

**EXPOSURE DRAFT**

**ED 17/05**  
(October 2005)

# **Proposed Auditing Standard: Initial Engagements – Opening Balances (Re-issuance of AUS 510)**

Prepared and Issued by the **Auditing and Assurance Standards Board**



**Australian Government**

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**Auditing and Assurance Standards Board**

### **Commenting on this Exposure Draft**

Comments on this Exposure Draft should be forwarded so as to arrive by 15 December 2005. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

### **Obtaining a Copy of this Exposure Draft**

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## CONTENTS

PREFACE

AUTHORITY STATEMENT

	<i>Paragraphs</i>
Application.....	1-2
Operative Date .....	3
Introduction.....	4-6
Audit Procedures.....	7-13
Audit Conclusions and Reporting .....	14-20
Conformity with International Standards on Auditing.....	21
Appendix 1: Examples of Modified Auditor’s Reports	

## PREFACE

### Reasons for Issuing ED 17/05

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard (AUS 510) *Initial Engagements – Opening Balances* due to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (the CLERP 9 Act) established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001*, as from 1 July 2004. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards will be legislative instruments under the *Legislative Instruments Act 2003*.

### Main Proposals

This proposed Auditing Standard:

- (a) establishes mandatory requirements and provides explanatory guidance regarding opening balances when the financial report is audited for the first time or when the financial report for the prior period was audited by another auditor;
- (b) provides guidance on the audit procedures the auditor may consider to obtain sufficient appropriate audit evidence on opening balances in an initial engagement; and
- (c) establishes mandatory requirements and provides explanatory guidance on the form and content of the auditor's report.

### Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 July 2006.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances*  
(Re-issuance of AUS 510)**

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**Main changes from existing AUS 510 (July 2002)**

The main differences between this proposed Auditing Standard and the auditing standard issued by the former Auditing & Assurance Standards Board of Australian Accounting Research Foundation that it supersedes, (AUS 510) *Initial Engagements – Opening Balances* (July 2002), is that in this proposed Auditing Standard:

1. the word ‘shall’, in the **bold-type** paragraphs, is the terminology used to describe an auditor’s mandatory requirements, whereas an auditor’s degree of responsibility was previously described by the word ‘should’;
2. the explanatory paragraphs provide guidance and illustrative examples to assist the auditor in fulfilling the mandatory requirements, whereas previously some obligations were implied within certain explanatory paragraphs. Accordingly, such paragraphs have been redrafted to clarify that the matter forms part of the explanatory guidance; and
3. the terminology and overall concepts have been aligned to the Audit Risk Standards. The issue and re-issue of the Audit Risk Standards in February 2004, comprising:
  - AUS 402 “Understanding the Entity and Its Environment and Assessing the Risks of Misstatement”;
  - AUS 406 “The Auditor’s Procedures in Response to Assessed Risks”; and
  - AUS 502 “Audit Evidence”gave rise to necessary conforming amendments to certain existing AUSs, including AUS 510; and
4. contains examples of modified auditor’s reports.

A Table of Proposed Changes, excluding conforming amendments mentioned at point 3 above, is provided as an attachment to the Exposure Draft.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances*  
(*Re-issuance of AUS 510*)**

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## **Request for Comments**

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard (AUS 510) *Initial Engagements – Opening Balances* by 15 December 2005. The AUASB would prefer that respondents express a clear overall opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. The AUASB regards both critical and supportive comments as essential to a balanced review of the proposed Auditing Standard.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
**(*Re-issuance of AUS 510*)**

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standard << >> *Initial Engagements – Opening Balances* as set out in paragraphs 1 to 21 and Appendix 1, pursuant to section 227B of the *Australian Securities and Investment Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

The mandatory requirements of this Auditing Standard are set out in **bold-type** paragraphs.

# AUDITING STANDARD

## *Initial Engagements – Opening Balances*

### Application

- 1 **This Auditing Standard applies to:**
  - (a) **an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and**
  - (b) **an audit of a financial report for any other purpose.**
- 2 This Auditing Standard also applies, as appropriate, to an audit of other financial information.

### Operative Date

- 3 **This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.**

### Introduction

- 4 The purpose of this Auditing Standard is to establish mandatory requirements and to provide explanatory guidance regarding opening balances when the financial report is audited for the first time or when the financial report for the prior period was audited by another auditor. This Auditing Standard would also be considered when the auditor becomes aware of contingencies and commitments existing at the beginning of the period. Guidance on the audit and reporting requirements regarding comparatives is provided in AUS 704, “Comparatives.”
- 5 **For initial audit engagements, the auditor shall obtain sufficient appropriate audit evidence that:**
  - (a) **the opening balances do not contain misstatements that materially affect the current period’s financial report;**
  - (b) **the prior period’s closing balances have been correctly brought forward to the current period or, when appropriate, have been restated; and**



**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
**(*Re-issuance of AUS 510*)**

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- (c) **appropriate accounting policies are consistently applied or changes in accounting policies have been properly accounted for and adequately presented and disclosed.**

6 “Opening balances” means those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of:

- (a) transactions of prior periods; and  
(b) accounting policies applied in the prior period.

