

Proposed ISA 580 (Revised and Redrafted), “Written Representations”

1. This paper supports the Task Forces view in paragraph 37 of Agenda Item 6 that the changes to proposed ISA 580 (Revised and Redrafted) respond to the comments received on the exposure draft, and that there are no substantial changes that warrant re-exposure of the proposed ISA as a whole.
2. The Table below links the summary of significant comments discussed at the September IAASB meeting (see Agenda Item 2-A) and matters highlighted for the consideration by the IAASB at the December 2007 meeting (see Agenda Item 6) to the relevant paragraphs in the proposed final ISA 580 (Revised and Redrafted). The Appendix shows the changes to the exposure draft of proposed ISA 580 (Revised and Redrafted) in mark-up text.

Significant comments / Matters for Consideration	Relevant paragraph(s)
<p>Comments / matters relating to the fundamental premise (see paragraphs 3-30 of Agenda Item 2-A, September 2007 and paragraphs 7-21 of Agenda Item 6, December 2007):</p> <ul style="list-style-type: none"> • The premise, relating to management’s responsibilities, on which an audit is conducted should be described consistently throughout the ISAs <ul style="list-style-type: none"> ◦ Management’s responsibilities should be limited to its responsibility for the preparation and presentation of the financial statements; this includes the design, implementation and maintenance of internal control; and its responsibility to provide the auditor with information. ◦ Management’s responsibility to provide the auditor with information should be clarified. • Management should agree that it acknowledges and understands its responsibilities in the terms of the audit engagement. • The ISAs should recognize that management’s responsibilities may be prescribed by law or regulation. 	<p>200.8, 16, A2 (Agenda Item 6-A, December 2007);</p> <p>210.4(b), A15-A19 (Agenda Item 6-B, December 2007);</p> <p>580.A2 (see Appendix); and</p> <p>700.22, A21 (Agenda Item 6-D, December 2007).</p> <p>200A8a (Agenda Item 6-A, December 2007); and</p> <p>210.4(b) (Agenda Item 6-B, December 2007).</p> <p>210.5, A12 (Agenda Item 6-B, December 2007);</p> <p>580.12, A3 (see Appendix); and</p> <p>700.23a, A23 (Agenda Item 6-D, December 2007).</p>

Significant comments / Matters for Consideration	Relevant paragraph(s)
<ul style="list-style-type: none"> Management should be requested to confirm by way of written representations that it has fulfilled its responsibilities (as agreed in the terms of the audit engagement). <ul style="list-style-type: none"> The detailed elements of the written representation about the financial statements should be moved to the application material. The auditor should not require management to provide a written representation whether they believe that the internal control they have maintained is adequate for the purpose of preparing and presenting the financial statements. 	200.A8a (Agenda Item 6-A, December 2007); 210.A13(Agenda Item 6-B, December 2007); and 580.10-11, A8-A10, A12 (see Appendix).
<p>Comments / matter relating to other written representations (see paragraphs 31-34 of Agenda Item 2-A, September 2007 and paragraphs 32-36 of Agenda Item 6, December 2007):</p> <ul style="list-style-type: none"> The application of the distinction between general and specific written representations to the written representations required by other ISAs should be clarified. Furthermore, how does the fact that such written representations may be unreliable, or management may refuse to provide them, affect the requirement for the auditor to disclaim an opinion when a general written representation is unreliable or not provided? 	580.10-11 and 13 (see Appendix), which distinguish (1) written representations about management's responsibilities; (2) written representations required by other ISAs; and (3) written representations that is necessary to support other audit evidence relevant to the financial statements or one or more specific assertion in the financial statement. 580.16-19 (see Appendix), which apply to all written representations. 580.20 (see Appendix), which applies only to written representations about management's responsibilities (i.e., those required by 580.10-11).
<p>Comments relating to audit evidence (see paragraphs 35-42 of Agenda Item 2-A, September 2007):</p> <ul style="list-style-type: none"> The status of written representations as audit evidence should be clarified. 	580.4-5, A1, A8, A14, A28 (see Appendix).
<p>Comments / matters relating to the requirement to disclaim an opinion when general written representations are unreliable or when management refuses to provide them (see paragraphs 43-55 of Agenda Item 2-A, September 2007 and paragraphs 29-36 of Agenda Item 6, December 2007):</p> <ul style="list-style-type: none"> The proposed ISA should provide for greater flexibility in this regard, allowing the auditor to 	580.20, A28-A29 (see Appendix), which applies only in the case of written representations about management's responsibilities (i.e., those required by 580.10-11). The auditor is not able to judge solely on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its

Significant comments / Matters for Consideration	Relevant paragraph(s)
<p>apply professional judgment.</p>	<p>responsibilities. Therefore, if the auditor concludes that the written representations about these matters are unreliable, or if management does not provide those written representations, the auditor is unable to obtain sufficient appropriate audit evidence. The possible effects on the financial statements of such inability are not confined to specific elements, accounts or items of the financial statements and are hence pervasive. The auditor is required to disclaim an opinion on the financial statements in such circumstances (see 580.A28 in the Appendix).</p>
<p>Comments / matters relating to who should provide the written representations (see paragraphs 56-61 of Agenda Item 2-A, September 2007) and written representations to be provided after having made appropriate inquiries (paragraphs 22-24 of Agenda Item 6, December 2007):</p> <ul style="list-style-type: none"> • The appropriateness of the term “relevant parties,” and the relationship between relevant parties and management and management and those charged with governance, were questioned. • Concern was expressed about requesting individuals other than management, or those charged with governance, to provide written representations. • The phrase “having made appropriate enquiries for them to be able to provide such representations” should be clarified. 	<p>580.3, 9, A4-A7 (see Appendix).</p>
<p>Comments relating to the date of the written representations (see paragraphs 62-65 of Agenda Item 2-A, September 2007):</p> <ul style="list-style-type: none"> • The requirement for the general written representations to be as of the same date as the auditor’s report is too prescriptive, and does not adequately reflect how audits are generally completed or recognize the different governance arrangements in different jurisdictions. 	<p>580.14, A16-A19 (see Appendix).</p>
<p>Matters relating to the form of the written representations (see paragraphs 25-28 of Agenda Item</p>	<p>580.15, A20-A22 (see Appendix).</p>

