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Written Representations – Proposed ISA 580 (Revised and Redrafted) (Mark-up Based on Exposure Draft) – September 2007 IAASB Agenda Item 2-D

PROPOSED INTERNATIONAL STANDARD ON AUDITING 580

(REVISED AND REDRAFTED)

WRITTEN REPRESENTATIONS

(Effective for audits of financial statements for periods beginning on or after [date])*

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to request written representations from management, and the auditor's ~~actions when relevant parties do not provide the requested responses to a lack of acceptable~~ 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. ~~Those~~ The specific requirements for written representations of other ISAs do not limit the application of this ISA.

Audit Evidence

3. [Proposed] ISA 500 (Redrafted), "Considering the Relevance and Reliability of Audit Evidence" describes "audit evidence" as all the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Accordingly, similar to responses to inquiries, written representations are audit evidence. They are necessary information that the auditor requires in connection with the audit of the entity. Written representations confirm that management acknowledge and understand the premise, relating to management's responsibilities, on which the audit has been conducted. They also corroborate other audit evidence for specific assertions of the financial statements which involve management's judgment or intent, or which may not be complete. (Ref: Para. A1-A2)
4. Written representations alone, however, do not constitute sufficient appropriate audit evidence about the premise, relating to management's responsibilities, on which the audit has been conducted or specific assertions of the financial statements. Furthermore, audit evidence is influenced by its source and nature. The source of a specific written representation is not independent from the entity. Accordingly, written representations do not affect the nature or reduce the extent of other audit evidence that an auditor obtains about the premise or specific assertions of the financial statements. (Ref: Para. A3)

* See footnote 1.

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Effective Date

25. This ISA is effective for audits of financial statements for periods beginning on or after [date].¹

Objective

36. The objectives of the auditor ~~is to corroborate, by means of written representations are:~~
- (a) ~~The validity of~~ To confirm by means of written representations the premises, relating to management's responsibilities, on which ~~an the~~ audit ~~is has been~~ conducted;² ~~and~~
 - (b) Where necessary, to corroborate ~~Other~~ audit evidence by means of written representations obtained with regard to about specific assertions ~~in of~~ the financial statements which involve management's judgment or intent, or which may not be complete; and
 - (c) To respond appropriately to written representations provided by management or when management do not provide the requested written representations.

Definitions

47. For purposes of the ISAs, the following terms ~~have~~ has the meanings attributed below:
- (a) Written representations – A Written statements ~~provided by relevant parties from within the entity of management, based on their knowledge and belief, provided~~ to the auditor ~~at the auditor's request. Written representations are either general or specific.~~ Written representations in the context of this ISA do not include financial statements, the assertions therein, and supporting books and records. (Ref: Para. A4-A6)
 - (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.~~

¹ This effective date will not be earlier than December 15, 2008.

² ~~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.~~

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- (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."~~

8. The premise, relating to management's responsibilities, on which the audit has been conducted, is defined in [proposed] ISA 200 (Revised and Redrafted).

Requirements

Relevant Parties

- ~~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.~~

General Written Representations about the Premise, relating to Management's Responsibilities, on which the Audit has been Conducted (Ref: Para. A7-A9)

- ~~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)~~

Financial Statements

- 89. The auditor shall request ~~relevant parties~~ management to provide a written representations:

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(a) ~~That they acknowledge and understand their responsibility for preparing and presenting the preparation and presentation~~³ of the financial statements ~~and that this responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation~~⁴ of financial statements that are free from material misstatement, whether due to fraud or error; and (Ref: Para. A10-A13)

(b) ~~Whether they believe that, based on their knowledge and belief, the financial statements are prepared and presented~~⁵ 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).~~

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

10. The auditor shall request ~~relevant parties~~ management to 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,~~ based on their knowledge and belief, they have provided the auditor with all the information the auditor required in connection with the audit of the entity.

11. This written representation shall include whether:

(a) All transactions have been recorded; and

(b) Management has disclosed to the auditor all control deficiencies.

Specific Other Written Representations

³ 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.

⁴ See footnote 3.

⁵ In the case of a fair presentation framework: Whether, based on their knowledge and belief, the financial statements are fairly presented or give a true and fair view in accordance with the applicable financial reporting framework.