In an initial audit engagement, the auditor will not have previously obtained audit evidence supporting such opening balances.

### **Audit Procedures**

7 Pursuant to paragraph 5 of this Auditing Standard, the sufficiency and appropriateness of the audit evidence the auditor is required to obtain regarding opening balances depends on such matters as the following:

- The accounting policies followed by the entity.
- Whether the prior period’s financial report was audited, and if so whether the auditor’s report was modified.
- The nature of the accounts and the risk of material misstatement in the current period’s financial report.
- The materiality of the opening balances relative to the current period’s financial report.

8 Pursuant to paragraph 5 of this Auditing Standard, the auditor is required to consider whether:

- Opening balances reflect the application of appropriate accounting policies and that those policies are consistently applied in the current period’s financial report.
- Accounting policies are appropriate and properly accounted for and adequately presented and disclosed, when there are any changes in the accounting policies or application thereof.

9 When the prior period’s financial report was audited by another auditor, the current auditor may be able to obtain sufficient

**Proposed Auditing Standard: Initial Engagements – Opening Balances  
(Re-issuance of AUS 510)**

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appropriate audit evidence regarding opening balances by reviewing the predecessor auditor's working papers. In these circumstances, pursuant to AUS 602, "Using the Work of Another Auditor", the current auditor is required to consider the professional competence and independence of the predecessor auditor. If the prior period's auditor's report was modified, pursuant to AUS 704, the auditor is required to pay particular attention in the current period to the matter which resulted in the modification.

- 10 Prior to communicating with the predecessor auditor, pursuant to AUS 206, "Quality Control for Audits of a Financial Report", the current auditor is required to consider the requirements of the applicable code of professional conduct of a professional accounting body<sup>1</sup>.
- 11 When the prior period's financial report was not audited or when the auditor is not able to obtain sufficient appropriate audit evidence by using the audit procedures described in paragraph 9, pursuant to paragraph 5 of this Auditing Standard, the auditor is required to perform other audit procedures such as those discussed in paragraphs 12 and 13.
- 12 For current assets and liabilities some audit evidence can ordinarily be obtained as part of the current period's audit procedures. For example, the collection (payment) of opening accounts receivable (accounts payable) during the current period will provide some audit evidence of their existence, rights and obligations, completeness and valuation at the beginning of the period. In the case of inventories; however, it is more difficult for the auditor to be satisfied as to inventory on hand at the beginning of the period. Therefore, additional audit procedures are ordinarily necessary such as observing a current physical inventory taking and reconciling it back to the opening inventory quantities, performing audit procedures on the valuation of the opening inventory items, and performing audit procedures on gross profit and cutoff. A combination of these audit procedures may provide sufficient appropriate audit evidence.
- 13 For non current assets and liabilities, such as fixed assets, investments and long-term debt, the auditor ordinarily examines the accounting records and other information underlying the opening

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<sup>1</sup> In Australia, the codes of conduct of the professional accounting bodies, as issued from time to time, are:

- CPA Australia and The Institute of Chartered Accountants in Australia, *Joint Code of Professional Conduct*; and
- National Institute of Accountants, *Pronouncements of the Board of Directors – Code of Ethics*.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
**(*Re-issuance of AUS 510*)**

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balances. In certain cases, the auditor may be able to obtain confirmation of opening balances with third parties, for example, for long-term debt and investments. In other cases, the auditor may need to carry out additional audit procedures.

### **Audit Conclusions and Reporting**

- 14 If, after performing audit procedures including those set out above, the auditor is unable to obtain sufficient appropriate audit evidence concerning opening balances, the auditor’s report shall include:**
- (a) a qualified opinion;**
  - (b) a disclaimer of opinion; or**
  - (c) an opinion which is qualified or disclaimed regarding the results of operations and unqualified regarding financial position.**
- 15 Examples of modified auditor’s reports are included at Appendix 1. See also AUS 702, “Modifications to the Independent Auditor’s Report”<sup>2</sup>.
- 16 If the opening balances contain misstatements which could materially affect the current period’s financial report, pursuant to AUS 710, “Communication With Those Charged with Governance”, the auditor is required to inform those charged with governance and management and, after having obtained management’s authorisation, the predecessor auditor, if any.
- 17 If the effect of the misstatement is not properly accounted for and adequately presented and disclosed, the auditor shall express a qualified opinion or an adverse opinion, as appropriate.**
- 18 If the current period’s accounting policies have not been consistently applied in relation to opening balances and if the change has not been properly accounted for and adequately presented and disclosed, the auditor shall express a qualified opinion or an adverse opinion as appropriate.**

