’s opinion on the | 1. <del>1. This International Standard on Auditing (ISA) deals with</del> <u>This proposed statement on auditing standards (SAS) addresses</u> the auditor’s responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with <del>ISA 700 (Revised)</del> , <sup>2</sup> | <del>.01</del> <u>1. This section proposed statement on auditing standards (SAS)</u> addresses the auditor’s responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with <del>section 700</del> , <u>proposed SAS</u> , <i>Forming an Opinion and Reporting on Financial</i> |                 |

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<sup>1</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

~~<sup>2</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*~~

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| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| <p>financial statements is necessary. This ISA also deals with how the form and content of the auditor’s report is affected when the auditor expresses a modified opinion. In all cases, the reporting requirements in ISA 700 (Revised) apply, and are not repeated in this ISA unless they are explicitly addressed or amended by the requirements of this ISA.</p> | <p><u>proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements</i></u> the auditor concludes that a modification to the auditor’s opinion on the financial statements is necessary. This <del>ISA</del><u>proposed SAS</u> also deals with how the form and content of the auditor’s report is affected when the auditor expresses a modified opinion. In all cases, the reporting requirements in <del>ISA 700 (Revised)</del><u>proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements</i></u> apply, and are not repeated in this <del>ISA</del><u>proposed SAS</u> unless they are explicitly addressed or amended by the requirements of this <del>ISA</del><u>proposed SAS</u>.</p> | <p><i>Statements</i>, the auditor concludes that a modification to the auditor’s opinion on the financial statements is necessary. <u>This proposed SAS also deals with how the form and content of the auditor’s report is affected when the auditor expresses a modified opinion. In all cases, the reporting requirements in proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements</i> apply, and are not repeated in this proposed SAS unless they are explicitly addressed or amended by the requirements of this proposed SAS.</u></p> |          |
| <p><b>Types of Modified Opinions</b></p>  |   | <p><b>Types of Modified Opinions</b></p>   |          |
| <p>2. This ISA establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon: <u>(Ref: Para. A1)</u></p>  | <p>2. <del>2.</del>—This <del>ISA</del><u>proposed SAS</u> establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon <u>the following</u>:</p>  | <p><del>.022.</del> This <del>section</del>—<u>proposed SAS</u> establishes three types of modified opinions: namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon the following: <del>(Ref: par. A1)</del></p>   |          |

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| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| (a) The nature of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and | (a) The nature of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and   | a. The nature of the matter giving rise to the modification (that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated); <a href="#">and</a>   |          |
| (b) The auditor’s judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements. (Ref: Para. A1)   | (b) The auditor’s judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements. (Ref: <del>Parapar</del> . A1)  | b. The auditor’s professional judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements ( <a href="#">Ref: par. A1</a> )   |          |
|  | <a href="#">3. Proposed SAS, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>, and proposed SAS, <i>Communicating Key Audit Matters in the Independent Auditor’s Report</i> address additional communications in the auditor’s report that are not modifications to the auditor’s opinion.</a> | <del>.03 Section 706.</del> <a href="#">3. Proposed SAS, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>, <del>addresses situations when the auditor considers it necessary, or is required, to include</del> and proposed SAS, <i>Communicating Key Audit Matters in the Independent Auditor’s Report</i> address additional communications in the auditor’s report that are not modifications to the auditor’s opinion.</a> |          |
| <b>Effective Date</b>  |  | <b>Effective Date</b>  |          |

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| 3. This ISA is effective for audits of financial statements for periods ending on or after December 15, 2016.   | <u>4.</u> <del>3.</del> <del>3.</del> This <del>ISA</del> <u>proposed SAS</u> is effective for audits of financial statements for periods ending on or after December 15, <del>2016</del> <u>20XX</u> .             | <del>.044.</del> This <del>section</del> <u>proposed SAS</u> is effective for audits of financial statements for periods ending on or after December 15, 2012.     |          |
| Objective   | Objective   | <b>Objective</b>   |          |
| 4. The objective of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when:                         | <u>5.</u> <del>4.</del> <del>4.</del> The objective of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when:                                      | <del>.055.</del> The objective of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when           |          |
| (a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or               | (a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are <del>not free</del> <del>from</del> <del>material misstatement</del> ; <u>materially misstated</u> or | a. the auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are materially misstated 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. | (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.   | 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. |          |
| Definitions   | Definitions   | <b>Definitions</b>   |          |
| 5. For purposes of the ISAs, the following terms have the meanings attributed below:  | <u>6.</u> <del>5.</del> <del>5.</del> For purposes of <del>the ISAs</del> <u>generally accepted auditing standards</u> ,  | <del>.066.</del> For purposes of generally accepted auditing standards, the following terms  |          |

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|  | the following terms have the meanings attributed <del>below</del> <u>as follows</u> :  | have the meanings attributed as follows:   |          |
| (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: | (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: | <b>Pervasive.</b> 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 professional judgment |          |
| (i) Are not confined to specific elements, accounts or items of the financial statements;  | (i) Are not confined to specific elements, accounts or items of the financial statements;  | <ul style="list-style-type: none"> <li>are not confined to specific elements, accounts, or items of the financial statements;</li> </ul>   |          |
| (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or   | (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or   | <ul style="list-style-type: none"> <li>if so confined, represent or could represent a substantial proportion of the financial statements; or</li> </ul>  |          |
| (iii) In relation to disclosures, are fundamental to users’ understanding of the financial statements.   | (iii) <del>In</del> <u>in relation with regard</u> to disclosures, are fundamental to users’ understanding of the financial statements.  | <ul style="list-style-type: none"> <li>with regard to disclosures, are fundamental to users’ understanding of the financial statements.</li> </ul>   |          |

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| (b) Modified opinion – A qualified opinion, an adverse opinion or a disclaimer of opinion on the financial statements.  | (b) Modified opinion – A qualified opinion, an adverse opinion or a disclaimer of opinion on the financial statements.   | <b>Modified opinion.</b> A qualified opinion, an adverse opinion, or a disclaimer of opinion <u>on the financial statements</u> .   |          |
| Requirements  | Requirements   | <b>Requirements</b>   |          |
| <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>   | <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>  | <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>   |          |
| 6. The auditor shall modify the opinion in the auditor’s report when:   | <u>7.</u> <del>6-6-</del> The auditor <del>shall</del> <u>should</u> modify the opinion in the auditor’s report when:  | <del>.077.</del> The auditor should 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)                | (a) <del>The</del> <u>the</u> auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are <del>not free from material misstatement;</del> <u>materially misstated</u> or (Ref: <del>Parapar.</del> <u>par.</u> A2–A79) | a. the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated or (Ref: par. <del>.A2-.A79</del> )                                   |          |
| (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. (Ref: Para. A8–A12) | (b) <del>The</del> <u>the</u> auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. (Ref: <del>Parapar.</del> <u>par.</u> A8 <u>10</u> –A12 <u>14</u> )    | 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. (Ref: par. <del>.A810-.A1214</del> ) |          |

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| <b>Determining the Type of Modification to the Auditor's Opinion</b>  | <b>Determining the Type of Modification to the Auditor's Opinion</b>  | <b>Determining the Type of Modification to the Auditor's Opinion</b>   |                 |
| <i>Qualified Opinion</i>  | <i>Qualified Opinion</i>  | <i>Qualified Opinion</i>   |                 |
| 7. The auditor shall express a qualified opinion when:  | <u>8.</u> <del>7.7.</del> The auditor <del>shall</del> <u>should</u> express a qualified opinion when:  | <del>.088.</del> The auditor should express a qualified opinion when   |                 |
| (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or  | (a) <del>The</del> <u>the</u> auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material; but not pervasive; to the financial statements; or  | a. the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements or   |                 |
| (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. | (b) <del>The</del> <u>the</u> auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. | b. the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. |                 |
| <i>Adverse Opinion</i>  | <b>Adverse Opinion</b>  | <i>Adverse Opinion</i>   |                 |
| 8. The auditor shall express an adverse opinion when the auditor, having obtained   | <u>9.</u> <del>8.8.</del> The auditor <del>shall</del> <u>should</u> express an adverse opinion when the auditor,   | <del>.099.</del> The auditor should express an adverse opinion when the auditor, having  |                 |

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| sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.   | having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.  | obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.  |  |
| <i>Disclaimer of Opinion</i>  | <i>Disclaimer of Opinion</i>   | <i>Disclaimer of Opinion</i>  |  |
| 9. The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.  | <u>10.</u> <del>9.</del> <del>9.</del> —The auditor <del>shall</del> <u>should</u> disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. (Ref. par. <a href="#">A15–A16</a> )  | <del>10</del> <u>10</u> . The auditor should disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. (Ref: par. <del>A13</del> <u>15</u> – <del>A14</del> <u>16</u> ) |  |
| 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 | <del>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</del> |   | It is inappropriate to disclaim an opinion when the auditor has obtained sufficient appropriate audit evidence |

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| effect on the financial statements.   | <del>statements.</del>   |  |          |
| <i>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement</i>   | <i>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation <del>after</del>After the Auditor Has Accepted the Engagement</i>  | <i>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation After the Auditor Has Accepted the Engagement</i>  |          |
| 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. | <u>11.</u> <del>10. 11.</del> 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 <del>shall</del> <u>should</u> request that management remove the limitation. | <del>11.</del> <u>11.</u> 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 should request that management remove the limitation. |          |
| 12. If management refuses to remove the limitation referred to in paragraph 11 of <u>this ISA</u> , the auditor shall communicate the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity, <sup>32</sup> and determine whether it is   | <u>12.</u> <del>11. 12.</del> If management refuses to remove the limitation referred to in paragraph 11 <del>of this ISA</del> , the auditor <del>shall</del> <u>should</u> communicate the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity, <sup>43</sup> and   | <del>12.</del> <u>12.</u> If management refuses to remove the limitation referred to in paragraph .11, the auditor should communicate the matter to those charged with governance, unless all of those charged with governance are involved in managing the entity, <sup>fn 1</sup> and determine whether it is  |          |

<sup>32</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 13

~~4~~ ~~ISA 260 (Revised)~~; <sup>3</sup> Paragraph .09 of AU-C 260, The Auditor's *Communication with Those Charged with Governance*, ~~paragraph 13~~

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| possible to perform alternative procedures to obtain sufficient appropriate audit evidence.  | determine whether it is possible to perform alternative procedures to obtain sufficient appropriate audit evidence.   | possible to perform alternative procedures to obtain sufficient appropriate audit evidence.   |          |
| 13. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the implications as follows:   | <u>13.</u> <del>12. 13.</del> If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor <del>shall</del> <u>should</u> determine the implications as follows:                                       | <del>.13</del> <u>13.</u> If the auditor is unable to obtain sufficient appropriate audit evidence <del>due to a management imposed limitation, and,</del> <u>the auditor should determine the implications as follows:</u> |          |
| (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 auditor shall qualify the opinion; or | (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 auditor <del>shall</del> <u>should</u> qualify the opinion; or | <u>(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 auditor should qualify the opinion; or</u>              |          |

<sup>fn 1</sup> Paragraph .09 of section 260, *The Auditor's Communication With Those Charged With Governance*.