Significant comments / Matters for Consideration	Relevant paragraph(s)
<p>6, December 2007):</p> <ul style="list-style-type: none"> It was questioned whether the written representations in all cases have to be addressed to the auditor. In some jurisdictions, management's confirmation of the fulfilment of its responsibility for the preparation and presentation of the financial statements, and the fact that the financial statements are prepared and presented in accordance with the applicable financial reporting framework, may be include in a signed statement that accompanies the financial statements. 	
<p>Comments relating to the threshold amount (see paragraphs 66-68 of Agenda Item 2-A, September 2007):</p> <ul style="list-style-type: none"> The relationship between the guidance in the proposed ISA and proposed ISA 320 (Revised and Redrafted), "Materiality I Planning and Performing an Audit" needs to be clarified. 	580.A15 (see Appendix).
<p>Comments relating to documentation:</p> <ul style="list-style-type: none"> The requirement in the proposed ISA should be linked to that the relevant requirement in ISA 230 (Redrafted). 	580.A27 (see Appendix).
<p>Comments relating to small entities (see paragraph 69 of Agenda Item 2-A, September 2007).</p>	210.A18-A19 (Agenda Item 6-B, December 2007) and 580.A10 (see Appendix).
<p>Comments relating to public sector entities (see paragraph 70 of Agenda Item 2-A, September 2007).</p>	200.A8b (Agenda Item 6-A, December 2007) and 580.A11 (see Appendix).

Appendix

PROPOSED INTERNATIONAL STANDARD ON AUDITING 580 (REVISED AND REDRAFTED) WRITTEN REPRESENTATIONS

(Effective for audits of financial statements for periods beginning on or after December 15, 2009~~{date}~~)*

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance~~request written representations, and the auditor's actions when relevant parties do not provide the requested written representations, or when the auditor concludes that such written representations are not reliable.~~
2. Appendix 1 lists other ISAs containing subject matter-specific requirements ~~and guidance~~ for written representations. These specific requirements for written representations of other ISAs do not limit the application of this ISA.
3. For purposes of this ISA, references to "management" should be read as "management and, where appropriate, those charged with governance."

Written Representations as Audit Evidence

4. "Audit evidence" is defined as all the information used by the auditor in arriving at the conclusions on which the audit opinion is based.¹ Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are audit evidence. (Ref: Para. A1)
5. Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal. Furthermore, the fact that management has provided written representations, that the auditor may judge to be reliable, does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities, or about specific assertions.

Effective Date

- ~~26.~~ This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009~~{date}~~.²

* ~~See footnote 1.~~

¹ [Proposed] ISA 500 (Redrafted), "Considering the Relevance and Reliability of Audit Evidence," paragraph [3].

² ~~This effective date will not be earlier than December 15, 2008.~~

Objectives

37. The objectives of the auditor ~~are-is to corroborate, by means of written representations:~~
- (a) ~~To obtain written evidence from management that it believes that it has fulfilled those fundamental responsibilities included in the premise on which an audit is conducted~~~~The validity of the premises, relating to management's responsibilities, on which an audit is conducted;~~³ ~~and (Ref: Para. A2-A3)~~
 - (b) ~~Where necessary, to support other audit evidence by means of written representations about specific assertions in the financial statements~~~~Other audit evidence obtained with regard to specific assertions in the financial statements; and~~
 - (c) ~~To respond appropriately to written representations obtained or if they are not provided.~~

Definitions

48. For purposes of the ISAs, the following terms ~~has-have~~ the meanings attributed below:
- (a) ~~Written representations – A w~~~~Written statements of management provided to the auditor to confirm certain matters or to support other audit evidence provided by relevant parties from within the entity to the auditor at the auditor's request. Written representations are either general or specific. Written representations in this the context of this ISA do not include financial statements, the assertions therein, and supporting books and records.~~
 - (b) ~~General written representations – Written representations regarding the premises, relating to management's responsibilities, on which an audit is conducted.~~
 - (c) ~~Specific written representations – Written representations regarding specific assertions in the financial statements.~~
 - (d) ~~Relevant parties – Parties responsible for preparing and presenting the financial statements and assertions therein. Regarding specific assertions, relevant parties may also include individuals who have specialized knowledge about those specific assertions and are part of the process followed in preparing and presenting the financial statements and assertions therein. (Ref: Para. A1 A2)~~
 - (e) ~~The premises, relating to management's responsibilities, on which an audit is conducted – Those responsibilities of management and, where appropriate, those charged with governance that are fundamental to the conduct of an audit in accordance with the ISAs. They are explained in ISA 200, "Objective and General Principles Governing an Audit of Financial Statements."~~

Requirements

³ ~~The term "management" has been used in this ISA to describe those responsible for preparing and presenting the financial statements. Other terms may be appropriate depending on the legal framework in the particular jurisdiction.~~