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<sup>2</sup> The proposed Auditing Standard, AUS 702 is being reissued as two separate standards: Part A – “The Independent Auditor’s Report on a Complete General Purpose Financial Report” and Part B – “Modifications to the Independent Auditor’s Report”.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
**(*Re-issuance of AUS 510*)**

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- 19 If the entity’s prior period auditor’s report was modified, the auditor is required to consider the effect thereof on the current period’s financial report pursuant to paragraph 18 of this Auditing Standard. For example, if there was a scope limitation, such as one due to the inability to determine opening inventory in the prior period, the auditor may not need to qualify or disclaim the current period’s audit opinion.
- 20 **If a modification regarding the prior period’s financial report remains relevant and material to the current period’s financial report, the auditor shall modify the current auditor’s report accordingly.**

**Conformity with International Standards on Auditing**

- 21 Except as noted below, this Auditing Standard conforms with International Standard on Auditing ISA 510, “Initial Engagements - Opening Balances” issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The difference between this Auditing Standard and ISA 510 is:
- This Auditing Standard includes examples of modified auditor’s reports at Appendix 1, whereas ISA 510 only includes examples of modification to auditor’s reports as explanatory guidance.
- Compliance with this Auditing Standard enables compliance with ISA 510.

## **APPENDIX 1**

### **EXAMPLES OF MODIFIED AUDITOR'S REPORTS**

Under paragraph 14 of this Auditing Standard, when the auditor is unable to obtain sufficient audit evidence concerning opening balances the auditor's report is required to include:

- (a) a qualified opinion;
- (b) a disclaimer of opinion; or
- (c) an opinion which is qualified or disclaimed regarding the results of operations and unqualified regarding financial position.

See AUS 702 for illustrations of modified opinions for (b) disclaimers whereas illustrations of (a) and (c) are as follows:

*EXAMPLE 1: QUALIFIED OPINION - AUDITOR'S REPORT FOR AUDITS  
CONDUCTED IN ACCORDANCE WITH THE AUDITING STANDARDS:*

#### **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

#### **Report on the Financial Report**

We have audited the accompanying financial report of [name of entity], which comprises the balance sheet as at 30 June 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Governing Body's Responsibility for the Financial Report*

The [name of governing body or those charged with governance] is responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia (and, when appropriate, statutory and other requirements). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Qualification*

We did not observe the counting of the physical inventory stated at \$XXX as at 30 June 20X0, since that date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory quantities at that date by other audit procedures. Inventories, which are recorded at \$XXX at 30 June 20X0 represent XX% of the entity's recorded assets at that date.

*Qualified Audit Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the counting of physical inventory and satisfy ourselves as to the opening balance of inventory, the financial report presents fairly, in all material respects, (or "gives a true and fair view of") the financial position of [name of entity] as of 30 June 20X1, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards in Australia (and, when appropriate, statutory and other requirements).

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Proposed Auditing Standard: Initial Engagements – Opening Balances  
(Re-issuance of AUS 510)**

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*EXAMPLE 2: QUALIFIED OPINION - AUDITOR'S REPORT FOR AUDITS  
CONDUCTED IN ACCORDANCE WITH BOTH AUDITING STANDARDS AND THE  
CORPORATIONS ACT 2001:*

**INDEPENDENT AUDITOR'S REPORT**

To the members of [name of entity]

**Report on the Financial Report**

We have audited the accompanying financial report of [name of company/registered scheme/disclosing entity], which comprises the balance sheet as at 30 June 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of



**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of company/registered scheme/disclosing entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.

*Qualification*

We did not observe the counting of the physical inventory stated at \$XXX as at 30 June 20X0, since that date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory quantities at that date by other audit procedures. Inventories, which are recorded at \$XXX at 30 June 20X0 represent XX% of the entity's recorded assets at that date.

*Qualified Audit Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the counting of physical inventory and satisfy ourselves as to the opening balance of inventory, the financial report of [name of company/registered scheme/disclosing entity] is in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the [company/registered scheme/disclosing entity]'s financial position as at 30 June 20X1 and of its performance for the year ended on that date; and

complying with Accounting Standards in Australia and the *Corporations Regulations 2001*.

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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[Date of the auditor's report]

[Auditor's address]

**Proposed Auditing Standard: Initial Engagements – Opening Balances  
(Re-issuance of AUS 510)**

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*EXAMPLE 3: OPINION WHICH IS QUALIFIED OR DISCLAIMED REGARDING THE  
RESULTS OF OPERATIONS AND UNQUALIFIED REGARDING FINANCIAL POSITION -  
AUDITOR'S REPORT FOR AUDITS CONDUCTED IN ACCORDANCE WITH THE  
AUDITING STANDARDS:*

**INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

**Report on the Financial Report**

We have audited the accompanying financial report of [name of entity], which comprises the balance sheet as at 30 June 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Governing Body's Responsibility for the Financial Report*

The [name of governing body or *those charged with governance*] is responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia (and, when appropriate, statutory and other requirements). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Qualification*

We did not observe the counting of the physical inventory stated at \$XXX as at 30 June 20X0, since that date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory quantities at that date by other audit procedures. Inventories, which are recorded at \$XXX at 30 June 20X0 represent XX% of the entity's recorded assets at that date.