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| <p>(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:</p> <p>(i) Withdraw from the audit, where practicable and possible under applicable law or regulation; or (Ref: Para. A13)</p> <p>(ii) If withdrawal from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements. (Ref. Para. A14)</p> | <p>(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 <del>gravity</del><u>severity</u> of the situation, the auditor <del>shall</del><u>should</u>:</p> <p><del>(i) Withdraw from the audit, where practicable and possible under applicable law or regulation; or (Ref: Para. A15)</del></p> <p><del>(i) (ii) If withdrawal from the audit before issuing the auditor's report is not practicable or possible, disclaim</del><u>Disclaim</u> an opinion on the financial statements. <del>(Ref. Para. A16; or</del></p> <p><del>(ii) Withdraw from the audit, when practicable (Ref. par. A17-A18)</del></p> | <p><del>(b) if</del> the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive <u>so that a qualification of the opinion would be inadequate to communicate the severity of the situation</u>, the auditor should <del>either disclaim</del>:</p> <p><del>(i) Disclaim</del> an opinion on the financial statements; or,</p> <p><del>(ii) Withdraw from the audit, when practicable, withdraw from the audit. (Ref. par. A17-A18)</del></p> | <p>These paragraphs have been reworded for U.S. environment where the auditor would consider withdrawing, but is not typically required to withdraw.</p> |
| <p>14. If the auditor withdraws as contemplated by paragraph 13(b)(i), before withdrawing, the auditor shall communicate to those charged with</p>   | <p><u>14.</u> <del>13-14.</del> If the auditor withdraws as contemplated by paragraph <del>13(b)(i), 13,</del> before withdrawing, the auditor <del>shall</del><u>should</u> communicate to those charged</p>  | <p><del>14</del><u>14.</u> If the auditor withdraws, as contemplated by paragraph .13, before withdrawing, the auditor should communicate to those charged with</p>   |  |

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| governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: Para. A15)  | with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: <del>Para</del> <u>par. A15</u> <u>18</u> )  | governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion. (Ref: <del>par. A15</del> <del>A16</del> <u>A18</u> )  |          |
| <i>Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion</i>   | <i>Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion</i>   | <i>Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion</i>  |          |
| 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 <sup>3</sup> in these circumstances would contradict the | <u>15.</u> <del>14. 15.</del> 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 <del>shall</del> <u>should</u> 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 <u>piecemeal opinion</u> . To include such an unmodified opinion in the same report <sup>4</sup> in | <del>15</del> <u>15.</u> 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 should 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. <sup>fn 2</sup> To include such an unmodified opinion in the same report in |          |

<sup>3</sup> ISA 805, *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.

<sup>4</sup> ISA 805, *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.

<sup>fn 2</sup> Paragraph .21 of section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*.

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| A   | B  | C  | D               |
|---|--|--|-----------------|
| <b>ISA 705 (Revised)<sup>1</sup></b>  | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
| auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole. (Ref: Para. A16) | these circumstances would contradict the auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole. (Ref: <del>Parapar.</del> <del>A16</del> )   | these circumstances would contradict the auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole. (Ref: par. <del>A17</del> <del>A18</del> )   |                 |
|   | <u><i>Auditor Is Not Independent but Is Required by Law or Regulation to Report on the Financial Statements</i></u>  | <i>Auditor Is Not Independent but Is Required by Law or Regulation to Report on the Financial Statements</i>   |                 |
|   | <u>16. <del>15.</del>—When the auditor is not independent but is required by law or regulation to report on the financial statements, the auditor should disclaim an opinion and should specifically state that the auditor is not independent. The auditor is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the auditor chooses to provide the reasons for the lack of independence, the auditor should include all the reasons therefor. (Ref: par. <del>A19</del> <del>21</del>)</u> | <del>16.</del> 16. When the auditor is not independent but is required by law or regulation to report on the financial statements, the auditor should disclaim an opinion and should specifically state that the auditor is not independent. The auditor is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the auditor chooses to provide the reasons for the lack of independence, the auditor should include all the reasons therefor. (Ref: par. <del>A19</del> <del>21</del> ) |                 |
| <b>Form and Content of the Auditor's Report When the Opinion Is Modified</b>                                | Form and Content of the Auditor's Report When the Opinion Is Modified  | <b>Form and Content of the Auditor's Report When the Opinion Is Modified</b>   |                 |

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|--|---|--|----------|
| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| <i>Auditor's Opinion</i>   | <i>Auditor's Opinion</i>  | <u><i>Auditor's Opinion Paragraph</i></u>  |          |
| 16. When the auditor modifies the audit opinion, the auditor shall use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the Opinion section. (Ref: Para. A17–A19) | <u>17.</u> <del>16. 16.</del> When the auditor modifies the audit opinion, the auditor <del>shall</del> <u>should</u> use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the Opinion section. (Ref: <del>Parapar.</del> <u>A1722–A1924</u> ) | <del>23</del> <u>17.</u> When the auditor modifies the audit opinion, the auditor should use <u>athe</u> heading <del>that includes</del> "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the <del>opinion paragraph</del> <u>Opinion section.</u> (Ref: <del>par. A28</del> <u>par. A22–A24</u> ) |          |
| Qualified Opinion  | Qualified Opinion   | <u>Qualified Opinion</u>   |          |

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|--|---|---|--|
| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)  | Comments   |
| <p>17. When the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor shall state that, in the auditor’s opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section:</p> <p>(a) When reporting in accordance with a fair presentation framework, the accompanying financial statements present fairly, in all material respects (or give a true and fair view of) [...] in accordance with [the applicable financial reporting framework]; or</p> <p>(b) When reporting in accordance with a compliance framework, the accompanying financial statements have been prepared, in all material respects, in accordance with [the applicable financial reporting 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. (Ref: Para. A20)</p> | <p><del>18.</del> <del>17-17-</del>When the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor <del>shall</del><u>should</u> state that, in the auditor’s opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section:</p> <p><del>(a) — When reporting in accordance with a fair presentation framework,</del> the accompanying financial statements present fairly, in all material respects <del>(or give a true and fair view of)</del>, <u>[...]</u> in accordance with [the applicable financial reporting framework]; <del>or</del></p> <p><del>(b) — When reporting in accordance with a compliance framework, the accompanying financial statements have been prepared, in all material respects, in accordance with [the applicable financial reporting framework].</del></p> <p>When the modification arises from an inability to obtain sufficient appropriate audit evidence, the auditor <del>shall</del><u>should</u> use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion. (Ref: <del>Para</del><u>par.</u> A<del>20</del><u>25</u>)</p> | <p><del>2418.</del> When the auditor expresses a qualified opinion due to a material misstatement in the financial statements, the auditor should state <del>in the opinion paragraph</del> that, in the auditor’s opinion, except for the effects of the matter(s) described in the <del>basis for qualified opinion paragraph, the</del><u>Basis for Qualified Opinion section, the accompanying</u> financial statements <del>are presented</del><u>present</u> fairly, in all material respects, <u>[...]</u> in accordance with [the applicable financial reporting framework]. When the modification arises from an inability to obtain sufficient appropriate audit evidence, the auditor should use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion. (Ref: par. <del>A2925-</del><u>A3026</u>)</p> | <p>The US does not have compliance frameworks.</p> |

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|---|---|--|----------|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| Adverse Opinion   | Adverse Opinion   | <a href="#"><u>Adverse Opinion</u></a>   |          |
| <p>18. When the auditor expresses an adverse opinion, the auditor shall state that, in the auditor’s opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion section:</p> <p>(a) When reporting in accordance with a fair presentation framework, the accompanying financial statements do not present fairly, in all material respects (or give a true and fair view of) [...] in accordance with [the applicable financial reporting framework]; or</p> <p>(b) When reporting in accordance with a compliance framework, the accompanying financial statements have not been prepared, in all material respects, in accordance with [the applicable financial reporting framework]</p> | <p><a href="#"><u>19.</u></a> <del>18. 18.</del> When the auditor expresses an adverse opinion, the auditor <del>shall</del><a href="#"><u>should</u></a> state that, in the auditor’s opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion section:</p> <p><del>(a) — When reporting in accordance with a fair presentation framework,</del> the accompanying financial statements do not present fairly, <del>in all material respects (or give a true and fair view of)</del> [...] in accordance with [the applicable financial reporting framework]; <del>or</del></p> <p><del>(b) When reporting in accordance with a compliance framework, the accompanying financial statements have not been prepared, in all material respects, in accordance with [the applicable financial reporting framework]</del></p> | <p><del>.19</del><a href="#"><u>19.</u></a> When the auditor expresses an adverse opinion, the auditor should state <del>in the opinion paragraph</del> that, in the auditor’s opinion, because of the significance of the matter(s) described in the <del>basis for adverse opinion paragraph,</del> <a href="#"><u>Basis for Adverse Opinion section, the accompanying</u></a> financial statements <del>are do</del> not <del>presented</del><a href="#"><u>present</u></a> fairly, <a href="#"><u>in all material respects [...]</u></a> in accordance with <a href="#"><u>[the applicable financial reporting framework]</u></a>.</p> |          |
| Disclaimer of Opinion   | Disclaimer of Opinion   | <a href="#"><u>Disclaimer of Opinion</u></a>   |          |
| 19. When the auditor disclaims an opinion due to an inability to obtain sufficient  | <a href="#"><u>20.</u></a> <del>19. 19.</del> When the auditor disclaims an opinion due to an inability to obtain   | <del>.26</del> <a href="#"><u>20.</u></a> When the auditor disclaims an opinion due to an inability to obtain  |          |

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|---|--|--|-----------------|
| <b>ISA 705 (Revised)<sup>1</sup></b>  | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
| appropriate audit evidence, the auditor shall:  | sufficient appropriate audit evidence, the auditor <del>shall</del> : <u>should</u>  | sufficient appropriate audit evidence, the auditor should <del>state in the opinion paragraph that</del>   |                 |
| (a) State that the auditor does not express an opinion on the accompanying financial statements;  | (a) <del>State</del> <u>state</u> that the auditor does not express an opinion on the accompanying financial statements; <del>and</del>  | <del>b. accordingly, a. state that</del> the auditor does not express an opinion on the <u>accompanying</u> financial statements; <del>and</del> ;   |                 |
| (b) State that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and | (b) <del>State</del> <u>state</u> that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and  | <del>a/b. state that,</del> because of the significance of the matter(s) described in the <del>basis</del> <u>Basis</u> for <del>disclaimer of opinion paragraph</del> <u>Disclaimer of Opinion section</u> , the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion <u>on the financial statements</u> and |                 |
| (c) Amend the statement required by paragraph 24(b) of ISA 700 (Revised), which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements.   | (c) <del>Amend</del> <u>amend</u> the statement required by paragraph <del>24(b) of ISA 700 (Revised)</del> <u>23(b) of proposed SAS, Forming an Opinion and Reporting on Financial Statements</u> , which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements. | <u>c. amend the statement required by paragraph 23(b) of proposed SAS, Forming an Opinion and Reporting on Financial Statements, which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements.</u>   |                 |
| <i>Basis for Opinion</i>  | <i>Basis for Opinion</i>   | <i>Basis for <b>Modification</b> Paragraph <u>Opinion</u></i>  |                 |