Management from whom Written Representations Requested—Relevant Parties

9. The auditor shall request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned. (Ref: Para. A4-A7)
5. ~~The auditor shall determine the relevant parties from whom general and specific written representations shall be requested. (Ref: Para. A1-A3)~~
6. ~~The auditor shall request that relevant parties provide written representations based on relevant parties' knowledge and belief, having made appropriate inquiries for them to be able to provide such representations.~~

Written Representations about Management's Responsibilities—General—Written Representations

7. ~~The auditor shall request relevant parties to provide the general written representations about the financial statements, including internal control, and the completeness of information made available to the auditor set out in paragraphs 8-10 for all financial statements and periods covered by the auditor's report. Such general written representations provide necessary audit evidence about the validity of the premises, relating to management's responsibilities, on which an audit is conducted. However, by themselves, they do not constitute sufficient appropriate audit evidence about the validity of the premises. Accordingly, they do not relieve the auditor of the responsibility to obtain other audit evidence. (Ref: Para. A4-A11, A16)~~

Preparation and Presentation of the Financial Statements

- 10.8. The auditor shall request relevant parties to provide written representations that it has fulfilled its responsibility for the preparation and presentation of preparing and presenting the financial statements as set out in the terms of the audit engagement, and, in particular, whether they believe that the financial statements are prepared and presented in accordance with the applicable financial reporting framework (or are fairly presented in accordance with the applicable financial reporting framework, when that framework is a fair presentation framework). (Ref: Para. A8-A11, A15, A23) The representations shall include:

- Whether the selection and application of accounting policies are appropriate;
- Whether all transactions have been recorded; and
- Whether the following matters, where relevant in view of the applicable financial reporting framework, have been recognized, measured or disclosed in accordance with that framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to or control over assets, and the liens or encumbrances on assets, and assets pledged as collateral;

- ~~Aspects of contractual agreements that may affect the financial statements, including noncompliance; and~~
- ~~Events subsequent to the period end.~~

Internal Control

9. ~~The auditor shall request relevant parties to provide a written representation that they acknowledge and understand their responsibility for designing, implementing and maintaining internal control relevant to preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error, and whether they believe that the internal control they have maintained is adequate for that purpose.~~

Completeness of Information Provided to the Auditor

- 11.40. ~~The auditor shall request management relevant parties to confirm that it has provided the auditor with all relevant information as agreed in the terms of the audit engagement, and that all transactions have been recorded and are reflected in the financial statements provide a written representation whether they believe that all records, documentation, unusual matters of which they are aware, and other information relevant to the audit have been made available to the auditor. (Ref: Para. A8-A11, A15, A23)~~

Description of Management's Responsibilities in the Written Representations

12. ~~Management's responsibilities shall be described in the written representations required by paragraphs 10 and 11 in the manner in which they are described in the terms of the audit engagement. (Ref: Para. A3)~~

Other Specific Written Representations

- 13.42. ~~Other ISAs contain requirements the auditor to request for specific written representations. If, in addition to those such required representations, the auditor determines that it is a specific written representation may be necessary to obtain one or more written representations to support corroborate other audit evidence relevant to the financial statements or one or more specific asserts in the financial statements, particularly where judgment, intent or completeness is involved, the auditor shall request such other written representations. The auditor shall determine whether specific written representations relating to specific assertions in the financial statements are necessary. Such specific written representations do not constitute sufficient appropriate audit evidence by themselves. Accordingly, they do not relieve the auditor of the responsibility to obtain other audit evidence. (Ref: Para. A12-A14, A15, A23)~~

Form and Date of and Period(s) Covered by General Written Representations

- 14.41. ~~The general written representations shall be in the form of a representation letter addressed to the auditor. The date of the general written representations shall be as near as practicable to, but not after, of the same date as of the auditor's report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor's report. (Ref: Para. A16-A19)~~

Form of Written Representations

- ~~15.14.~~ The ~~general~~ written representations shall be in the form of a representation letter addressed to the auditor. If, exceptionally, the auditor determines that other formal written statements by management provide the necessary representations, the relevant matters covered by such statements need not be included in the representation letter. (Ref: Para. A20-A22)

Doubt as to ~~Evaluating~~ the Reliability of Written Representations and Requested Written Representations Not Provided

- ~~14.~~ Circumstances such as the following may cause the auditor to doubt the reliability of one or more written representations:
- ~~One or more written representations are inconsistent with other audit evidence; or~~
 - ~~The auditor has identified significant issues related to management's commitment to competence, communication and enforcement of integrity and ethical values, or diligence.~~

Doubt as to the Reliability of Written Representations

- ~~16.15.~~ If ~~When~~ a written representation is inconsistent with ~~other~~ audit evidence obtained from another source, the auditor shall determine what modifications to or additional audit procedures are necessary to resolve the matter ~~the reasons for the inconsistency~~. If the matter ~~When the auditor's doubt~~ remains unresolved, the auditor shall reconsider the assessment of the integrity of management, and determine the effect that this may have on the reliability of ~~other~~ written representations (oral or written) and audit evidence in ~~general take appropriate action~~. (Ref: Para. A~~2417~~-A25)
- ~~17.16.~~ If ~~When~~ the auditor has ~~other concerns about the identified significant issues related to management's commitment to~~ competence, communication, integrity, ethical values or diligence of management or those charged with governance, or about its commitment to or and enforcement of these integrity and ethical values, or diligence, the auditor shall ~~assess~~ determine the effect of that such concerns may have ~~these issues~~ on the reliability of ~~written~~ representations (oral or written) and ~~audit evidence in general take appropriate action~~. (Ref: Para. A~~2648~~-A27)
- ~~18.17.~~ If ~~When~~ the auditor concludes that the ~~general~~ written representations ~~about the financial statements, including internal control, or the completeness of information made available to the auditor (see paragraphs 8-10)~~ are not reliable, the auditor shall take appropriate action, including determining the possible effect on the opinion in the auditor's report in accordance with [proposed] ISA 705 (Revised and Redrafted),⁴ having regard to the premises, relating to management's responsibilities, on which an audit is conducted are not valid, and the auditor shall follow the requirement in paragraph ~~19~~ 20 of this ISA.

