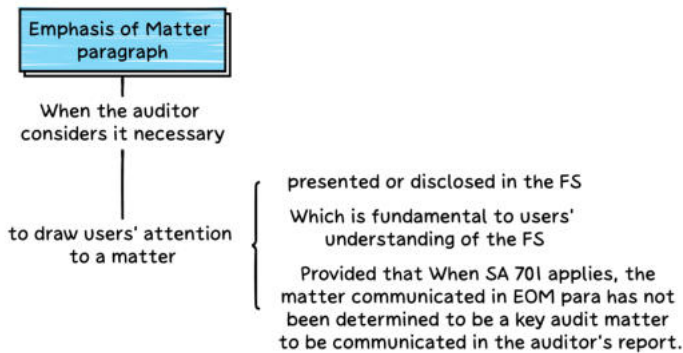
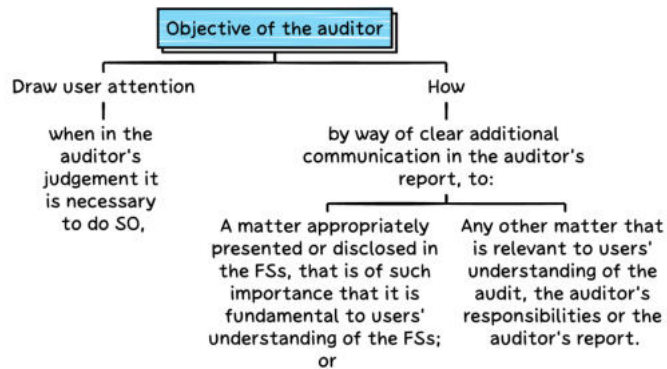
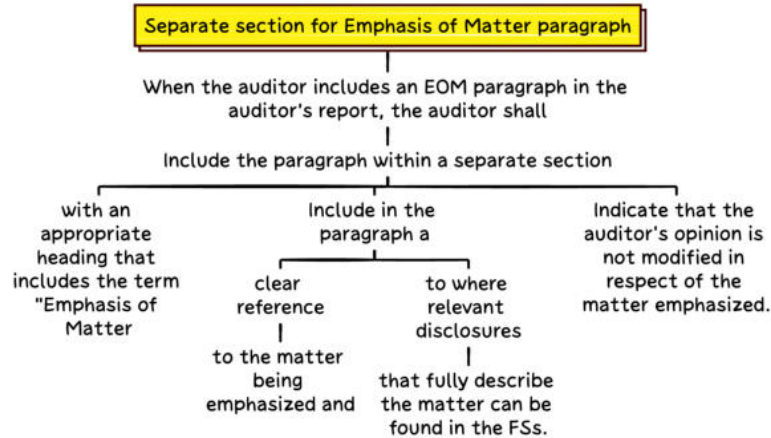


# SA 706 Emphasis of matter paragraphs & other matter paragraphs in the independent auditor's report

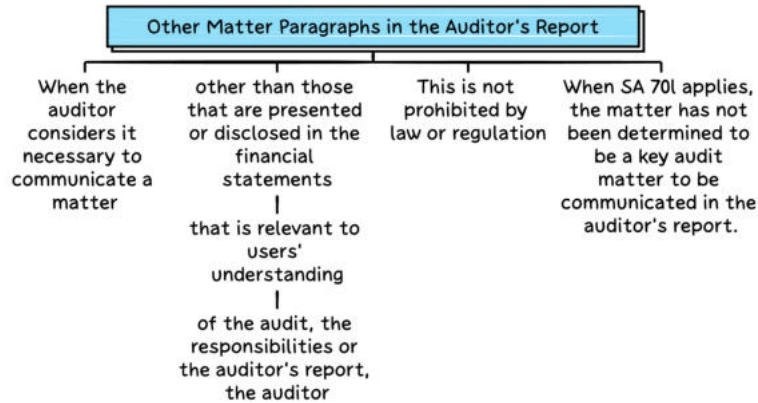
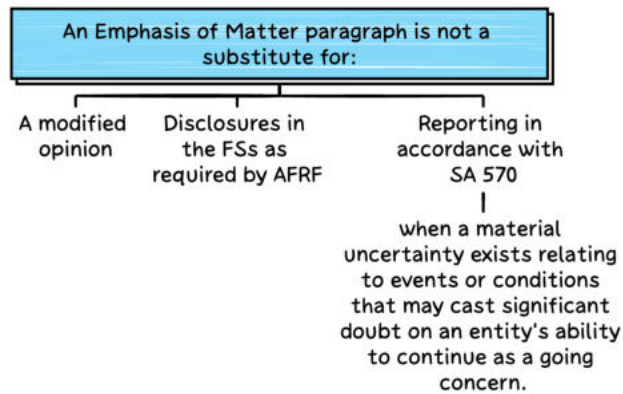


No duplication allowed: A matter cannot appear in both EOM and KAM sections. If the matter qualifies as a KAM, it must be reported under KAM, not EOM.



Some situations in which the auditor might find it appropriate to include an Emphasis of Matter paragraph are

- Uncertainty about the future resolution of significant litigation or a major regulatory proceeding.
- A material event occurring after the reporting period but before the auditor's report is issued.
- Early adoption (if allowed) of a new accounting standard that has a substantial impact on the financial statements.
- A severe catastrophe that has had, or continues to have, a major impact on the entity's financial condition.



## Separate section for Other Matter paragraph

When the auditor includes an Other Matter paragraph in the auditor's report, the auditor shall include the paragraph within a **separate section** with the heading "Other Matter," or other appropriate heading.

## Communication with TCWG

If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the auditor shall **communicate** with TCWG regarding this **expectation** and the **wording** of this paragraph.

Pure Services Limited is into litigation relating to some legal action initiated by the industry regulator. The matter has reached the jurisdictional High Court. Keeping in view uncertainty related to the future outcome of the matter, the statutory auditor of the company has decided to include the Emphasis of Matter (EOM) Paragraph in the auditor's report.

- Briefly discuss the considerations to be taken care of by the statutory auditor when the EOM paragraph is included in the auditor's report.
- State any two examples of circumstances where the auditor may consider it necessary to include an EOM paragraph.

(MTP2, Sep 2024, 5 Marks)