*Qualified Audit Opinion*

In our opinion, because of the significance of the above matter in relation to the results of the Company's operations for the year to 30 June 20X1, we are not in a position to, and do not, express an opinion on the comparatives for 20X0 and the results of its operations and its cash flows for the year then ended.

In our opinion, the balance sheet gives a true and fair view of (or 'presents fairly in all material respects'), the financial position of the Company as at 30 June 20X1, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Proposed Auditing Standard: Initial Engagements – Opening Balances  
(Re-issuance of AUS 510)**

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*EXAMPLE 4: OPINION WHICH IS QUALIFIED OR DISCLAIMED REGARDING THE RESULTS OF OPERATIONS AND UNQUALIFIED REGARDING FINANCIAL POSITION - AUDITOR'S REPORT FOR AUDITS CONDUCTED IN ACCORDANCE WITH BOTH AUDITING STANDARDS AND THE CORPORATIONS ACT 2001:*

**INDEPENDENT AUDITOR'S REPORT**

To the members of [name of entity]

**Report on the Financial Report**

We have audited the accompanying financial report of [name of company/registered scheme/disclosing entity], which comprises the balance sheet as at 30 June 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the following paragraph, we conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of company/registered scheme/disclosing entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.

*Qualification*

We did not observe the counting of the physical inventory stated at \$XXX as at 30 June 20X0, since that date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory quantities at that date by other audit procedures. Inventories, which are recorded at \$XXX at 30 June 20X0 represent XX% of the entity's recorded assets at that date.

*Qualified Audit Opinion*

In our opinion, because of the significance of the above matter in relation to the results of the [company/registered scheme/disclosing entity]'s operations for the year to 30 June 20X1, we are not in a position to, and do not, express an opinion on the comparatives for 20X0 and the results of its operations and its cash flows for the year then ended.

In our opinion, the balance sheet of [name of entity/registered scheme/disclosing entity] is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the [company/registered scheme/disclosing entity]'s financial position as at 30 June 20X1; and
- (b) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*.

**Proposed Auditing Standard: *Initial Engagements – Opening Balances***  
***(Re-issuance of AUS 510)***

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**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

## Table of Proposed Changes from AUS 510 *Initial Engagements – Opening Balances*

### ***Base Standard***

ISA 510, “Initial Engagements – Opening Balances,” was used as the base standard when re-drafting this proposed Auditing Standard.

### ***Main differences between the Base Standard and the existing AUS 510***

The main differences between ISA 510 and the existing AUS 510 are:

1. ISA 510 contains conforming amendments arising from the revision of ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”, ISA 330, “The Auditor’s Procedures in Response to Assessed risks”, and ISA 500, “Audit Evidence” whereas the existing AUS 510 had not been updated.
2. ISA 510 contains an example of an opinion which is qualified or disclaimed regarding the results of operations and unqualified regarding financial position whereas the existing AUS 510 only included an example of an auditor’s opinion qualified due to a limitation on the scope of the auditor’s work.

### ***Table of proposed changes from the Base Standard***

The table below details the proposed changes from the base standard, ISA 510 (excluding changes to reflect Australian terminology and references to Australian Auditing Standards).

Paragraph No. In Proposed Exposure Draft	Status (Requirement, Guidance, Footnote or Appendix)	Description of Proposed Change(s)
1, 2	Requirement / Guidance	New application paragraphs.
3	Requirement	Re-position Operative Date paragraph.
5, 14, 17, 18, 20	Requirement	Replace “should” with “shall”.
7, 8, 9, 10, 11, 16, 19	Guidance	Insert: “pursuant to..... the auditor is required to”
10	Guidance	Replace <i>Code of Ethics for Professional Accountants</i> issued by the International Federation of Accountants with “requirements of the applicable code of professional conduct of a professional accounting body”.



<b>Paragraph No. In Proposed Exposure Draft</b>	<b>Status (Requirement, Guidance, Footnote or Appendix)</b>	<b>Description of Proposed Change(s)</b>
11	Guidance	Replace “be satisfied” with “obtain sufficient appropriate audit evidence”.
13, 16	Guidance	Minor edits to remove present tense and insert reference to “those charged with governance”.
15	Guidance	Insert reference to AUS 702.
15	Appendix 1	Replace modification paragraphs with example modified auditor’s report at appendix 1.