When Relevant Parties Do Not Provide Requested Written Representations ~~Not Provided~~

- ~~19.18.~~ If management ~~When relevant parties~~ does not provide ~~the general or specific~~ one or more of the requested written representations ~~requested by the auditor~~, the auditor shall ~~(a) ask for the reasons; (b) reconsider the assessment of the integrity of management and, where~~

⁴ [Proposed] ISA 705 (Revised and Redrafted), "Modifications to the Opinion in the Independent Auditor's Report."

~~appropriate, those charged with governance; and (c) take appropriate actions, including determining the possible effects on the opinion in the auditor's report, having regard to the requirements in paragraphs 19-20. (Ref: Para. A19):~~

- ~~(a) Discuss the matter with management;~~
- ~~(b) Reevaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and~~
- ~~(c) Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with [proposed] ISA 705 (Revised and Redrafted), having regard to the requirement in paragraph 20 of this ISA.~~

Written Representations about Management's Responsibilities

~~20.19. When relevant parties do not provide the general written representations about the premises, relating to management's responsibilities, on which an audit is conducted (see paragraphs 8-10) (or the auditor concludes that such general written representations are unreliable (see paragraph 17)), the auditor is unable to obtain sufficient appropriate audit evidence. The possible effects on the financial statements of such inability are pervasive. Therefore, in accordance with ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," "The auditor shall disclaim an opinion on the financial statements in accordance with [proposed] ISA 705 (Revised and Redrafted) if:- (Ref: Para. A28-A29)~~

- ~~(a) The auditor concludes that the written representations required by paragraphs 10 and 11 are not reliable; or~~
- ~~(b) Management does not provide the written representations required by paragraphs 10 and 11.~~

~~20. When relevant parties do not provide specific written representations requested by the auditor, it constitutes a scope limitation. Where this is the case, the auditor shall consider the effect on the opinion in the auditor's report in accordance with ISA 705.~~

Documentation

~~21. Where an identified significant issue related to management's commitment to competence, communication and enforcement of integrity and ethical values, or diligence exists (see paragraph 16), but the auditor concludes that a written representation is nevertheless reliable, the auditor shall document the reasons for the conclusion.~~

Application and Other Explanatory Material

Written Representations as Audit Evidence (Ref: Para. 4)

~~A1.A6. Requesting representations about important matters is an effective auditing procedure for a number of reasons. If management~~ When relevant parties does not provide the requested written representations requested by the auditor, it may alert the auditor to the possibility that one or more significant issues may exist. Further, a request for the requirement to

~~make~~ written, rather than oral, representations in many cases may prompt management to consider is likely to cause the relevant parties to pay greater attention to such matters more rigorously, thereby enhancing the quality of the representations. Written representations are, therefore, an important source of audit evidence. ~~Having to make the general written representations reinforces relevant parties' responsibilities in relation to the financial statements and the audit, and prompts them to consider specific issues more thoughtfully. Obtaining a representation letter may be particularly useful where there is a need to clarify the relevant parties' understanding of the premises, relating to management's responsibilities, on which an audit is conducted.~~

Premise, relating to Management's Responsibilities, on which an Audit is Conducted (Ref: Para. 7(a), 12)

~~A2.A4. Law or regulation~~ Legislation, the applicable financial reporting framework, or custom may establish management's responsibilities in relation to financial reporting for preparing and presenting the financial statements and for the assertions therein. However, the extent of these responsibilities this responsibility, or the way in which they are described, may differ across jurisdictions. Despite these differences, an audit in accordance with ~~the~~ ISAs is conducted on the premises that management has responsibility is responsible for:

- (a) For the preparation and presentation⁵ of preparing and presenting the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of designing, implementing and maintaining internal control relevant to the preparation and presentation of preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) To provide the auditor with the completeness of information made available to the auditor:
 - (i) All information that is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters that support the financial statements;
 - (ii) Any additional information that the auditor may request from management; and
 - (iii) Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.⁶

A3. The auditor is required to obtain the agreement of management that it acknowledges and understands those responsibilities as a precondition for accepting the audit engagement.⁷ If

⁵ In the case of a fair presentation framework, management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework. This applies to all references to "preparation and presentation of the financial statements" in the ISAs.

⁶ [Proposed] ISA 200 (Revised and Redrafted), "Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph [8].

management's responsibilities prescribed by law or regulation are equivalent in effect to those described in paragraph A2, the auditor may use the wording of the law or regulation to describe them in the terms of the audit engagement.⁸

Management from whom Written Representations Requested Relevant Parties (Ref: Para. 9-4(d), 5)

A4.A1. Written representations are requested from those responsible for the preparation and presentation of the financial statements. Those individuals may vary depending on To identify relevant parties from whom general written representations are to be requested, it is important to consider the governance structure of the entity, and relevant law or regulation legislation, and circumstances of the engagement. Ordinarily, however, management (rather than those charged with governance) is often the party responsible party for preparing and presenting the financial statements and the assertions therein. Written representations may therefore be requested from Relevant parties therefore include the entity's chief executive officer and chief financial officer, or other equivalent persons in entities that do not use such titles. In some circumstances, however, other individuals or bodies parties, such as those charged with governance, are also responsible for the preparation and presentation of the financial statements.