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12. Other ISAs contain requirements for ~~specific~~ written representations (see Appendix 1). ~~In addition to those, a specific written representation may be necessary to corroborate other audit evidence, particularly where judgment, intent or completeness is involved. 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. In addition, the auditor may determine that it is necessary to request management to provide one or more written representation(s) to corroborate other audit evidence for one or more specific assertion(s) of the financial statements which involve management's judgment or intent, or which may not be complete. The auditor shall request such written representations when the auditor concludes that they are necessary.~~ (Ref: Para. ~~A12-A14~~; A16)

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

- ~~11~~13. The ~~date of the general~~ written representations shall be ~~as of the same as near as practicable to, but not after, the 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. ~~A45~~17-A19)
- ~~13.~~ ~~The auditor shall determine whether it is necessary to request relevant parties to provide an updated specific written representation when the specific written representation is as of a date earlier than that of the auditor's report on the financial statements.~~ (Ref: Para. A15)

Form of Written Representations

- ~~11~~14. The ~~general~~ written representations shall be in the form of a representation letter addressed to the auditor. (Ref: Para. ~~A45~~20)
15. If law or regulation prescribes management's responsibilities, the written representations required in paragraphs 9(a) and 10 shall be described in the manner they are described in the terms of the audit engagement. (Ref: Para. A21a)

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

Doubt as to the Reliability of Written Representations

- ~~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~~

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- ~~The auditor has identified significant issues related to management's commitment to competence, communication and enforcement of integrity and ethical values, or diligence.~~

~~1516.~~ When a ~~If one or more~~ written representation(s) is (are) inconsistent with ~~other~~ audit evidence obtained from another source, the auditor shall determine ~~the reasons for the inconsistency~~ what modifications to or additional audit procedures are necessary to resolve the matter. ~~When If~~ the auditor's doubt ~~matter~~ remains unresolved, the auditor shall reconsider the assessment of the integrity of management and, where appropriate, those charged with governance, and determine the effect that this may have on the reliability of the other written representations ~~and take appropriate action~~. (Ref: Para. A4722-A23)

~~1617.~~ When If the auditor has identified other significant issues ~~related relating~~ to management's ~~commitment to~~ competence, communication, integrity, ethical values or diligence, and or management's commitment to or enforcement of these integrity and ethical values, or diligence, the auditor shall ~~assess determine~~ the effect ~~of these issues that they may have~~ on the reliability of the written representations ~~and take appropriate action~~. (Ref: Para. A4824-A25)

~~1718.~~ When If 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 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~~ 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), "Modifications to the Opinion in the Auditor's Report," having regard to the requirement in paragraph 20 of this ISA. Paragraph 20 deals with unreliable written representations about the premise, relating to management's responsibilities, on which the audit has been conducted.

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

~~1819.~~ When relevant parties If management do not provide ~~the general or specific one or more of the requested~~ written representation(s) ~~requested by the auditor~~, the auditor shall:

- ~~ask for the reasons~~ Discuss the matter with management and, where appropriate, those charged with governance;
- ~~Reconsider~~ the assessment of the integrity of management and, where appropriate, those charged with governance and the effect that this may have on the reliability of the other written representations; and

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- (c) ~~Take~~ appropriate actions, including determining the possible effects on the opinion in the auditor's report in accordance with [proposed] ISA 705 (Revised and Redrafted), having regard to the requirements in paragraphs ~~19-20~~ 20 of this ISA. Paragraph 20 deals with unreliable written representations about the premise, relating to management's responsibilities, on which the audit has been conducted. (Ref: Para. A19)

Written Representations about the Premise, relating to Management's Responsibilities, on which the Audit has been Conducted

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. The auditor shall disclaim an opinion on the financial statements in accordance with [proposed] ISA 705 (Revised and Redrafted) if:~~ (Ref: Para. A26-A28)
- (a) The auditor concludes that the written representations about the premise, relating to management's responsibilities, on which the audit has been conducted are not reliable; or
- (b) Management do not provide the written representations about the premise.

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

Audit Evidence (Ref: Para. 3-4)

- A41. Audit evidence obtained during the audit may support or contradict ~~the validity of these premises~~ management's acknowledgement and understanding of the premise, relating to management's responsibilities, on which the audit has been conducted. However, such audit evidence is not sufficient without obtaining ~~the general written representations described in paragraphs 8-10~~ confirmation that management acknowledge and understand the premise. This is because the auditor ~~may not be~~ is not able to judge ~~relevant parties' knowledge, judgments or intentions based on other audit evidence~~ management's acknowledgement and understanding of the premise solely based on other audit evidence. For example, ~~an~~ the auditor could not conclude that management have provided the auditor with all ~~relevant the~~ information has been made available the auditor

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required in connection with the audit of the entity without asking whether, and management asserting that all such information had ~~been made available~~ provided.

