

EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT: CAS 706

Definitions

- **Emphasis of Matter paragraph** – A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the F/S
- **Other Matter paragraph** – A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the F/S

Emphasis of Matter Paragraphs in the Auditor's Report

- Include an Emphasis of Matter paragraph in the auditor's report, if the auditor considers it necessary to draw users' attention to a **matter presented or disclosed in the F/S** that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the F/S
- Only include an EOM Paragraph if the auditor has **obtained sufficient appropriate audit evidence** that the matter is **not materially misstated in the F/S**
- Examples of situations where an EOM paragraph is used:
 - An uncertainty relating to the future outcome of exceptional litigation
 - Early application (where permitted) of a new accounting standard
 - A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position
- Include it immediately **after the Opinion paragraph** in the auditor's report
- Use the heading "**Emphasis of Matter**"
- Include in the paragraph a clear **reference** to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the F/S
- Indicate that the **auditor's opinion is not modified** in respect of the matter emphasized

Other Matter Paragraphs in the Auditor's Report

- Include an Other Matter paragraph in the auditor's report, if the auditor considers it necessary to communicate a matter **other than those that are presented or disclosed in the F/S** that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report
- The OM Paragraph is after the Opinion paragraph and any Emphasis of Matter paragraph
- Examples where OM paragraph is used:
 - Reporting on more than one set of financial statements.
 - Restriction on distribution or use of the auditor's report

Communication with Those Charged with Governance

- If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, communicate with those charged with governance regarding this expectation and the proposed wording of this paragraph