A5. Due to its responsibility for the preparation and presentation of the financial statements, and its responsibilities for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial statements and the assertions therein on which to base the written representations.

A6.A2. In some cases, however, management may consider it necessary to make inquiries to inform it about relevant matters to be able to provide such written representations. These may include inquiries of others who participate The auditor applies professional judgment in identifying relevant parties from whom specific written representations are to be requested. The auditor may identify individuals other than those described in paragraph A1 who have specialized knowledge relating to specific assertions in the financial statements and are part of the process followed in preparing and presenting the financial statements and assertions therein, including individuals who have specialized knowledge relating to the matters about which written representations are requested. Such individuals may include For example:

- An entity may employ an actuary who has responsible responsibility for and specialized knowledge about actuarially determined accounting measurements.
- Staff engineers who may have responsibility for and specialized knowledge about environmental liability measurements.
- Internal counsel who may provide information essential to provisions for legal claims.

It is not expected that such inquiries would usually require a formal internal process beyond those already established by the entity.

⁷ [Proposed] ISA 210 (Redrafted), "Agreeing the Terms of Audit Engagements," paragraph [4(b)].

⁸ [Proposed] ISA 210 (Redrafted), paragraph [5].

- A7. In some case, management may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the auditor to accept such wording if the auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations. In such circumstances, and to reinforce the need for management to make informed representations, the auditor may request that management include in the written representations confirmation that it has made such enquiries as it considered appropriate to place it in the position to be able to make the requested written representations.
- ~~A3. Where uncertainty exists as to the identity of relevant parties, it may be necessary for the auditor to agree with the engaging party, prior to accepting the engagement, who the relevant parties are. This is discussed in ISA 210, “Terms of Audit Engagements.”~~

General Written Representations about Management’s Responsibilities (Ref: Para. 10-11-7-11)

- ~~A8.A4. During the course of the audit the auditor may obtain a~~ Audit evidence that management is fulfilling the responsibilities that it agreed to in the terms of the audit engagement ~~obtained during the audit may support or contradict the validity of these premises.~~ However, such evidence is not sufficient without obtaining confirmation from management that it believes that it has fulfilled those responsibilities ~~the general written representations described in paragraphs 8-10.~~ This is because the auditor ~~may~~ is not ~~be~~ able to judge solely relevant parties’ knowledge, judgments or intentions based on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. For example, an auditor could not conclude that management has provided the auditor with the all relevant information described in paragraph A2 ~~has been made available~~ without asking it whether, and receiving confirmation that, all such information had been provided ~~made available~~.
- A9. The written representations required by paragraphs 10 and 11 draw on the agreed acknowledgement and understanding of management of its responsibilities in the terms of the audit engagement by requesting confirmation that it has fulfilled them. The auditor may also ask management to reconfirm its acknowledgement and understanding of those responsibilities in written representations. This is common in certain jurisdictions, but in any event may be particularly appropriate when:
- Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;
 - The terms of the audit engagement were prepared in a previous year;
 - There is any indication that management misunderstands those responsibilities; or
 - Changes in circumstances make it appropriate to do so.
- Where the written representations include reconfirmation of management’s acknowledgement and understanding of its responsibilities, it is not appropriate for this to be made subject to the best of management’s knowledge and belief.

~~A7. The general written representations relating to relevant parties' responsibility for (a) designing, implementing and maintaining internal control relevant to preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error, and (b) the completeness of information made available to the auditor, are relevant for all audits. However, some general representations relating to relevant parties' responsibility for preparing and presenting the financial statements in accordance with the applicable financial reporting framework may not always be relevant. For example, written representations relating to liabilities may not be necessary where the financial statements were prepared and presented on a cash basis in accordance with the applicable financial reporting framework.~~

Considerations Specific to Small Entities

A10. Management of a small entity may request the auditor or another professional accountant to assist in the preparation and presentation of the entity's financial statements. In such a case, written representations about the financial statements are particularly important to emphasize the responsibilities required to be agreed with management. To ensure that management understands the written representations, and therefore provides them on an informed basis, the auditor may consider it necessary to explain these matters to management when agreeing the terms of the audit engagement⁹ and when requesting the written representations. Although, management may make inquiries from the auditor regarding the written representations, management remains responsible for the preparation and presentation of the financial statements and cannot rely on the fact that the auditor has assisted in the preparation and presentation of the financial statements.

Considerations Specific to Public Sector Entities

A11. The mandates for audits of the financial statements of public sector entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which objectives of an audit of the financial statements of a public sector entity is conducted may give rise to additional ~~general~~ written representations. These may include written representations confirming acknowledging economy, efficiency and effectiveness of programs, projects and other activities, or that transactions and events have been carried out in accordance with legislation or proper authority.

Other Specific Written Representations (Ref: Para. 13-12)

Additional Written Representations about the Financial Statements

A12. In addition to the written representation required by paragraph 10, the auditor may consider it necessary to request other written representations about the financial statements. Such written representations may supplement, but do not form part of, the written representation required by paragraph 10. They may include representations about the following:

- Whether the selection and application of accounting policies are appropriate; and

⁹ [Proposed] ISA 210 (Redrafted), paragraph [A18-A19].

- Whether matters such as the following, where relevant under the applicable financial reporting framework, have been recognized, measured, presented or disclosed in accordance with that framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over assets, and the liens or encumbrances on assets, and assets pledged as collateral; and
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including noncompliance.

