AUDIT



Audit Planning

An audit plan helps to determine a general strategy and a detailed approach for the expected nature, timing, and extent of the audit.

Helps the auditor ensure that appropriate attention is devoted to important areas of the audit, that potential problems are identified and that the work is completed in a timely manner.

The auditor should develop & document an audit plan describing the expected scope & conduct of the audit. The precise form & content will vary depending on the size of the entity, the complexity of the audit & the GENERAL methodology & technology used by the auditor.

Opening Balance Verification

Introduction:

- The **opening balance verification** in an audit is essentially the process of confirming that the opening balances presented in the current period's financial statements are correct and in line with the closing balances from the previous period. It is particularly important when there are new standards, changes in accounting policies, or when there are **first-time adoptions** of standards like **AASB 15 (Revenue from Contracts with Customers)** or **AASB 16 (Leases)**.

- Opening balances affect key areas like:
- **Equity**: This includes retained earnings, reserves, and other components of equity.
- **Assets and Liabilities**: The balances of assets and liabilities from the previous period are carried forward to the new period

Audit Procedures for Opening Balance Verification

1. Reconcile Opening Balances:
- Verify that the opening balances in the current period's financial statements match the closing balances from the prior period's audited financial statements.
- Ensure there are no discrepancies between the previous year's closing balances and the current period's opening balances (e.g., retained earnings, assets, liabilities).

2. Check the Application of Accounting Policies:
- If there were any changes in accounting policies during the period (such as the adoption of a new standard like **AASB 15** or **AASB 16**), the auditor ensures that the transition is properly reflected in the opening balances, including any required restatements.
- The auditor will verify that **comparative figures** (from the prior period) have been restated if necessary, to ensure consistency.

3. Review Opening Balance Adjustments:
- In cases of prior period errors or changes in accounting estimates, the auditor will confirm the adjustments made to retained earnings and other equity balances to ensure compliance with AASB 108.
- For example, if an error was identified in the prior period, the auditor ensures the correction is made to the opening balance of retained earnings in the current period.

Audit Procedures for Opening Balance Verification

4. Perform Substantive Testing:
- Auditors perform substantive tests on key balances to ensure accuracy. This could involve tracing balances back to supporting documents, reviewing contracts or agreements, or testing the calculation of depreciation or impairment adjustments.

5. Verify Correctness of Transition to New Standards:
- If the entity has adopted new standards (such as **AASB 15** or **AASB 16**), the auditor verifies the impact of these standards on the opening balances, including the correct calculation of lease liabilities, right-of-use assets, or changes in revenue recognition.
- The auditor checks whether appropriate disclosures about the **adoption of new standards** are made in the financial statements, as per the requirements of AASB 108.

6. Confirm Compliance with Financial Reporting Framework:
- The auditor ensures that the financial statements, including the opening balances, are presented in accordance with the **Australian Accounting Standards** and provide a true and fair view of the entity's financial position.

Conclusion

In summary, **opening balance verification** in the context of an audit under **AASB** involves ensuring the accuracy of the opening balances for the current period's financial statements by reviewing the closing balances from the previous period, confirming correct application of accounting policies, and ensuring that any adjustments due to accounting errors, policy changes, or new standards have been properly accounted for. This is a critical step to ensure that the financial statements are free from material misstatements and comply with the **Australian Accounting Standards**

Thankyou

