



Attachment to Board Meeting Summary Paper

Subject: GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities*

Prepared by: AUASB Technical Group

Date: 4 April 2011

ATTACHMENT 1

Emphasis of Matter Paragraph under ASA 706:

The use of an Emphasis of Matter paragraph under ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* was raised by four stakeholders as a matter for inclusion in the guidance statement.

Under ASA 706 paragraph 6:

“If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial report that, in the auditor’s judgement, is of such importance that it is fundamental to users’ understanding of the financial report, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial report. Such a paragraph shall refer only to information presented or disclosed in the financial report”.

Aus 6.1 “In addition to the requirements in paragraph 6 of this Auditing Standard, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report where required by other Auditing Standards”.

Comments received from four of six stakeholders highlighted the need for some discussion of the use of emphasis of matter in the area of revenue completeness for a Not-for-profit entity. The practitioner’s felt there was a real need for the use of an emphasis of matter in certain circumstances and which may lead to less qualified audit reports being issued for the medium sized Not-for-profit entities. Paragraph 22 has been included in GS 019 to discuss when the auditor may consider including an emphasis of matter paragraph in an unqualified audit opinion under ASA 706. In addition, an illustrative report has been included in Appendix 3.

Further discussion and feedback is sought from the Board on the wording of paragraph 22, Appendix 3 and whether the diagram at Agenda Item 5.2 is useful and should be included in the guidance statement.