Written Representations about Specific Assertions

A13. ~~Evaluating judgment or intent is inherently subjective, and therefore uncertain. In some cases, the auditor may obtain audit evidence supporting, or which is inconsistent with, relevant parties' assertions by considering matters directly or indirectly linked to the assertion. When obtaining evidence about or evaluating relevant parties' judgments and intentions, the auditor may consider one or more of the following:~~

- The entity's past history in carrying out its stated intentions.
- The entity's reasons for choosing a particular course of action.
- The entity's ability to pursue a specific course of action.
- The existence or lack of any other information that might have been obtained during the course of the audit that may be inconsistent with management's judgment or intent.

~~A14.~~ A12. In addition, the auditor may consider it necessary to request management to provide written representations about specific assertions in the financial statements. A specific written representation may be necessary to corroborate other audit evidence; in particular, to support an understanding that the auditor has obtained from other audit evidence of management's where judgment, or intent in relation to, or the completeness of, a specific assertion is involved. For example, if the when auditing the valuation of investments where management's intent of management is crucial important to the valuation basis for investments accounting treatment, it may not be possible to obtain sufficient appropriate audit evidence without a specific written representation from management about its relevant parties in relation to their intentions. Although such written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own for that assertion.

~~A14. A specific written representation does not provide sufficient appropriate audit evidence by itself. For example, a written response to a specific inquiry in relation to the cost of an asset is not a substitute for the audit evidence in relation to such cost that the auditor would ordinarily expect to obtain. Furthermore, audit evidence is influenced by its source and nature. For example, where the source of a specific written representation is not independent from the entity.~~

Communicating a Threshold Amounts (Ref: Para. 10, 11, 13-7, 12)

~~A15.A16:~~ The auditor is required to accumulate misstatements identified during the audit, other than those that are clearly trivial.¹⁰ Consequently, the auditor may determine a threshold above which misstatements cannot be regarded as clearly trivial. In the case of written representations, the auditor may consider communicating to management a similar threshold for purposes of the requested written representations. ~~In some circumstances, the auditor may decide that it would be more effective if general and specific written representations were limited to matters above threshold amounts established by the auditor for the purposes of such representations, having given effect to the possibility of immaterial matters aggregating to become material. Accordingly, any such threshold amount will be relatively small in relation to materiality. For this purpose, the auditor may consider agreeing on the threshold amounts with relevant parties. Threshold amounts may vary with different written representations. It may not be appropriate to subject some matters to a threshold amount. For example it may not be appropriate to limit representations to a threshold amount about the responsibilities of relevant parties or matters related to fraud because of qualitative considerations.~~

Date of and Period(s) Covered by Written Representations (Ref: Para. ~~14~~~~11, 13~~)

~~A16.A15:~~ Because written representations are necessary audit evidence, the auditor's opinion cannot be expressed, and the auditor's report cannot be dated, before the date of the written representations. ~~Furthermore, b~~Because the auditor is concerned with events occurring up to the date of the auditor's report that may require adjustment to or disclosure in the financial statements, the ~~general~~ written representations are dated as near as practicable to, but not after made as of the date of the auditor's report on the financial statements.

~~A17.~~ ~~However,~~ In some circumstances it may be appropriate for the auditor to obtain a ~~specific~~ written representation about a specific assertion in the financial statements during the course of the audit. Where this is the case, it may be necessary to request ~~relevant parties to provide~~ an updated ~~specific~~ written representation.

~~A18.A8:~~ The written representations are for ~~a~~All periods ~~covered by referred to in~~ the auditor's report ~~on the financial statements need to be covered by the general written representations and specific written representations~~ because management-relevant parties need s to reaffirm that the representations ~~they it~~ previously made with respect to the prior periods remain appropriate. The auditor and management-relevant parties may agree to a form of written representation ~~letter~~ that updates previous written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.

~~A19.A9:~~ Situations may arise where ~~current management-relevant parties who~~ were not present in place during all the periods referred to in the auditor's report being audited are not in place at the time the written representations are requested by the auditor. Such persons ~~Relevant parties, who were not in place during the period being audited,~~ may assert that they are not in a position to provide some or all of the representations because they were not in place during the period requested by the auditor; however, Tthis fact,

¹⁰ [Proposed] ISA 450 (Revised and Redrafted), "Evaluation of Misstatements Identified during the Audit," paragraph [5].

however, does not diminish ~~their~~ such persons' responsibilities for the financial statements as a whole. Accordingly, the requirement for the auditor's to request from them responsibility to obtain written representations that cover the whole of the relevant period(s) still applies from them is not affected.

Form of Written Representation (Ref: Para. 15)

A20. Written representations are required to be included in a representation letter addressed to the auditor. In some jurisdictions, management may be required by law or regulation to make a written public declaration in relation to the financial statements. Although such declaration is a representation to the users of the financial statements, or to relevant authorities, the auditor may determine that it is an appropriate form of written representation in respect of certain of management's responsibilities. Factors that may affect the auditor's determination include:

- Whether the declaration includes confirmation of the fulfillment of responsibilities that are equivalent to some or all of those set out in the terms of the audit engagement.
- Whether the declaration has been given or approved by those from whom the auditor requests the relevant written representations.
- Whether a copy of the declaration is provided to the auditor as near as practicable to, but not after, the date of the auditor's report on the financial statements (see paragraph 16).

