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Description of content of ISSAI 1706

Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1706 is comprised of International Standard on Auditing (ISA) 706 – Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of the ISA

ISA 706 deals with additional communication in the auditor's report when the auditor considers it necessary to:

- a. Draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements; or
- b. Draw users' attention to any matter or matters other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Appendices 1 and 2 identify ISAs that contain specific requirements for the auditor to include Emphasis of Matter paragraphs or Other Matter paragraphs in the auditor's report. In those circumstances, the requirements in the ISA regarding the form and placement of such paragraphs apply.

Objective of the auditor in terms of the ISA

The objective of the auditor, having formed an opinion on the financial statements, is to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report, to:

- a. A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users' understanding of the financial statements; or
- b. As appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Among other matters, the requirements in this ISA deal with:

- a. The use of an Emphasis of Matter Paragraph. This is to be included immediately after the Opinion paragraph in the auditor's report and shall indicate that the auditor's opinion is not modified in respect of the matter emphasized.
- b. The use of an Other Matter Paragraph. This shall be included immediately after the Opinion paragraph and the Emphasis of Matter paragraph, or later, if it relates to the Other Reporting Responsibilities section.
- c. Communication with those charged with governance.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 706 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note provides additional guidance for public sector auditors related to:

- a. Emphasis of matter paragraphs in the auditor's report.
- b. Other matter paragraphs in the auditor's report.
- c. Communication with those charged with governance.