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| A  | B   | C  | D        |
|--|---|--|----------|
| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| <p>20. When the auditor modifies the opinion on the financial statements, the auditor shall, in addition to the specific elements required by ISA 700 (Revised): (Ref: Para. A21)</p> <p>(a) Amend the heading “Basis for Opinion” required by paragraph 28 of ISA 700 (Revised) to “Basis for Qualified Opinion,” “Basis for Adverse Opinion,” or “Basis for Disclaimer of Opinion,” as appropriate; and</p> <p>(b) Within this section, include a description of the matter giving rise to the modification.</p> | <p><u>21.</u> <del>20. 20.</del> When the auditor modifies the opinion on the financial statements, the auditor <del>shall</del><u>should</u>, in addition to the specific elements required by <del>ISA 700 (Revised): (Ref: Para. A21)</del><u>proposed SAS, Forming an Opinion and Reporting on Financial Statements, (Ref: par. A27)</u></p> <p>(a) <del>Amend</del><u>amend</u> the heading “Basis for Opinion” required by paragraph <del>28 of ISA 700 (Revised)</del><u>26 of proposed SAS, Forming an Opinion and Reporting on Financial Statements,</u> to “Basis for Qualified Opinion,” “Basis for Adverse Opinion,” or “Basis for Disclaimer of Opinion,” as appropriate; and</p> <p>(b) <del>Within</del><u>within</u> this section, include a description of the matter giving rise to the modification.</p> | <p><del>a. 17</del><u>21.</u> When the auditor modifies the opinion on the financial statements, the auditor should, in addition to the specific elements required by <del>section 700, include a paragraph in the auditor’s report that provides a description of the matter giving rise to the modification. The auditor should place this paragraph immediately before the opinion paragraph in the auditor’s report and use a heading that includes “Basis for Qualified Opinion,” “Basis for Adverse Opinion,” or “Basis for Disclaimer of Opinion,” as appropriate. (Ref: par. A20)</del><u>proposed SAS, Forming an Opinion and Reporting on Financial Statements., (Ref: par. A27)</u></p> <p><u>a. amend the heading “Basis for Opinion” required by paragraph .26 of proposed SAS, Forming an Opinion and Reporting on Financial Statements, to to “Basis for Qualified Opinion,” “Basis for Adverse Opinion,” or “Basis for Disclaimer of Opinion,” as appropriate, and</u></p> |          |

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|  |   | <u><a href="#">b. within this section, include a description of the matter giving rise to the modification.</a></u>   |          |
| <p>21. If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor shall include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor shall so state in this section. (Ref: Para. A22)</p> | <p><u>22.</u> <del>21. 21.</del> If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor <del>shall</del><u>should</u> include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor <del>shall</del><u>should</u> so state in this section. (Ref:</p> | <p><del>18</del><u>22.</u> If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the auditor should include in the <del>basis for modification paragraph</del><u>Basis for Opinion section</u> a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor should so state in <del>the basis for modification</del></p> |          |

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| <b>ISA 705 (Revised)<sup>1</sup></b>   | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b>                             |
|  | <del>Parapar.</del> <a href="#">A2226</a> )  | <del>paragraph</del> <a href="#">this section</a> . (Ref: par. <del>:-A2126-</del><br><del>:-A2328</del> )   |   |
| 22. If there is a material misstatement of the financial statements that relates to qualitative disclosures, the auditor shall include in the Basis for Opinion section an explanation of how the disclosures are misstated. | <a href="#">23.</a> <del>22. 22.</del> If there is a material misstatement of the financial statements that relates to qualitative <del>narrative</del> disclosures, the auditor <del>shall</del> <a href="#">should</a> include in the Basis for Opinion section an explanation of how the disclosures are misstated. | <del>.19</del> <a href="#">23.</a> If there is a material misstatement of the financial statements that relates to <del>narrative</del> <a href="#">qualitative</a> disclosures, the auditor should include in the <del>basis</del> <a href="#">Basis</a> for <del>modification—paragraph</del> <a href="#">Opinion section</a> an explanation of how the disclosures are misstated. | Grey shading relates to disclosures project |

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| 23. 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:  | <del>24. 23. 23.</del> If there is a material misstatement of the financial statements that relates to the <del>non-disclosure</del> <u>omission</u> of information required to be <u>presented or</u> disclosed, the auditor <del>shall</del> : <u>should</u>  | <del>2024.</del> If there is a material misstatement of the financial statements that relates to the omission of information required to be presented or disclosed, the auditor should   | Retain extant wording. |
| (a) Discuss the non-disclosure with those charged with governance;  | (a) <del>Discuss</del> <u>discuss</u> the <del>non-disclosure</del> <u>omission</u> of <u>such information</u> with those charged with governance;  | a. discuss the omission of such information with those charged with governance;  | Retain extant wording. |
| (b) Describe in Basis for Opinion section the nature of the omitted information; and  | (b) <del>Describe</del> <u>describe</u> in <u>the</u> Basis for Opinion section the nature of the omitted information; and  | b. describe in the <del>modification—paragraph</del> <u>basis</u> <u>Basis</u> for <u>Opinion section</u> 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. (Ref: Para. A23) | (c) <del>Unless prohibited by law or regulation;</del> include the omitted <del>disclosures</del> <u>information</u> , provided <u>that</u> it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information. (Ref: <del>Parapar.</del> <u>A2329–A30</u> ) | c. include the omitted information, provided that it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information. (Ref: par. <del>-.A2429–</del> <u>-.A2530</u> ) | Retain extant wording. |
| .24 If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in   | <del>25. 24. 24.</del> If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor   | <del>2125.</del> If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor should include   |                        |

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| the Basis for Opinion section the reasons for that inability.  | <del>shall</del> <u>should</u> include in the Basis for Opinion section the reasons for that inability. ( <u>Ref. Par. A31</u> )   | in the <del>basis</del> <u>Basis</u> for <del>modification paragraph</del> <u>Opinion section</u> the reasons for that inability. (Ref: par. <del>A26</del> <u>31</u> )   |          |
|  |  | <del><i>Description of the Auditor's Responsibility When the Auditor Expresses a Qualified or an Adverse Opinion</i></del>  |          |
| 25. When the auditor expresses a qualified or adverse opinion, the auditor shall amend the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion required by paragraph 28(d) of ISA 700 (Revised) to include the word "qualified" or "adverse", as appropriate. | <u>26.</u> <del>25. 25.</del> When the auditor expresses a qualified or <u>an</u> adverse opinion, the auditor <del>shall</del> <u>should</u> amend the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion required by paragraph <del>28(d) of ISA 700 (Revised)</del> <u>26(d) of proposed SAS, Forming an Opinion and Reporting on Financial Statements,</u> to include the word "qualified" or "adverse", as appropriate. | <u>.27</u> <del>26</del> When the auditor expresses a qualified or an adverse opinion, the auditor should amend the <del>description of the auditor's responsibility to state that the auditor believes that</del> <u>statement about whether</u> the audit evidence <del>the auditor has</del> obtained is sufficient and appropriate to provide a basis for the auditor's <del>modified audit</del> opinion <u>required by paragraph 26(d) of proposed SAS, Forming an Opinion and Reporting on Financial Statements, to include the word "qualified" or "adverse", as appropriate.</u> |          |
| 26. When the auditor disclaims an opinion on the financial statements, the auditor's report shall not include the elements required by paragraphs 28(b) and 28(d) of   | <u>27.</u> <del>26. 26.</del> When the auditor disclaims an opinion on the financial statements, the auditor's report <del>shall</del> <u>should</u> not include the elements required by paragraphs <del>28(b) and 28(d) of ISA 700 (Revised)</del> <u>26(b) and 26(d)</u>  | <u>27.</u> When the auditor disclaims an opinion on the financial statements, the auditor's report shall not include the elements required by paragraphs <u>26 (b) and 26(d) of proposed SAS, Forming an</u>  |          |

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| ISA 700 (Revised). Those elements are:  | <u>of proposed SAS, Forming an Opinion and Reporting on Financial Statements.</u><br>Those elements are:                              | <u>Opinion and Reporting on Financial Statements.</u> Those elements are:   |          |
| (a) A reference to the section of the auditor's report where the auditor's responsibilities are described; and                        | (a) <del>A</del> a reference to the section of the auditor's report where the auditor's responsibilities are described; and           | a. <u>A reference to the section of the auditor's report where the auditor's responsibilities are described; and</u>                        |          |
| (b) A statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion. | (b) A statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion. | b. <u>A statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.</u> |          |

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|---|---|---|---|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)  | Comments  |
| <p>27. 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 Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof. (Ref: Para. A24)</p> | <p><u>28.</u> <del>27. 27.</del> Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor <del>shall</del><u>should</u> describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof. (Ref: <del>Parapar.</del> <u>A24</u><u>32</u>)</p> | <p><del>.22</del><u>28.</u> Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor should</p> <p><i>a.</i> describe in the <del>basis for modification paragraph</del><u>Basis for Opinion section the reasons for</u> any other matters of which the auditor is aware that would have required a modification to the opinion and the effects thereof <del>and</del> (Ref: par. <del>.A27</del><u>32</u><del>-A33</del>)</p> <p><del><i>b.</i> consider the need to describe in an emphasis of matter or other matter paragraph(s) <sup>fn-3</sup> any other matters of which the auditor is aware that would have resulted in additional communications in the auditor's report on the financial statements that are not modifications of the auditor's opinion.</del></p> | <p>Moved extant .22b to application material.</p> |
| <p><i>Description of Auditor's Responsibilities for the Audit of the Financial Statements</i></p>   | <p><b>Description of Auditor's Responsibilities for the Audit of the Financial Statements</b></p>   | <p><i>Description of the Auditor's <del>Responsibility</del><u>Responsibilities for the</u></i></p>   |   |

<sup>fn-3</sup> See ~~section 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.~~

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|---|--|--|----------|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| <i>When the Auditor Disclaims an Opinion on the Financial Statements</i>  | <b>When the Auditor Disclaims an Opinion on the Financial Statements</b>   | <u><a href="#">Audit of the Financial Statements</a></u> <i>When the Auditor Disclaims an Opinion <u>on the Financial Statements</u></i>   |          |
| 28. When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the description of the auditor’s responsibilities required by paragraphs 38–40 of ISA 700 (Revised to include only the following: (Ref: Para. A25) | <u>29.</u> <del>28. 28.</del> When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor <del>shall</del> <u>should</u> amend the description of the auditor’s responsibilities required by paragraphs <del>38–40 of ISA 700 (Revised)</del> <u>35–37 of proposed SAS, Forming an Opinion and Reporting on Financial Statements,</u> to include only the following: (Ref: <del>Para</del> <u>par.</u> A34) | <del>.2829.</del> When the auditor disclaims an opinion <u>on the financial statements</u> due to an inability to obtain sufficient appropriate audit evidence, the auditor should amend the <del>introductory paragraph of the auditor’s report to state that the auditor was engaged to audit the financial statements. The auditor should also amend the</del> description of the auditor’s <del>—responsibility and the description of the scope of the audit to state</del> responsibilities required by paragraphs <u>35-37 of proposed SAS, Forming an Opinion and Reporting on Financial Statements, to include</u> only the following (Ref. <u>par.</u> A34): |          |

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| <p>(a) A statement that the auditor’s responsibility is to conduct an audit of the entity’s financial statements in accordance with International Standards on Auditing and to issue an auditor’s report;</p> <p>(b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and</p> <p>(c) The statement about auditor independence and other ethical responsibilities required by paragraph 28(c) of ISA 700 (Revised).</p> | <p>(a) A statement that the auditor’s responsibility is to conduct an audit of the entity’s financial statements in accordance with <del>International Standards—on—Auditing</del> <u>auditing standards generally accepted in the United States of America</u> and to issue an auditor’s report;</p> <p>(b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and</p> <p>(c) The statement about auditor independence and other ethical responsibilities required by paragraph <del>28(e) of ISA 700 (Revised)</del> <u>26(c) of proposed SAS, Forming an Opinion and Reporting on Financial Statements.</u></p> | <p><del>"Our</del> <u>a. A statement that the auditor’s responsibility is to <del>express</del>conduct an <del>opinion on</del>audit of the entity’s financial statements based on conducting the audit</u> in accordance with auditing standards generally accepted in the United States of <del>America</del> <u>Because America</u> and to issue an auditor’s report;</p> <p><u>b. A statement that, however, because of the matter(s) described in the <del>basis for disclaimer of opinion paragraph, however, we were</del>Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and</u></p> <p><u>(c) The statement about auditor independence and other ethical responsibilities required by paragraph 26(c) of proposed SAS, Forming an Opinion and Reporting on Financial</u></p> |          |