A21.A5- A formal statement of compliance with law or regulation, or of approval of the financial statements, would not contain sufficient information for the auditor to be satisfied that all necessary representations have been consciously made. The expression of management's ~~relevant parties'~~ responsibilities in law is not and their signing of the financial statements do not, by themselves, provide sufficient other audit evidence, or serve as a substitute for the requested written representations ~~required by the ISAs.~~

A22. Appendix 2 provides an illustrative example of a representation letter.

Communication with Those Charged with Governance (Ref: Para. 10, 11, 13)

A23.A10. [Proposed] ISA 260 (Revised and Redrafted), "Communication with Those Charged with Governance" requires ~~T~~the auditor is required to communicate with those charged with governance the written representations which the auditor has requested from management ~~relevant parties.~~¹¹ In some circumstances, it may be appropriate for the auditor to request that the representation letter also be agreed by those charged with governance to ensure that all those charged with governance agree with the written representations that the auditor considers essential to forming an opinion on the financial statements.

Doubt as to Evaluating the Reliability of Written Representations and Requested Written Representations Not Provided (Ref: Para 15-16)

¹¹ [Proposed] ISA 260 (Revised and Redrafted), "Communication with Those Charged with Governance," paragraph [12(c)(iii)].

Doubt as to the Reliability of Written Representations (Ref: Para. 16-17)

A24. Obtaining audit evidence from different sources or of a different nature may indicate that an individual item of audit evidence is not reliable, such as when a written representation is inconsistent with audit evidence obtained from another source.

A25.A17. In the case of~~The appropriate action to be taken in relation to~~ identified inconsistencies, the auditor may ~~consider~~include considering whether the ~~auditor's~~ risk assessment remains appropriate and, if not, ~~revises~~revising the risk assessment and ~~determined~~determining the nature, timing and extent of further audit procedures to respond to the assessed risks. ~~It may also include the actions referred to in paragraph A18 below.~~

A26.A18. Concerns about the ~~In the event that the auditor identifies issues related to management's commitment to~~ competence, communication, integrity, ethical values or diligence of management, or about its commitment to or ~~and~~ enforcement of these, may cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted. In such a case, the auditor ~~may consider~~integrity and ethical values, or diligence, appropriate action may include discussing the matter with those charged with governance and, where possible, withdrawing from the engagement, unless those charged with governance put in place appropriate corrective measures. Such measures, however, ~~action~~ may not be sufficient, ~~however,~~ to enable the auditor to issue an unmodified audit opinion.

A27. The auditor is required to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.¹² The auditor may have identified significant issues relating to the competence, communication, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, but concluded that the written representations are nevertheless reliable. In such a case, this significant matter is documented in accordance with [proposed] ISA 230 (Redrafted).

Written Representations about Management's Responsibilities (Ref: Para. 20)

A28. As explained in paragraph A8, the auditor is not able to judge solely on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. Therefore, if the auditor concludes that the written representations about these matters are unreliable, or if management does not provide those written representations, the auditor is unable to obtain sufficient appropriate audit evidence. The possible effects on the financial statements of such inability are not confined to specific elements, accounts or items of the financial statements and are hence pervasive. The auditor is required to disclaim an opinion on the financial statements in such circumstances.¹³

A29.A19. A written representation that has been modified from that requested by the auditor does not necessarily mean that ~~management~~relevant parties did not provide the written

¹² [Proposed] ISA 230 (Redrafted), "Audit Documentation," paragraphs [8(c) and 10].

¹³ [Proposed] ISA 705 (Revised and Redrafted), paragraph [12].

representation. However, the underlying reason for such modification may affect the opinion in the auditor's report. For example:

- The ~~general~~ written representation ~~about relating to~~ the responsibility of management for the preparation and presentation of the financial statements may state that ~~management relevant parties~~ believe that, except for material noncompliance with a particular requirement of the applicable financial reporting framework, the financial statements are prepared and presented in accordance with that framework. The requirement in paragraph ~~2019~~ does not apply because the auditor concluded that ~~management has relevant parties have~~ provided reliable ~~general~~ written representations. However, the auditor is required to consider~~considers~~ the effect of the noncompliance on the opinion in the auditor's report in accordance with [proposed] ISA 705 (Revised and Redrafted).
- ~~The general written representation relating to internal control may state that relevant parties believe that, except for internal control over a particular account balance, it has maintained internal control adequate for preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error. The requirement in paragraph 19 does not apply because the auditor concluded that relevant parties have provided reliable general written representations. Furthermore, the auditor may be able to obtain sufficient appropriate other audit evidence in relation to that account balance and, as a result, the statement in the general representation may not affect the opinion in the auditor's report. However, the auditor considers whether a material weakness in internal control existed and the effect thereof on the audit.~~
- The ~~general~~ written representation about the responsibility of management to provide relating to completeness of information made available to the auditor with the information described in paragraph 4(b) may state that ~~management relevant parties~~ believes that, except for information destroyed in a fire, it has provided the auditor with all relevant information as described in the terms of the audit engagement all records, documentation, unusual matters of which they are aware, and other information relevant to the audit have been made available to the auditor. The requirement in paragraph ~~2019~~ does not apply because the auditor concluded that ~~management has relevant parties have~~ provided reliable ~~general~~ written representations. ~~However, T~~the auditor is required to ~~considers~~ the effects of the pervasiveness of the information destroyed in the fire on the financial statements and the effect thereof on the opinion in the auditor's report in accordance with [proposed] ISA 705 (Revised and Redrafted). ~~Depending on the pervasiveness of the effects, the auditor may disclaim an opinion.~~

Appendix 1

(Ref: Para. 1)

List of ISAs Containing Requirements for Written Representations

This appendix identifies paragraphs in ISAs that require subject matter-specific written representations. The list is not intended to be exhaustive. Furthermore, it is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

