



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **13(d)**

Meeting Date: 25 July 2011

Subject: *ASA 510 Initial Audit Engagements—Opening Balances*

Date: 8 July 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To: Consider the approach taken in the “clarity” Auditing Standards to “split opinions” in the context of opening balances.

To: Determine whether or not additional guidance is necessary; and if so, in what format.

Background

On two separate occasions, the AUASB Technical Staff have received queries from large-firm practitioners in relation to the removal of “split opinions” in the Auditing Standards (“clarity” versions).

Application and Other Explanatory Material paragraph A8(b) in ASA 510 and paragraph A16 (2nd bullet point) in ASA 705 have been deleted thereby creating a difference with both the equivalent ISA 510 and ISA 705 (clarity versions) and the previous ASA 510 (issued April 2006 and compiled June 2007).

In the context of opening balances, a “split opinion” is where the auditor’s report comprises a qualified or disclaimed opinion regarding the results of operations and an unmodified opinion regarding the financial position. A “split opinion” arises when an auditor is unable to obtain sufficient appropriate audit evidence about the opening balances. This lack of audit evidence is invariably an issue in respect of the profit and loss account, i.e. the prior-period comparatives. However, the opening balance sheet numbers (prior-period comparatives) can ordinarily be audited,

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with the exception of retained earnings and inventory, through current period movements and period-end verification – hence an unmodified opinion on the (closing) financial position.

Matters to Consider

The Board is requested to:

- a. Consider the conclusion and technical commentary in the attachment to this AUASB Board Meeting Summary Paper and determine whether or not “split opinions” are to be reinstated in the Auditing Standards. [See Agenda Item 13(d).1]
- b. Determine if new guidance material is required, regardless of the decision in a. above.
- c. Determine the form of new guidance material, if it is required.

AUASB Technical Group Recommendations

“Split opinions” should not be reinstated in the Auditing Standards. An Explanatory Guide should be issued.

Material Presented

Agenda Item 13(d) Board Meeting Summary Paper

Agenda Item 13(d).1 Attachment to BMSP

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Determine if “split opinions” should be re-instated in the Auditing Standards	Board directive	AUASB	25 July	o/s
2.	Determine if new guidance material is required, and if so, in what form	Board directive	AUASB	25 July	o/s

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