

## INITIAL AUDIT ENGAGEMENTS — OPENING BALANCES: CAS 510

### Definitions

- **Initial audit engagement** – An engagement in which either:
  - The F/S for the prior period were **not audited**; or
  - The F/S for the prior period were **audited by a predecessor auditor**

### Audit Procedures

- The auditor should **read the most recent F/S**, if any, **and the predecessor auditor's report**, if any, for information relevant to opening balances
- Obtain **sufficient appropriate audit evidence** about whether the **opening balances contain material misstatements** by:
  - 1) Determining whether the **prior period's closing balances have been correctly brought forward to the current period**
  - 2) Determining whether the opening balances reflect the **application of appropriate accounting policies**; and
  - 3) Performing **one or more** of the following:
    - Where the prior year F/S were audited, **reviewing the predecessor auditor's working papers** to obtain evidence regarding the opening balances
    - Evaluating whether audit procedures performed in the current period **provide evidence relevant to the opening balances**
    - Performing **specific audit procedures** to obtain evidence regarding the opening balances
- If auditor determines that the **opening balances contain material misstatements** that affect the current year's F/S, **communicate** the misstatements with the appropriate level of **management and those charged with governance**
- Obtain audit evidence about whether **accounting policies** reflected in the opening balances have been **consistently applied** in the current period
- If the prior year F/S were audited by a **predecessor auditor that had a modified opinion**, the current auditor should consider the event giving rise to the modified opinion in assessing the current period's risk of material misstatement
- If auditor **is unable to obtain sufficient appropriate evidence on the opening balances**, express a **qualified opinion** or **disclaim an opinion**
- If the auditor concludes that the opening balances contain a misstatement that materially affects the current period's F/S, express a **qualified opinion** or an **adverse opinion**
- If the auditor concludes that **accounting policies are not consistently applied** or if **changes in accounting policies** are not appropriately accounted for, issue a **qualified** or **adverse opinion**