ISA 240 (Redrafted), “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statement” – paragraph 39

[Proposed] ISA 250 (Redrafted), “The Auditor’s Responsibilities Relating to, “Consideration of Laws and Regulations in an Audit of Financial Statements”” – paragraph [14]23

[Proposed] ISA 450 (Redrafted), “Evaluation of Misstatements Identified during the Audit” – paragraph [16]

[Proposed] ISA 540 (Revised and Redrafted), ~~“(Combined ISA 540-545),~~ “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” – paragraph [22]20

[Proposed] ISA 550 (Revised and Redrafted), “Related Parties” – paragraph [27]24

[Proposed] ISA 560 (Redrafted), “Subsequent Events” – paragraph [9]

[Proposed] ISA 570 (Redrafted), “Going Concern” – paragraph [16(d)]26(e)

Appendix 2

(Ref: Para. A22)

Illustrative Representation Letter

The following illustrative letter includes written representations ~~(some of which are specific written representations)~~ that are required by this and other ISAs in effect as of [date]. It is assumed in this ~~illustration example~~ that the applicable financial reporting framework is International Financial Reporting Standards; the requirement of [proposed] ISA 570 (Redrafted), “Going Concern” to obtain a written representation is not relevant; and that there are no exceptions to the ~~representations~~ requested written representations by the auditor. If there were exceptions, the representations would need to be modified to reflect the exceptions ~~as discussed in paragraph A19. Where the auditor determines that one or more additional specific written representations are sufficiently important, the auditor may conclude that the inclusion thereof in the representation letter is appropriate. Although such inclusion of specific written representations on a variety of matters may serve to focus relevant parties’ attention on those matters, and thus cause the relevant parties to specifically address those matters in more detail than would otherwise be the case, the auditor needs to be aware of the limitations of specific written representations as audit evidence as set out in this ISA.~~

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the financial statements of ABC Company for the year ended December 31, 20XX¹⁴ for the purpose of expressing an opinion as to whether the financial statements ~~[give a true and fair view]~~ are presented fairly, in all material ~~respect, (or give a true and fair view) respects,~~ in accordance with International Financial Reporting Standards. ~~[specify the applicable financial reporting framework]. We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, that:~~

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We ~~have fulfilled~~ acknowledge and understand our ~~responsibilities~~ responsibility for the preparation ~~preparing~~ and presentation of ~~presenting~~ the financial statements as set out in the terms of the audit engagement dated [insert date] and, in particular, ~~and believe that~~ the financial

¹⁴ Where the auditor reports on more than one period, the auditor adjusts the date so that the letter pertains to all periods covered by the auditor’s report.

statements are fairly presented (or give a true and fair view)~~prepared~~ in accordance with International Financial Reporting Standards~~[specify the applicable financial reporting framework] (or are fairly presented in accordance with [specify the applicable financial reporting framework])~~, including the following:

- ~~• Our selection and application of accounting policies is appropriate.~~
- ~~• All plans or intentions that may materially alter the carrying value or classification of assets and liabilities in the financial statements have been accounted for or disclosed in accordance with the applicable financial reporting framework.~~
- ~~• All liabilities, both actual and contingent, have been recorded and, where appropriate, disclosed in accordance with the applicable financial reporting framework.~~
- ~~• The entity has satisfactory title to, or control over, all assets disclosed in the financial statements and, where appropriate, all liens or encumbrances on these assets have been disclosed in accordance with the applicable financial reporting framework.~~
- ~~• We have complied with the aspects of contractual agreements that could have a material effect on the financial statements and instances of noncompliance have been disclosed in accordance with the applicable financial reporting framework.~~
- ~~• All transactions have been recorded.~~
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. ([Proposed] ISA 540 (Revised and Redrafted))~~(Combined ISA 540-545))~~
- ~~[A written representation with regard to related party transactions and the effects of related party relationships will be inserted when proposed ISA 550 (Revised and Redrafted) is finalized.]~~Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. ([Proposed] ISA 550 (Revised and Redrafted))
- ~~[A written representation with regard to related party disclosures in the financial statements will be inserted when proposed ISA 550 (Revised and Redrafted) is finalized.]~~
- All events subsequent to the date of the financial statements and year end~~for which International Financial Reporting Standards require the applicable financial reporting framework requires~~ adjustment or disclosure have been adjusted or disclosed. ([Proposed] ISA 560 (Redrafted))
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. ([Proposed] ISA 450 (Redrafted))
- [Any other matters that the auditor may consider appropriate (see paragraph A12 of this ISA).]

Internal Control

- ~~We acknowledge and understand our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, and believe that the internal control we have maintained is adequate for that purpose.~~

Completeness of Information Provided

• We have provide you with:

- All information that is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other-unusual matters that support the financial statements of which management is aware, and other information relevant to the audit have been made available to you
- Additional information that you have requested from us; and
- Unrestricted access to those within the entity.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (ISA 240 (Redrafted))
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (ISA 240 (Redrafted))
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 240 (Redrafted))
- We have disclosed to you all known actual or possible noncompliance with laws and regulations whose effects should be considered when preparing financial statements. ([proposed] ISA 250 (Redrafted))
- ~~[A written representation with regard to the completeness of related parties, related party relationships and related party transactions will be inserted when proposed ISA 550 (Revised and Redrafted) is finalized.]~~ We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. ([Proposed] ISA 550 (Revised and Redrafted))
- [Any other matters that the auditor may consider necessary.]

Management(Relevant Party)

Management(Relevant Party)

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