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|   |  | <a href="#"><u>Statements.</u></a> <sup>3</sup>  |          |
| <i>Considerations When the Auditor Disclaims an Opinion on the Financial Statements</i> | <i>Considerations When the Auditor <a href="#"><u>Expresses an Adverse Opinion or Disclaims an Opinion on the Financial Statements</u></a></i> | <i><a href="#"><u>Considerations When the Auditor Expresses an Adverse Opinion or Disclaims an Opinion on the Financial Statements</u></a></i> |          |

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|---|--|--|--|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments                                       |
| <p>29. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor’s report shall not include a Key Audit Matters section in accordance with ISA 701.<sup>5</sup> (Ref: Para. A26)</p>                   | <p><del>30. 29. 29. Unless required by law or regulation, when</del> <u>When</u> the auditor <u>issues an adverse opinion or</u> disclaims an opinion on the financial statements, the auditor’s report <del>shall</del><u>should</u> not include a Key Audit Matters section in accordance with <del>ISA</del><u>proposed SAS, Communicating Key Audit Matters in the Independent Auditor’s Report</u> 701.<sup>6</sup> (Ref: <del>Parapar.</del><u>par.</u> <del>A35–A26</del><u>36</u>)</p> | <p><u>30. When the auditor issues an adverse opinion or disclaims an opinion on the financial statements, the auditor’s report should not include a Key Audit Matters section in accordance with proposed SAS, Communicating Key Audit Matters in the Independent Auditor’s Report.</u><sup>7</sup> (Ref: <u>par. A35–A36</u>)</p> | <p>KAM precluded for adverse or disclaimer</p> |
| <p><b>Communication with Those Charged with Governance</b></p>  | <p>Communication <del>with</del><u>With</u> Those Charged with Governance</p>  | <p><b>Communication With Those Charged With Governance</b></p>   |  |
| <p>30. 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 wording of the modification. (Ref: Para. A27)</p> | <p><u>31. 30. 30.</u> When the auditor expects to modify the opinion in the auditor’s report, the auditor <del>shall</del><u>should</u> communicate with those charged with governance the circumstances that led to the expected modification and the wording of the modification. (Ref: <del>Parapar.</del><u>par.</u> <del>A27</del><u>37</u>)</p>  | <p><del>.29</del><u>30.</u> When the auditor expects to modify the opinion in the auditor’s report, the auditor should communicate with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification. (Ref: <u>par. .A34</u><del>37</del>)</p>               |  |

<sup>5</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*, paragraphs 11–13

<sup>6</sup> ~~ISA~~Proposed AU-C 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*, paragraphs ~~11–13~~.xx–xx

<sup>7</sup> Proposed AU-C 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*, paragraphs .xx–xx

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| <b>ISA 705 (Revised)<sup>1</sup></b>   | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>   | <b>Comments</b> |
| ***  |  |   |                 |
| <b>Application and Other Explanatory Material</b>  | Application and Other Explanatory Material   | <b>Application and Other Explanatory Material</b>   |                 |
| <b>Types of Modified Opinions (Ref: Para. 2)</b>   | <b>Types of Modified Opinions (Ref: <del>Parapar.</del> <u>022</u>)</b>  | <b>Types of Modified Opinions (Ref: par. <u>.022</u>)</b>   |                 |
| .A1 The table below illustrates how the auditor’s judgment about the nature of the matter giving rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed | A1. The <u>following</u> table <del>below</del> illustrates how the auditor’s <u>professional</u> judgment about the nature of the matter giving rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed | .A1The following table illustrates how the auditor’s professional judgment about the nature of the matter giving rise to the modification and the pervasiveness of its effects or possible effects on the financial statements affects the type of opinion to be expressed: |                 |
| NO CHANGE TO TABLE – Omitted for purposes of this matrix   | NO CHANGE TO TABLE – Omitted for purposes of this matrix   | NO CHANGE TO TABLE – Omitted for purposes of this matrix  |                 |
| <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>  | <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>  | <b>Circumstances When a Modification to the Auditor’s Opinion Is Required</b>   |                 |
| <i>Nature of Material Misstatements</i> (Ref: Para. 6(a))  | <i>Nature of Material Misstatements</i> (Ref: <del>Parapar.</del> <u>67</u> (a))   | <i>Nature of Material Misstatements</i> (Ref: <del>par. .076a</del> )   |                 |
| A2. ISA 700 (Revised) requires the auditor, in order to form an opinion on the financial statements, to conclude as to whether reasonable assurance has been obtained about whether the financial statements as a whole are free from                        | A2. <del>ISA 700 (Revised)</del> <u>Proposed SAS, <i>Forming an Opinion and Reporting on Financial Statements</i></u> requires the auditor, in order to form an opinion on the financial statements, to conclude <del>as to</del> whether reasonable assurance has been                                      | <del>.A2 — Section 700</del> <u>A2Proposed <u>SAS, <i>Forming an Opinion and Reporting on Financial Statements</i></u></u> requires the auditor, in order to form an opinion on the financial statements, to conclude whether reasonable assurance has been obtained        |                 |

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| material misstatement. <sup>8</sup> This conclusion takes into account the auditor’s evaluation of uncorrected misstatements, if any, on the financial statements in accordance with ISA 450. <sup>9</sup>  | obtained about whether the financial statements as a whole are free from material misstatement. <sup>10</sup> This conclusion takes into account the auditor’s evaluation of uncorrected misstatements, if any, on the financial statements in accordance with <del>ISA 450.</del> <sup>11</sup> <a href="#">AU-C section 450, Evaluation of Misstatements Identified During the Audit.</a>                     | about whether the financial statements as a whole are free from material misstatement. <sup>fn 4</sup> This conclusion takes into account the auditor’s evaluation of uncorrected misstatements, if any, on the financial statements, in accordance with <a href="#">AU-C</a> section 450, <i>Evaluation of Misstatements Identified During the Audit.</i>                                       |   |
| A3. ISA 450 defines a misstatement as a difference between the <b>reported</b> amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Accordingly, a material misstatement of | A3. <del>ISA</del> <a href="#">AU-C section</a> 450 defines a <i>misstatement</i> as a difference between the <b>reported</b> amount, classification, presentation, or disclosure of a <b>reported</b> financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Accordingly, a | <del>A3—Section</del> <a href="#">A3.AU-C section</a> 450 defines a <i>misstatement</i> as a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. | Grey shading relates to disclosures project |

<sup>8</sup> ISA 700 (Revised), paragraph 11

<sup>9</sup> ISA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 11

<sup>10</sup> ~~ISA 700 (Revised).~~[Proposed AU-C section 700](#), paragraph 11

<sup>11</sup> ~~ISA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 11~~

<sup>fn 4</sup> Paragraph .14 of section 700, *Forming an Opinion and Reporting on Financial Statements*.

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| the financial statements may arise in relation to:  | material misstatement of the financial statements may arise in relation to: <del>the</del> <a href="#">following</a>  | Accordingly, a material misstatement of the financial statements may arise in relation to the following:  |   |
| (a) The appropriateness of the selected accounting policies;  | (a) The appropriateness of the selected accounting policies;  | a. The appropriateness of the selected accounting policies  |   |
| (b) The application of the selected accounting policies; or   | (b) The application of the selected accounting policies; <del>or</del>  | b. The application of the selected accounting policies  |   |
| (c) The appropriateness or adequacy of disclosures in the financial statements.   | (c) <del>(e)</del> <a href="#">The appropriateness of the financial statement presentation, or the</a> appropriateness or adequacy of disclosures in the financial statements.  | c. The appropriateness of the financial statement presentation or the appropriateness or adequacy of disclosures in the financial statements  | Retain extant wording                       |
| Appropriateness of the Selected Accounting Policies   | Appropriateness of the Selected Accounting Policies   | <i>Appropriateness of the Selected Accounting Policies</i>  |   |
| A4. In relation to the appropriateness of the accounting policies management has selected, material misstatements of the financial statements may arise, <del>for</del> <a href="#">example</a> , when: | A4. <del>A4. — In relation</del> <a href="#">With regard</a> to the appropriateness of the accounting policies management has selected, material misstatements of the financial statements may arise <del>for</del> <a href="#">example</a> , when: | <del>A4.</del> <a href="#">A4.</a> With regard to the appropriateness of the accounting policies management has selected, material misstatements of the financial statements may arise <a href="#">for</a> <a href="#">example</a> , when | grey shading relates to disclosures project |
| (a) The selected accounting policies are not consistent with the applicable financial reporting framework; or   | (a) <del>(a) — The</del> <a href="#">the</a> selected accounting policies are not consistent with the applicable financial reporting framework; or  | a. the selected accounting policies are not <del>in accordance</del> <a href="#">consistent</a> with the applicable financial reporting framework or  |   |
| (b) The financial statements do not correctly describe an accounting policy   | (b) The financial statements do not correctly describe an accounting  | <a href="#">b. The financial statements do not correctly describe an accounting policy</a>  |   |

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| relating to a significant item in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows; or | policy relating to a significant item in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows; or  | <a href="#"><u>relating to a significant item in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows; or</u></a> |          |
| (c) The financial statements, do not represent or disclose the underlying transactions and events in a manner that achieves fair presentation.                                      | (c) <del>The</del> <u>the</u> financial statements, <del>including the related notes,</del> do not <del>represent or</del> <u>represent or</u> disclose the underlying transactions and events in a manner that achieves fair presentation. | <i>b.</i> the financial statements, <del>including the related notes,</del> do not represent <u>or disclose</u> the underlying transactions and events in a manner that achieves fair presentation.        |          |

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| A5. Financial reporting frameworks often contain requirements for the accounting for, and disclosure of, changes in accounting policies. Where the entity has changed its selection of significant accounting policies, a material misstatement of the financial statements may arise when the entity has not complied with these requirements. | A5. <del>A5.</del> Financial reporting frameworks often contain requirements for the accounting for, and disclosure of, changes in accounting policies. Where the entity has changed its selection of significant accounting policies, a material misstatement of the financial statements may arise when the entity has not complied with these requirements. <u>If a change in accounting policy does not meet the conditions described in AU-C section 708, Consistency of Financial Statements, then a material misstatement of the financial statements may arise.</u> | <del>A5.</del> Financial reporting frameworks often contain requirements for the accounting for, and disclosure of, changes in accounting policies. When the entity has changed its selection of significant accounting policies, a material misstatement of the financial statements may arise when the entity has not complied with these requirements. If a change in accounting policy does not meet the conditions described in section 708, <i>Consistency of Financial Statements</i> , then a material misstatement of the financial statements may arise. |          |
| Application of the Selected Accounting Policies   | Application of the Selected Accounting Policies   | <i>Application of the Selected Accounting Policies</i>   |          |
| A6. In relation to the application of the selected accounting policies, material misstatements of the financial statements may arise:   | A6. <del>A6.</del> <del>In relation</del> <u>With regard</u> to the application of the selected accounting policies, material misstatements of the financial statements may arise:  | <del>A6.</del> With regard to the application of the selected accounting policies, material misstatements of the financial statements may arise  |          |
| (a) When management has not applied the selected accounting policies consistently with the financial reporting framework, including when management has not applied the selected accounting policies consistently between periods or to similar   | (a) <del>(a)</del> <del>When</del> <u>when</u> management has not applied the selected accounting policies consistently with the financial reporting framework, including when management has not applied the selected accounting policies  | a. when management has not applied the selected accounting policies <del>in accordance</del> <u>consistently</u> with the financial reporting framework, including when management has not applied the selected accounting policies consistently between   |          |

