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Description of content of ISSAI 1510

Initial Audit Engagements – Opening Balances

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

ISSAI 1510 is comprised of International Standard on Auditing (ISA) 510 – Initial Audit Engagements – Opening Balances, 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 510 deals with the auditor's responsibilities relating to opening balances in an initial audit engagement. In addition to financial statement amounts, opening balances include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments. When the financial statements include comparative financial information, the requirements and guidance in ISA 710¹ also apply. ISA 300² includes additional requirements and guidance regarding activities prior to starting an initial audit.

Objective of the auditor in terms of the ISA

In conducting an initial audit engagement, the objective of the auditor with respect to opening balances is to obtain sufficient appropriate audit evidence about whether:

¹ ISA 710, Comparative Information – Corresponding Figures and Comparative Financial Statements.

² ISA 300, Planning an Audit of Financial Statements.

- a. Opening balances contain misstatements that materially affect the current period's financial statements; and
- b. Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

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

- a. Audit procedures required to obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements.
- b. Steps to take when the auditor obtains audit evidence that opening balances contain misstatements that could materially affect the current period's financial statements.
- c. The situation where the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion.
- d. Audit conclusions and reporting in relation to opening balances, consistency of accounting policies and a modification in the opinion in the predecessor auditor's report.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 510 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. Audit procedures.
- b. Audit conclusions and reporting.