

September 2009

**BASIS FOR CONCLUSIONS  
CANADIAN AUDITING STANDARD (CAS) 510,  
Initial Audit Engagements — Opening Balances**

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Auditing Standard 510, “Initial Audit Engagements — Opening Balances.”

**Background**

In July 2007, the International Auditing and Assurance Standards Board (IAASB) issued its Exposure Draft of International Auditing Standard (ISA) 510 (Redrafted), “Initial Audit Engagements — Opening Balances” (ED-ISA 510). The IAASB approved final ISA 510 in March 2008 subject to confirmation by the Public Interest Oversight Board (PIOB) that due process was followed. This confirmation was received in July 2008.

In September 2007, the AASB issued its Exposure Draft to adopt proposed ISA 510 (Redrafted) as CAS 510 (ED-CAS 510) to replace:

- Section 5150, PLANNING;
- Section 5510 RESERVATIONS IN THE AUDITOR’S REPORT; and
- ASSURANCE AND RELATED SERVICES GUIDELINE AuG-8, Auditor’s Report on Comparative Financial Statements.

Limited guidance on conducting an initial audit engagement is provided in these standards. Accordingly, most of the requirements in CAS 510 are new. There were 4 respondents to ED-CAS 510 (identified below).

The AASB approved CAS 510 in September 2008. The Auditing and Assurance Standards Oversight Council reviewed due process followed by the AASB in the development of this CAS prior to its issuance for inclusion in the CICA Handbook – Assurance.

**Purpose of this Basis for Conclusions**

This Basis for Conclusions has been prepared to make Canadian stakeholders aware of the following.

- (a) A Basis for Conclusions prepared by IAASB staff for ISA 510 is available on the [IAASB web site](#), and provides information on how the IAASB dealt with comments received on significant matters in response to the ED-ISA 510.
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its ED-CAS 510 is also available. This information is set out below.

## **Significant Matters**

### **AASB's Consideration of Amendments to ISA Wording**

1. CAS 510 contains no amendment to the ISA wording. This is consistent with the position taken by the AASB in ED-CAS 510. No respondent requested an amendment. However, as noted below, a change has been made in illustrative auditor's reports.

*Use of the Phrases "present fairly" and "give a true and fair view"*

2. As stated in Appendix 3 of the Preface, throughout the ISAs (including ISA 510), when referring to the auditor's opinion on financial statements, two possible wording choices are referenced — "present fairly, in all material respects," or "give a true and fair view of" (when the auditor expresses an adverse opinion the wording choices are "do not present fairly (or give a true and fair view)"). In Canada, governing legislation often requires the use of (and it is generally accepted practice to use) the phrase "present fairly, in all material respects." Therefore, in illustrations of auditor's opinions throughout the CASs (including CAS 510), the phrase "present fairly, in all material respects," or "do not present fairly," as appropriate, is used and no reference is made to the phrase "give a true and fair view."

### **Other Matters**

None.

### **List of respondents to ED-CAS 510**

BDO Dunwoody LLP  
Deloitte & Touche LLP  
KPMG LLP  
Provincial Auditor of Saskatchewan