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| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments                               |
| transactions and events (consistency in application); or  | consistently between periods or to similar transactions and events (consistency in application); or   | periods or to similar transactions and events (consistency in application), or   |  |
| (b) Due to the method of application of the selected accounting policies (such as an unintentional error in application).   | (b) <del>(b) Due</del> <u>due</u> to the method of application of the selected accounting policies (such as an unintentional error in application).   | b. due to the method of application of the selected accounting policies (such as an unintentional error in application).   |  |
| Appropriateness or Adequacy of Disclosures in the Financial Statements  | <u>Appropriateness of the Financial Statement Presentation or</u> Appropriateness or Adequacy of Disclosures in the Financial Statements  | <i>Appropriateness of the Financial Statement Presentation or Appropriateness or Adequacy of Disclosures in the Financial Statements</i>   |  |
| A7. In relation to the appropriateness or adequacy of disclosures in the financial statements, material misstatements of the financial statements may arise when: | A7. <del>A7. In relation</del> <u>With regard</u> to the appropriateness <u>of the financial statement presentation or the appropriateness</u> or adequacy of disclosures in the financial statements, material misstatements of the financial statements may arise when: | <del>A7.</del> With regard to the appropriateness of the financial statement presentation or the appropriateness or adequacy of disclosures in the financial statements, material misstatements of the financial statements may arise when | Retain extant. Consistent with par. 24 |
| (a) The financial statements do not include all of the disclosures required by the applicable financial reporting framework;                                      | (a) <del>(a) The</del> <u>the</u> financial statements do not include all of the disclosures required by the applicable financial reporting framework;  | a. the financial statements do not include all of the disclosures required by the applicable financial reporting framework;  |  |
| (b) The disclosures in the financial statements are not presented in accordance with the applicable financial reporting   | (b) <del>(b) The</del> <u>the</u> disclosures in the financial statements are not presented in accordance with the applicable   | b. the disclosures in the financial statements are not presented in accordance with the applicable financial reporting   |  |

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| framework; or   | financial reporting framework; <del>or</del>   | framework;   |  |
| (c) The financial statements do not provide the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework.<br>Paragraph A13a of ISA 450 provides further examples of material misstatements in qualitative disclosures that may arise. | (c) <del>The</del> <u>he</u> financial statements do not provide the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework. Paragraph <del>A13</del> <u>19</u> a of <del>ISA</del> <u>AU-C</u> section 450 provides further examples of material misstatements in qualitative disclosures that may arise. <del>or</del> | c. the financial statements do not provide the disclosures necessary to achieve fair presentation; <u>beyond disclosures specifically required by the applicable financial reporting framework. Paragraph A19a of AU-C section 450 provides further examples of material misstatements in qualitative disclosures that may arise,</u> or | Grey shading relates to disclosures project. |
|   | <u>(d) information required to be presented in accordance with the applicable financial reporting framework is omitted either because a required statement (for example, a statement of cash flows) has not been included or the information has not otherwise been disclosed in the financial statements.</u>   | d. information required to be presented in accordance with the applicable financial reporting framework is omitted either because a required statement (for example, a statement of cash flows) has not been included or the information has not otherwise been disclosed in the financial statements.                                   | Retain extant. Consistent with par. 24       |
|   | <u>A8. Adequate disclosures relate to the form, arrangement, and content of the financial statements and their related notes, including, for example, the terminology used, the amount of detail given, the classification of items in the</u>   | <del>A22. 8</del> Adequate disclosures relate to the form, arrangement, and content of the financial statements and their related notes, including, for example, the terminology used, the amount of detail given, the classification of items in the  | Clarity changes – for AU 431.02              |

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| <b>ISA 705 (Revised)<sup>1</sup></b>  | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
|   | <a href="#"><u>statements, and the bases of amounts set forth. An auditor may consider the disclosure of a particular matter in light of the circumstances and facts of which the auditor is aware at the time.</u></a>  | statements, and the bases of amounts set forth. An auditor <del>considers</del> <a href="#"><u>may consider</u></a> the disclosure of a particular matter in light of the circumstances and facts of which the auditor is aware at the time.   |                 |
|   | <a href="#"><u>A9. In considering the adequacy of disclosure, and in other aspects of the audit, the auditor uses information received in confidence from management. Without such confidence, the auditor would find it difficult to obtain information necessary to form an opinion on the financial statements. The “Confidential Client Information Rule” (ET sec. 1.700.001) of the AICPA Code of Professional Conduct states that the auditor should not disclose any confidential client information without the specific consent of the client. Accordingly, the auditor may not make available, without management’s consent, information that is not required to be disclosed in the financial statements to comply with the applicable financial reporting framework.</u></a> | A23. In considering the adequacy of disclosure, and in other aspects of the audit, the auditor uses information received in confidence from management. Without such confidence, the auditor would find it difficult to obtain information necessary to form an opinion on the financial statements. The “Confidential Client Information Rule” (ET sec. 1.700.001) of the AICPA Code of Professional Conduct states that the auditor should not disclose any confidential client information without the specific consent of the client. Accordingly, the auditor may not make available, without management’s consent, information that is not required to be disclosed in the financial statements to comply with the applicable financial reporting framework. | AU 431.04       |
| <i>Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence</i> | Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence (Ref: Para.   | <i>Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence</i>  |                 |

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|--|---|--|----------|
| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| (Ref: Para. 6(b))  | <del>67</del> (b))  | (Ref: par. <del>.077</del> b)  |          |
| A8. The auditor’s inability to obtain sufficient appropriate audit evidence (also referred to as a limitation on the scope of the audit) may arise from:   | <u>A10</u> . <del>A8. A8.</del> —The auditor’s inability to obtain sufficient appropriate audit evidence (also referred to as a limitation on the scope of the audit) may arise from: <u>the following</u>  | <del>A8</del> <u>10</u> . The auditor’s inability to obtain sufficient appropriate audit evidence (also referred to as a limitation on the scope of the audit) may arise from the following:   |          |
| (a) Circumstances beyond the control of the entity;  | (a) <del>(a)</del> —Circumstances beyond the control of the entity;   | a. Circumstances beyond the control of the entity  |          |
| (b) Circumstances relating to the nature or timing of the auditor’s work; or   | (b) <del>(b)</del> —Circumstances relating to the nature or timing of the auditor’s work; <del>or</del>   | b. Circumstances relating to the nature or timing of the auditor’s work  |          |
| (c) Limitations imposed by management.   | (c) <del>(c)</del> —Limitations imposed by management.  | c. Limitations imposed by management   |          |
| A9. An inability to perform a specific procedure does not constitute a limitation on the scope of the audit if the auditor is able to obtain sufficient appropriate audit evidence by performing alternative procedures. If this is not possible, the requirements of paragraphs 7(b) and 9–10 apply as appropriate. Limitations imposed by management may have other implications for the audit, such as for the auditor’s assessment of fraud risks and consideration of engagement continuance. | <u>A11</u> . <del>A9. A9.</del> —An inability to perform a specific procedure does not constitute a limitation on the scope of the audit if the auditor is able to obtain sufficient appropriate audit evidence by performing alternative procedures. If this is not possible, the requirements <del>of</del> <u>in</u> paragraphs <del>7</del> <u>8</u> (b) and <del>9</del> <u>9</u> –10 apply as appropriate. Limitations imposed by management may have other implications for the audit, such as for the auditor’s assessment of <del>fraud</del> <u>risks of material misstatement due to fraud</u> and | <del>A9</del> <u>11</u> . An inability to perform a specific procedure does not constitute a limitation on the scope of the audit if the auditor is able to obtain sufficient appropriate audit evidence by performing alternative procedures. If this is not possible, the <del>requirement in paragraph .08b applies.</del> <u>requirements in paragraphs 8b and 10 apply as appropriate.</u> Limitations imposed by management may have other implications for the audit, such as for the auditor’s assessment of risks of material misstatement due to fraud and |          |

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| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
|  | consideration of engagement continuance.   | consideration of engagement continuance.   |          |
| A10. Examples of circumstances beyond the control of the entity include when:  | <a href="#">A12.</a> <del>A10. A10.</del> —Examples of circumstances beyond the control of the entity include <del>when</del> <a href="#">the following</a> :  | <del>A10</del> <a href="#">A12.</a> Examples of circumstances beyond the control of the entity include the following:  |          |
| <ul style="list-style-type: none"> <li>• The entity’s accounting records have been destroyed.</li> </ul>   | <ul style="list-style-type: none"> <li>• The entity’s accounting records have been destroyed.</li> </ul>   | <ul style="list-style-type: none"> <li>• The entity’s accounting records have been destroyed.</li> </ul>   |          |
| <ul style="list-style-type: none"> <li>• The accounting records of a significant component have been seized indefinitely by governmental authorities.</li> </ul>   | <ul style="list-style-type: none"> <li>• The accounting records of a significant component have been seized indefinitely by governmental authorities.</li> </ul>   | <ul style="list-style-type: none"> <li>• The accounting records of a significant component have been seized indefinitely by governmental authorities.</li> </ul>   |          |
| A11. Examples of circumstances relating to the nature or timing of the auditor’s work include when:  | <a href="#">A13.</a> <del>A11. A11.</del> —Examples of circumstances relating to the nature or timing of the auditor’s work include <del>when</del> <a href="#">the following</a> :  | <del>A11</del> <a href="#">A13.</a> Examples of circumstances relating to the nature or timing of the auditor’s work include the following:  |          |
| <ul style="list-style-type: none"> <li>• The entity is required to use the equity method of accounting for an associated entity, and the auditor is unable to obtain sufficient appropriate audit evidence about the latter’s financial information to evaluate whether the equity method has been appropriately applied.</li> </ul> | <ul style="list-style-type: none"> <li>• The entity is required to use the equity method of accounting for an associated entity, and the auditor is unable to obtain sufficient appropriate audit evidence about the latter’s financial information to evaluate whether the equity method has been appropriately applied.</li> </ul> | <ul style="list-style-type: none"> <li>• The entity is required to use the equity method of accounting for an associated entity, and the auditor is unable to obtain sufficient appropriate audit evidence about the latter’s financial information to evaluate whether the equity method has been appropriately applied.</li> </ul> |          |

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| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments   |
| <ul style="list-style-type: none"> <li>The timing of the auditor's appointment is such that the auditor is unable to observe the counting of the physical inventories.</li> </ul>     | <ul style="list-style-type: none"> <li>The timing of the auditor's appointment is such that the auditor is unable to observe the counting of the physical inventories, <u>and the auditor is unable to obtain sufficient appropriate audit evidence through other appropriate procedures, such as performing a rollback of inventory.</u></li> </ul> | <ul style="list-style-type: none"> <li>The timing of the auditor's engagement is such that the auditor is unable to observe the counting of the physical inventories, and the auditor is unable to <del>perform a rollback of the inventory or</del> <u>obtain sufficient appropriate audit evidence through</u> other appropriate procedures, <u>such as performing a rollback of inventory.</u></li> </ul> |  |
| <ul style="list-style-type: none"> <li>The auditor determines that performing substantive procedures alone is not sufficient, but the entity's controls are not effective.</li> </ul> | <ul style="list-style-type: none"> <li>The auditor determines that performing substantive procedures alone is not sufficient, but the entity's controls are not effective.</li> </ul>  | <ul style="list-style-type: none"> <li>The auditor determines that performing substantive procedures alone is not sufficient, but the entity's controls are not effective.</li> </ul>  |  |
|   |  | <ul style="list-style-type: none"> <li><del>When accounting for long term investments, the auditor is unable to obtain audited financial statements of an investee.</del></li> </ul>   | <p>extant bullet not included in proposed SAS because it is covered by the first bullet.</p> |

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| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)  | Comments                        |
| A12. Examples of an inability to obtain sufficient appropriate audit evidence arising from a limitation on the scope of the audit imposed by management include when: | <del>A12. A12</del> Examples of an inability to obtain sufficient appropriate audit evidence arising from a limitation on the scope of the audit imposed by management include <del>when</del> <u>the following</u> : | <del>A12</del> <u>A14</u> . Examples of an inability to obtain sufficient appropriate audit evidence arising from a limitation on the scope of the audit imposed by management include the following: |                                 |
| <ul style="list-style-type: none"> <li>• Management prevents the auditor from observing the counting of the physical inventory.</li> </ul>                            | <ul style="list-style-type: none"> <li>• Management prevents the auditor from observing the counting of the physical inventory.</li> </ul>  | <ul style="list-style-type: none"> <li>• Management prevents the auditor from observing the counting of the physical inventory.</li> </ul>  |                                 |
| <ul style="list-style-type: none"> <li>• Management prevents the auditor from requesting external confirmation of specific account balances.</li> </ul>               | <ul style="list-style-type: none"> <li>• Management prevents the auditor from requesting external confirmation of specific account balances.</li> </ul>   | <ul style="list-style-type: none"> <li>• Management prevents the auditor from requesting external confirmation of specific account balances.</li> </ul>   |                                 |
| <b>Determining the Type of Modification to the Auditor’s Opinion</b>  | <b>Determining the Type of Modification to the Auditor’s Opinion</b>  | <b>Determining the Type of Modification to the Auditor’s Opinion</b>  |                                 |
|   | <u><i>Effect of Uncertainties (Ref: par. 10)</i></u>  | <i>Effect of Uncertainties (Ref: par. .10)</i>  | Clarity change – from AU 508.30 |
|   | <u>A15. Absence of the existence of information related to the outcome of an uncertainty does not necessarily lead to a conclusion that the audit evidence supporting management’s assertion is not</u>               | <del>A13— Conclusive— audit— evidence concerning the ultimate outcome of uncertainties cannot be expected to exist at the time of the audit because the outcome and related audit evidence are</del>  |                                 |

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|                                | <p><u>sufficient. Rather, the auditor’s professional judgment regarding the sufficiency of the audit evidence is based on the audit evidence that is, or should be, available. If, after considering the existing conditions and available evidence, the auditor concludes that sufficient appropriate audit evidence supports management’s assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements, an unmodified opinion ordinarily is appropriate.</u></p> | <p><del>prospective. In these circumstances, management is responsible for estimating the effect of future events on the financial statements or determining that a reasonable estimate cannot be made and making the required disclosures, all in accordance with the applicable financial reporting framework, based on management’s analysis of existing conditions. An audit includes an assessment of whether the audit evidence is sufficient to support management’s analysis.</del> 15. Absence of the existence of information related to the outcome of an uncertainty does not necessarily lead to a conclusion that the audit evidence supporting management’s assertion is not sufficient. Rather, the auditor’s professional judgment regarding the sufficiency of the audit evidence is based on the audit evidence that is, or should be, available. If, after considering the existing conditions and available evidence, the auditor concludes that sufficient appropriate audit evidence supports management’s assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the</p> |          |

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|  |  | financial statements, an unmodified opinion ordinarily is appropriate.   |          |
|  | <u>A16. In cases involving multiple uncertainties, even if the auditor has obtained sufficient appropriate audit evidence about each of the individual uncertainties, the auditor may conclude that it is not possible to form an opinion on whether the financial statements as a whole are fairly presented in accordance with the applicable financial reporting framework due to the interaction and possible cumulative effects of the uncertainties.</u> | <del>A14</del> <u>A16.</u> In cases involving multiple uncertainties, <u>even if the auditor has obtained sufficient appropriate audit evidence about each of the individual uncertainties,</u> the auditor may conclude that it is not possible to form an opinion on <u>whether</u> the financial statements as a whole <u>are fairly presented in accordance with the applicable financial reporting framework</u> due to the interaction and possible cumulative effects of the uncertainties. |          |
| <i>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement (Ref: Para. 13(b)(i)–14)</i>   | <b>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement (Ref: <del>Para</del><u>par. 13(b)(i)–14</u>)</b>  | <i>Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation After the Auditor Has Accepted the Engagement (Ref: <del>par. 14</del><u>13</u>)</i>   |          |
| A13. The practicality of withdrawing from the audit may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the auditor has substantially completed the audit, the auditor may decide to complete the audit to the extent possible, | <u>A17. A13. A13.</u> —The practicality of withdrawing from the audit may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the auditor has substantially completed the audit, the auditor may decide to complete the audit to  | <del>A15</del> <u>A17.</u> The practicality of withdrawing from the audit may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the auditor has substantially completed the audit, the auditor may decide to complete   |          |

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| disclaim an opinion and explain the scope limitation <del>within the basis for disclaimer of opinion paragraph</del> <u>Basis for Disclaimer of Opinion section</u> prior to withdrawing. | the extent possible, disclaim an opinion and explain the scope limitation within the <u>Basis for Disclaimer of Opinion section</u> <del>prior to withdrawing.</del> | the audit to the extent possible, disclaim an opinion, and explain the scope limitation <del>in</del> <u>within</u> the <del>basis</del> <u>Basis</u> for <del>disclaimer of opinion paragraph</del> <u>Disclaimer of Opinion section.</u> |                 |

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| <p>A14. In certain circumstances, withdrawal from the audit may not be possible if the auditor is required by law or regulation to continue the audit engagement. This may be the case for an auditor that is appointed to audit the financial statements of public sector entities. It may also be the case in jurisdictions where the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period and is prohibited from withdrawing before the completion of the audit of those financial statements or before the end of that period, respectively. The auditor may also consider it necessary to include an Other Matter paragraph in the auditor’s report.<sup>12</sup></p> | <p><del>A18.</del> <del>A14.</del> <del>A14.</del>—In certain circumstances, withdrawal from the audit may not be possible if the auditor is required by law or regulation to continue the audit engagement. This may be the case for an auditor <del>that</del><u>who</u> is appointed to audit the financial statements of <del>public sector</del><u>governmental</u> entities. It may also be the case in <del>jurisdictions</del><u>where circumstances when</u> the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period and is prohibited from withdrawing before the completion of the audit of those financial statements or before the end of that period, respectively. <del>The</del><u>In these circumstances, the</u> auditor may also consider it necessary to include an <del>Other Matter</del><u>other-matter</u> paragraph in the auditor’s report.<sup>13</sup></p> | <p><del>A16</del><u>18.</u> In certain circumstances, withdrawal from the audit may not be possible if the auditor is required by law or regulation to continue the audit engagement. This may be the case for an auditor who is appointed to audit the financial statements of governmental entities. It may also be the case in circumstances when the auditor is appointed to audit the financial statements covering a specific period, or appointed for a specific period, and is prohibited from withdrawing before the completion of the audit of those financial statements or before the end of that period, respectively. In these circumstances, the auditor may also consider it necessary to include an other-matter paragraph in the auditor’s report.<sup>fn 5</sup></p> |          |

<sup>12</sup> ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*, paragraph A10

<sup>13</sup> ~~ISA 706 (Revised), Paragraph .XX of proposed AU-C section 706,~~ *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*, ~~paragraph A10~~

<sup>fn 5</sup> Paragraph .A6 of section 706.

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| A15. When the auditor concludes that withdrawal from the audit is necessary because of a scope limitation, there may be a professional, legal or regulatory requirement for the auditor to communicate matters relating to the withdrawal from the engagement to regulators or the entity's owners. | <del>A15. When the auditor concludes that withdrawal from the audit is necessary because of a scope limitation, there may be a professional, legal or regulatory requirement for the auditor to communicate matters relating to the withdrawal from the engagement to regulators or the entity's owners.</del> |  | not included because this does not exist in the US. |
| <i>Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion (Ref: Para. 15)</i>   | <i>Other Considerations Relating to an Adverse <del>Opinion</del> or Disclaimer of Opinion (Ref: <del>Para</del><a href="#">par</a>. 15)</i>   | Other Considerations Relating to a Disclaimer of Opinion (Ref: par. .15) |   |
| A16. The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion:  | <del>A16. The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion:</del>  |  |   |

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| <p>a. The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework.<sup>14</sup></p>                             | <p><del>The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework.<sup>15</sup></del></p>  |  | <p>this situation is unlikely to occur in the US.</p> |
| <p>b. 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 (see ISA 510<sup>16</sup>). In this case, the auditor has not expressed a disclaimer of opinion on the financial statements as a whole.</p> | <p><u>A19. The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion:</u></p> <p>a. <u>In an initial audit, the expression of an unmodified opinion regarding the financial position and a disclaimer of opinion regarding the results of operations, and cash flows, where when relevant, and an unmodified opinion regarding the financial position (see ISA 510<sup>17</sup>).</u></p> | <p><del>A17—A19.</del> <u>The following are examples of reporting circumstances that would not contradict the auditor's adverse opinion or disclaimer of opinion:</u></p> <p>a. In an initial audit, <del>it is acceptable for the auditor to express</del> <u>the expression of</u> an unmodified opinion regarding the financial position and <del>disclaim—a</del> <u>disclaimer of</u> opinion regarding the results of operations and cash flows, when relevant. <sup>fn-6</sup> In this case, the auditor has not disclaimed an opinion on the financial</p> |   |

<sup>14</sup> See paragraph A31 of ISA 700 (Revised) for a description of this circumstance.

~~<sup>15</sup> See paragraph A31 of ISA 700 (Revised) for a description of this circumstance.~~

<sup>16</sup> ISA 510, *Initial Audit Engagements—Opening Balances*, paragraph 10

~~<sup>17</sup> ISA 510, *Initial Audit Engagements—Opening Balances*, paragraph 10~~

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|                                      | In this case, the auditor has not <del>expressed a disclaimer of</del> <u>disclaimed an</u> opinion on the financial statements as a whole.  | statements as a whole.  |                 |
|                                      | <u>b. The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework.</u>               | <u>b. The expression of an unmodified opinion on financial statements prepared under a given financial reporting framework and, within the same report, the expression of an adverse opinion on the same financial statements under a different financial reporting framework.</u>                      |                 |
|                                      | <u><i>Considerations Specific to Audits of Governmental Entities</i></u>   | <i>Considerations Specific to Audits of Governmental Entities</i>   |                 |
|                                      | <u>A20. Because the auditor of a state and local government entity expresses an opinion or disclaims an opinion for each opinion unit, <sup>fn 7</sup> an auditor's report in these circumstances may include an unmodified opinion with respect to one or more opinion units and a modified</u> | <del>A18</del> 20. Because the auditor of a state and local government entity expresses an opinion or disclaims an opinion for each opinion unit, <sup>fn 7</sup> an auditor's report in these circumstances may include an unmodified opinion with respect to one or more opinion units and a modified |                 |

<sup>fn 6</sup> Paragraph .A17 of section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*.

<sup>fn 7</sup> Paragraph .A4 of section 700.

<sup>fn 7</sup> Paragraph .A4 of section 700.

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|                                      | <a href="#"><u>opinion for one or more other opinion units</u></a>  | opinion for one or more other opinion units   |                 |
|                                      | <a href="#"><u>Auditor Is Not Independent but Is Required by Law or Regulation to Report on the Financial Statements</u></a>  | <a href="#"><u>Auditor Is Not Independent but Is Required by Law or Regulation to Report on the Financial Statements</u></a>  |                 |
|                                      | <a href="#"><u>Considerations Specific to Governmental Entities</u></a>   | <a href="#"><u>Considerations Specific to Governmental Entities</u></a>   |                 |
|                                      | <a href="#"><u>A21. The nature of a government auditor's lack of independence may have a limited effect because the impairment may result from the government auditor's association with only a component of the overall governmental entity. A government auditor may determine that the lack of independence only affects one or more, but not all, of the governmental entity's opinion units and, in such circumstances, the auditor may disclaim an opinion on the affected opinion units while expressing unmodified, qualified, or adverse opinions on other opinion units. The more significant the affected opinion units are to the overall governmental entity, the more likely that it will be appropriate for the auditor to disclaim an opinion on the financial statements of the overall governmental</u></a> | <del>A19</del> 21. The nature of a government auditor's lack of independence may have a limited effect because the impairment may result from the government auditor's association with only a component of the overall governmental entity. A government auditor may determine that the lack of independence only affects one or more, but not all, of the governmental entity's opinion units and, in such circumstances, the auditor may disclaim an opinion on the affected opinion units while expressing unmodified, qualified, or adverse opinions on other opinion units. The more significant the affected opinion units are to the overall governmental entity, the more likely that it will be appropriate for the auditor to disclaim an opinion on the financial statements of the |                 |

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|   | <a href="#">entity.</a>   | overall governmental entity.   |                       |
| Form and Content of the Auditor’s Report When the Opinion Is Modified   | Form and Content of the Auditor’s Report When the Opinion Is Modified   | Form and Content of the Auditor’s Report When the Opinion Is Modified  | Moved from extant A20 |
| <b><i>Illustrative Auditor’s Reports (Ref: Para. 16)</i></b>  | <b><i>Illustrative Auditor’s Reports (Ref: <del>Parapar. 16</del>17)</i></b>  | <b><i><a href="#">Illustrative Auditor’s Reports (Ref: par. 17)</a></i></b>  |                       |
| A17. A23—Illustrations 1 and 2 in the Appendix contain auditor’s reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.   | <a href="#">A22.</a> <del>A15.</del> A23—Illustrations 1 and <del>23</del> in the <del>Appendix</del> <a href="#">exhibit</a> contain auditor’s reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.  | <del>2.</del> <a href="#">A22.</a> <a href="#">Illustrations 1 and 3 in the exhibit contain auditor’s reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.</a>   |                       |
| A18. A24—Illustration 3 in the Appendix contains an auditor’s report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration 4 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration 5 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive. <u>The Appendices to other</u> | <a href="#">A23.</a> <del>A16.</del> A24—Illustration <del>34</del> in the <del>Appendix</del> <a href="#">exhibit</a> contains an auditor’s report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration <del>45</del> contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration <del>56</del> contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive. The | <a href="#">A23.</a> <a href="#">Illustration 4 in the exhibit contains an auditor’s report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration 5 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration 6 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive. The exhibits to other AU-C sections that include reporting requirements,</a> |                       |

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| A  | B  | C   | D               |
|--|--|---|-----------------|
| <b>ISA 705 (Revised)<sup>1</sup></b>   | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>   | <b>Comments</b> |
| ISAs that include reporting requirements, including ISA 570 (Revised), <sup>18</sup> also include illustrations of auditor's reports with modified opinions. | <del>Appendices</del> exhibits to other ISAs AU-C sections that include reporting requirements, including <del>ISA 570 (Revised)</del> , <sup>19</sup> also include illustrations of auditor's reports with modified opinions. | also include illustrations of auditor's reports with modified opinions.   |                 |
| <b><u>Auditor's Opinion Paragraph</u></b> (Ref: Para. 16)  | <b><u>Auditor's Opinion</u></b> (Ref: <del>Parapar. 16</del> 17)   | <u>Auditor's Opinion Paragraph</u> (Ref: par. <del>23</del> 17-24)  |                 |
| A19. Amending this heading makes it clear to the user that the auditor's opinion is modified and indicates the type of modification.                         | <del>A24. A17. A19.</del> —Amending <del>this</del> the heading <u>required by paragraph 17</u> makes it clear to the user that the auditor's opinion is modified and indicates the type of modification.                      | <del>.A28—Inclusion of</del> 24 Amending the <del>paragraph</del> heading required by paragraph <del>.23</del> 17 makes it clear to the user that the auditor's opinion is modified and indicates the type of modification. |                 |
| <u>Qualified Opinion</u> (Ref: Para. 17)   | <u>Qualified Opinion</u> (Ref: <del>Parapar. 17</del> 18)  | <u>Qualified Opinion</u> (Ref: par. 18)   |                 |

<sup>18</sup> ISA 570 (Revised), *Going Concern*

<sup>19</sup> ~~ISA 570 (Revised), *Going Concern*~~

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|---|---|---|----------|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)  | Comments |
| <p>A20. When the auditor expresses a qualified opinion, it would not be appropriate to use phrases such as “with the foregoing explanation” or “subject to” in the Opinion section as these are not sufficiently clear or forceful.</p> | <p><del>A25. A18. A20.</del>—When the auditor expresses a qualified opinion, it would not be appropriate to use phrases such as “<i>with the foregoing explanation</i>” or “<i>subject to</i>” in the Opinion section <del>as</del><u>because</u> these are not sufficiently clear or forceful. <u>Because accompanying notes are part of the financial statements, wording such as "fairly presented, in all material respects, when read in conjunction with note 1" is likely to be misunderstood and would also not be appropriate.</u></p>                       | <p><del>A29</del><u>25.</u> When the auditor expresses a qualified opinion, it would not be appropriate to use phrases such as <i>with the foregoing explanation</i> or <i>subject to</i> in the <del>opinion paragraph</del><u>Opinion section</u> because these are not sufficiently clear or forceful. Because accompanying notes are part of the financial statements, wording such as "fairly presented, in all material respects, when read in conjunction with note 1" is likely to be misunderstood and would also not be appropriate.</p>  |          |
|   | <p><u>A26. When the auditor expresses a qualified opinion due to a scope limitation, paragraph 18 requires that the auditor state in the opinion paragraph that the qualification pertains to the possible effects of the matter on the financial statements and not to the scope limitation itself. Wording such as "In our opinion, except for the above-mentioned limitation on the scope of our audit ..." bases the exception on the restriction itself rather than on the possible effects on the financial statements and, therefore, is unacceptable.</u></p> | <p><del>A30</del><u>26.</u> When the auditor expresses a qualified opinion due to a scope limitation, paragraph <del>.24</del><u>18</u> requires that the auditor state in the opinion paragraph that the qualification pertains to the possible effects of the matter on the financial statements and not to the scope limitation itself. Wording such as "In our opinion, except for the above-mentioned limitation on the scope of our audit ..." bases the exception on the restriction itself rather than on the possible effects on the financial statements and, therefore, is unacceptable.</p> |          |

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|--|---|--|-----------------|
| <b>ISA 705 (Revised)<sup>1</sup></b>   | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>   | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
| <i><b>Basis for <u>Opinion Modification Paragraph</u></b> (Ref: Para. 20, 21, 23, 27)</i>  | <i><b>Basis for Opinion</b> (Ref: <del>Parapar.</del> <b>20, 21, 23, 27</b><u>22, 24, 28</u>)</i>   | Basis for <del>Modification Paragraph</del> <u>Opinion</u> (Ref: par. <del>.17-.18, .20c,</del> <u>21, 22, 24, and .21-.22</u> <u>28</u> )   |                 |
| A21. Consistency in the auditor’s report helps to promote users’ understanding and to identify unusual circumstances when they occur. Accordingly, although uniformity in the wording of a modified opinion and in the description of the <del>basis</del> <u>reasons</u> for the modification may not be possible, consistency in both the form and content of the auditor’s report is desirable. | <u>A27. A19. A21.</u> —Consistency in the auditor’s report helps <del>to</del> promote users’ understanding and <del>to</del> identify unusual circumstances when they occur. Accordingly, although uniformity in the wording of a modified opinion and <del>in</del> the description of the reasons for the modification may not be possible, consistency in both the form and content of the auditor’s report is desirable.   | <del>.A20</del> <u>27.</u> Consistency in the auditor’s report helps promote users’ understanding and identify unusual circumstances when they occur. Accordingly, although uniformity in the wording of a modified opinion and the description of the <del>basis</del> <u>reasons</u> for the modification may not be possible, consistency in both the form and content of the auditor’s report is desirable.  |                 |
| A22. <del>A18</del> An example of the financial effects of material misstatements that the auditor may describe within the <del>basis for modification paragraph</del> <u>Basis for Opinion section</u> in the auditor’s report is the quantification of the effects on income tax, income before taxes, net income and equity if inventory is overstated.   | <u>A28. A20. A22.</u> —An example of the financial effects of misstatements that the auditor may describe within the Basis for opinion section in the auditor’s report is the quantification of the effects on income <del>tax</del> <u>before taxes</u> , income <del>before</del> taxes, net income and equity if inventory is overstated. <u>If such disclosures are made in a note to the financial statements, the Basis for Modified Opinion section may refer to the note.</u> | <del>.A21.</del> <u>28.</u> An example of the financial effects of <del>material</del> misstatements that the auditor may describe <del>in</del> <u>within</u> the <del>basis</del> <u>Basis</u> for <del>modification paragraph</del> <u>Opinion section</u> in the auditor’s report is the quantification of the effects on income before taxes, income taxes, net income, and equity if inventory is overstated. <del>If such disclosures are made in a note to the financial statements, the basis for modification paragraph may be shortened by referring to it</del> <u>Basis for Modified Opinion section may refer to the note.</u> |                 |

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|--|---|--|-----------|
| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>   | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments  |
|  | <u><a href="#">A29. Practicable, as used in the context of paragraphs .18 and .20c, means that the information is reasonably obtainable from management’s accounts and records and that providing the information in the report does not require the auditor to assume the position of a preparer of financial information. For example, the auditor would not be expected to prepare a basic financial statement or segment information and include it in the auditor’s report when management omits such information.</a></u> | <del>A24</del> <u>29.</u> <i>Practicable, as used in the context of paragraphs .18 and .20c, means that the information is reasonably obtainable from management’s accounts and records and that providing the information in the report does not require the auditor to assume the position of a preparer of financial information. For example, the auditor would not be expected to prepare a basic financial statement or segment information and include it in the auditor’s report when management omits such information.</i> | AU 431.03 |
| A23. Disclosing the omitted information <del>within the basis for modification paragraph</del> <u>Basis for Opinion section</u> would not be practicable if: | <u>A30. A21. A23.</u> —Disclosing the omitted information within the Basis for Opinion section would not be practicable if:   | <del>A25</del> <u>30.</u> Disclosing the omitted information <del>in</del> <u>within</u> the <del>basis</del> <u>Basis</u> for <del>modification—paragraph</del> <u>Opinion section</u> would not be practicable if  |           |
| (a) The disclosures have not been prepared by management or the disclosures are otherwise not readily available to the auditor; or                           | (a) <del>(a)-The disclosures have</del> <u>information has</u> not been prepared by management or the <del>disclosures are</del> <u>information is</u> otherwise not readily available to the auditor; or   | a. the information has not been prepared by management or the information is otherwise not readily available to the auditor or   |           |

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| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)  | Comments                    |
| (b) In the auditor’s judgment, the disclosures would be unduly voluminous in relation to the auditor’s report.   | (b) <del>(b)</del> —In the auditor’s judgment, the <del>disclosures</del> <u>information</u> would be unduly voluminous in relation to the auditor’s report.   | b. in the auditor’s professional judgment, the information would be unduly voluminous in relation to the auditor’s report.  | retain extant wording       |
|  | <u>A31. When the auditor modifies the opinion due to an inability to obtain sufficient appropriate audit evidence, it is not appropriate for the scope of the audit to be explained in a note to the financial statements because the description of the audit scope is the responsibility of the auditor and not that of management.</u>  | <del>A26</del> <u>31</u> . When the auditor modifies the opinion due to an inability to obtain sufficient appropriate audit evidence, it is not appropriate for the scope of the audit to be explained in a note to the financial statements because the description of the audit scope is the responsibility of the auditor and not that of management.  | Clarity changes (AU 508.25) |
| A24. An adverse opinion or a disclaimer of opinion relating to a specific matter described within the Basis for Opinion section does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor’s opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements. | <u>A32. A22. A24.</u> —An adverse opinion or a disclaimer of opinion relating to a specific matter described within the Basis for Opinion section does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor’s opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements.<br><u>A33. The auditor may consider whether there is a need to describe in an</u> | <del>A27</del> <u>32</u> . An adverse opinion or a disclaimer of opinion relating to a specific matter described <del>in</del> <u>within</u> the <del>basis</del> <u>Basis</u> for <del>qualification paragraph</del> <u>Opinion section</u> does not justify the omission of a description of other identified matters that would have otherwise required a modification of the auditor’s opinion. In such cases, the disclosure of such other matters of which the auditor is aware may be relevant to users of the financial statements.<br><u>A33. The auditor may consider whether</u> |                             |

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| <b>ISA 705 (Revised)<sup>1</sup></b>   | <b>ISA 705 (marked for proposed AU-C 705)<sup>2</sup></b>  | <b>Extant AU-C 705 (marked for proposed AU-C 705)</b>  | <b>Comments</b> |
|  | <a href="#"><u>emphasis-of-matter or other-matter paragraph(s)<sup>20</sup> any other matters of which the auditor is aware that would not require a modification of the auditor’s opinion.</u></a>  | <a href="#"><u>there is a need to describe in an emphasis-of-matter or other-matter paragraph(s)<sup>21</sup> any other matters of which the auditor is aware that would not require a modification of the auditor’s opinion.</u></a>  |                 |
| <i>Description of Auditor’s Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements (Ref: Para. 28)</i>   | <i>Description of Auditor’s Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements (Ref: <del>Parapar. 28</del><sup>29</sup>)</i>  | <a href="#"><u><i>Description of Auditor’s Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements (Ref: par. 29)</i></u></a>   |                 |
| A25. When the auditor disclaims an opinion on the financial statements, the following statements are better positioned within the Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report, as illustrated in Illustrations 4–5 of the Appendix to this ISA: | <a href="#"><u>A34. <del>A23. A25.</del>—When the auditor disclaims an opinion on the financial statements, the following statements are better positioned within the Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report, as illustrated in Illustrations <del>4X–5Y</del> of the <del>Appendix</del><sup>exhibit</sup> to this <del>ISA</del>:<sup>proposed SAS</sup></u></a> | <a href="#"><u>A34. When the auditor disclaims an opinion on the financial statements, the following statements are better positioned within the Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report, as illustrated in Illustrations X-Y of the exhibit to this proposed SAS</u></a> |                 |
| <ul style="list-style-type: none"> <li>The statement required by paragraph 28(a) of ISA 700 (Revised), amended to state that the auditor’s responsibility is to conduct</li> </ul>   | <ul style="list-style-type: none"> <li>The statement required by paragraph <del>28(a) of ISA 700 (Revised)</del><sup>26(a) of proposed SAS</sup>, <a href="#"><u>Forming an Opinion and</u></a></li> </ul>   | <ul style="list-style-type: none"> <li><a href="#"><u>The statement required by paragraph 26(a) of proposed SAS, Forming an Opinion and Reporting on Financial</u></a></li> </ul>  |                 |

<sup>20</sup>See proposed AU-C section 706, [Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report](#).

<sup>21</sup>See proposed AU-C section 706, [Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report](#).

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| an audit of the entity's financial statements in accordance with ISAs; and  | <u>Reporting on Financial Statements.</u> , amended to state that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with <del>ISAs</del> <u>auditing standards generally accepted in the United States of America</u> ; and  | <u>Statements</u> , amended to state that <u>the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with auditing standards generally accepted in the United States of America</u> ; and  |          |
| <ul style="list-style-type: none"> <li>The statement required by paragraph 28(c) of ISA 700 (Revised) about independence and other ethical responsibilities.</li> </ul>   | <ul style="list-style-type: none"> <li>The statement required by paragraph <del>28(c) of ISA 700 (Revised)</del><u>26(c) of proposed SAS, Forming an Opinion and Reporting on Financial Statements.</u> about independence and other ethical responsibilities.</li> </ul>   | <ul style="list-style-type: none"> <li><u>The statement required by paragraph 26(c) of proposed SAS, Forming an Opinion and Reporting on Financial Statements,</u> about independence and other ethical responsibilities.</li> </ul>  |          |
| <i>Considerations When the Auditor Disclaims an Opinion on the Financial Statements</i> (Ref: Para. 29)   | <i>Considerations When the Auditor <u>Issues an Adverse Opinion or Disclaims an Opinion on the Financial Statements</u></i> (Ref: <del>Parapar. 29</del> <u>30</u> )  | <i><u>Considerations When the Auditor Disclaims an Opinion on the Financial Statements</u></i> (Ref: par. 30)   |          |
| A26. Providing the reasons for the auditor's inability to obtain sufficient appropriate audit evidence within the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users in understanding why the auditor has disclaimed an opinion on the financial statements and may further | <del>A35. A24. A26. — Providing</del> <u>Describing</u> the reasons for the <del>auditor's inability to obtain sufficient appropriate audit evidence</del> <u>modification of the opinion</u> within the Basis for <del>Disclaimer of</del> Opinion section of the auditor's report provides useful information to users in understanding why the auditor has | <u>A35. Describing the reasons for the modification of the opinion within the Basis for Opinion section of the auditor's report provides useful information to users in understanding why the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements and may further guard against</u> |          |

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| ISA 705 (Revised) <sup>1</sup>   | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
| <p>guard against inappropriate reliance on them. However, communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Accordingly, paragraph 29 of this ISA prohibits a Key Audit Matters section from being included in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters.</p> | <p><u>expressed an adverse opinion or</u> disclaimed an opinion on the financial statements and may further guard against inappropriate reliance on them. However, <del>communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole.</del> Accordingly, paragraph 29 of this ISA prohibits a Key Audit Matters section from being included in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters <u>providing further details about the audit may overshadow the reasons for the modification of the opinion and potentially may be confusing to users.</u></p> | <p><u>inappropriate reliance on them. However, providing further details about the audit may overshadow the reasons for the modification of the opinion and potentially may be confusing to users.</u></p> |          |
|  | <p><u>A36. When the auditor has expressed an adverse opinion, the communication of any key audit matters other than the</u></p>  | <p><u>A36. When the auditor has expressed an adverse opinion, the communication of any key audit matters other than the</u></p>  |          |

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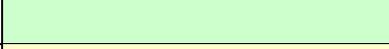
| A   | B  | C  | D        |
|---|--|--|----------|
| ISA 705 (Revised) <sup>1</sup>  | ISA 705 (marked for proposed AU-C 705) <sup>2</sup>  | Extant AU-C 705 (marked for proposed AU-C 705)   | Comments |
|   | <p><u>matter(s) giving rise to the modified opinion may not be relevant to the users because the financial statements as a whole are materially misstated. When the auditor disclaims an opinion, the communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Accordingly, paragraph 30 of this proposed SAS prohibits the inclusion of a Key Audit Matters section in the auditor’s report when the auditor issues an adverse opinion or disclaims an opinion on the financial statements.</u></p> | <p><u>matter(s) giving rise to the modified opinion may not be relevant to the users because the financial statements as a whole are materially misstated. When the auditor disclaims an opinion, the communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Accordingly, paragraph 30 of this proposed SAS prohibits the inclusion of a Key Audit Matters section in the auditor’s report when the auditor issues an adverse opinion or disclaims an opinion on the financial statements.</u></p> |          |
| Communication with Those Charged with Governance (Ref: Para. 30)  | Communication with Those Charged with Governance (Ref: <del>Parapar.</del> <u>3031</u> )   | Communication With Those Charged With Governance (Ref: par. <del>29</del> <u>31</u> )  |          |
| A27. Communicating with those charged with governance the circumstances that lead to an expected modification to the auditor’s opinion and the wording of the modification enables: | <u>A37.</u> <del>A25. A27.</del> —Communicating with those charged with governance the circumstances that lead to an expected modification to the auditor’s opinion and the wording of the modification enables:   | <del>A31</del> <u>37</u> Communicating with those charged with governance the circumstances that lead to an expected modification to the auditor’s opinion and the proposed wording of the modification enables  |          |

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| (a) The auditor to give notice to those charged with governance of the intended modification(s) and the reasons (or circumstances) for the modification(s);   | (a) <del>(a)</del> —The auditor to give notice to those charged with governance of the intended modification(s) and the reasons (or circumstances) for the modification(s);   | a. the auditor to give notice to those charged with governance of the intended modification(s) and the reasons (or circumstances) for the modification(s);  |          |
| (b) The auditor to seek the concurrence of those charged with governance regarding the facts of the matter(s) giving rise to the expected modification(s), or to confirm matters of disagreement with management as such; and | (b) <del>(b)</del> —The auditor to seek the concurrence of those charged with governance regarding the facts of the matter(s) giving rise to the expected modification(s), or to confirm matters of disagreement with management as such; and | b. the auditor to seek the concurrence of those charged with governance regarding the facts of the matter(s) giving rise to the expected modification(s) or to confirm matters of disagreement with management as such; and |          |
| (c) Those charged with governance to have an opportunity, where appropriate, to provide the auditor with further information and explanations in respect of the matter(s) giving rise to the expected modification(s).        | (c) <del>(e)</del> —Those charged with governance to have an opportunity, where appropriate, to provide the auditor with further information and explanations in respect of the matter(s) giving rise to the expected modification(s).        | c. those charged with governance to have an opportunity, when appropriate, to provide the auditor with further information and explanations in respect of the matter(s) giving rise to the expected modification(s).        |          |

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| Inserted cell     |  |
| Deleted cell      |  |
| Moved cell        |  |
| Split/Merged cell |  |
| Padding cell      |  |

| Statistics: |       |
|-------------|-------|
|             | Count |
| Insertions  | 478   |

|                |      |
|----------------|------|
| Deletions      | 563  |
| Moved from     | 5    |
| Moved to       | 5    |
| Style change   | 0    |
| Format changed | 0    |
| Total changes  | 1051 |