A2. The auditor may also determine that it is necessary to request written representations about specific assertions of the financial statements which involve management's judgment or intent, or which may not be complete. Such written representations are necessary to confirm the understanding of management's judgment or intent in relation to, or the completeness of, an assertion, that the auditor has obtained from other audit evidence. Such written representations alone, however, do not provide sufficient appropriate audit evidence for that assertion.

A63. Requesting written representations about important matters is an effective auditing procedure for a number of reasons. When relevant parties If management modify or do not provide the requested written representations requested by the auditor, it may alert the auditor to the possibly that one or more significant issue(s) may exist. Further, the requirement a request to make for written, rather than oral, representations is likely to cause the relevant parties to pay greater attention to such matters. Having to make the general written representations reinforces relevant parties' responsibilities in relation to the financial statements and the audit, and in many cases may prompts management them to consider specific issues such matters more thoughtfully rigorously, thereby enhancing the quality of the representations. 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.

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.

Relevant Parties Management (Ref: Para. 4(d), 5.7)

A1. To identify relevant parties from whom general written representations are to be requested, it is important to consider the governance structure of the entity, relevant legislation, and circumstances of the engagement. Ordinarily,

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~~management is the party responsible for preparing and presenting the financial statements and the assertions therein. 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, such as those charged with governance, are also responsible.~~

- A4. Written representations are requested from those responsible for the preparation and presentation of the financial statements. For purposes of the ISAs, they are referred to as management. [Proposed] ISA 260 (Revised and Redrafted), "Communication with Those Charged with Governance" defines "management" as: "The person(s)⁶ with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management include some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager. Management is responsible for the preparation and presentation of the financial statements, overseen by those charged with governance, and in some cases management is also responsible for approving⁷ the entity's financial statements (in other cases those charged with governance have this responsibility)."
- A5. Written representations include confirmation that management acknowledge and understand the premise, relating to management's responsibilities, on which the audit has been conducted, written representations required by other ISAs and, where necessary, written representations about specific assertions of the financial statements which involve management's judgment or intent, or which may not be complete.
- A26. 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. Due to their responsibility for the preparation and presentation of the financial statements management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial statements and assertions therein on which to base the written representations. Management may, however, consider it necessary to make inquiries to be able to provide such written representations. They may make enquiries from others who are part of the process followed by the entity in preparing and presenting the financial statements and assertions therein.

⁶ "Person" in this context could be an organization, e.g., a corporate trustee (i.e., not necessarily a "natural person").

⁷ "Approving" in this context means they have the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared.

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including individuals who have specialized knowledge relating to the matters about which written representations are requested. For example:

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

~~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 the Premise, relating to Management’s Responsibilities, on which the Audit has been Conducted (Ref: Para. 79-11)

A47. ~~Legislation, the applicable financial reporting framework, or custom Law or regulation~~ may establish management’s ~~responsibilities~~ responsibility for preparing and presenting the financial statements and for the assertions therein. However, the extent of ~~this responsibility~~ these responsibilities, 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 ~~is responsible for~~ acknowledge and understand their responsibility:

- (a) ~~preparing and presenting~~ For the preparation and presentation⁸ of the financial statements in accordance with the applicable financial reporting framework; designing, implementing and maintaining and that this responsibility includes the design, implementation and maintenance of internal control relevant to ~~preparing and presenting the preparation and presentation⁹ of~~ 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.~~ To provide the auditor with all the information the auditor requires in connection with the audit of the entity.

⁸ 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.

⁹ See footnote 7.

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A8. [Proposed] ISA 210 (Redrafted), “Agreeing the Terms of Audit Engagements” requires the auditor to obtain management’s agreement about their responsibilities as a precondition for accepting the audit engagement. It also explains that, in some jurisdictions, law or regulation may provide for management’s responsibilities which are similar to those set out in [proposed] ISA 210 (Redrafted); although they may be described differently. For those management’s responsibilities that are similar, the auditor may use the wording of the law or regulation to describe them in the terms of the audit engagement.

Considerations Specific to Public Sector Entities

A149. The mandates for audits of the financial statements of public sector entities may be broader than those of other entities. As a result, the ~~objectives of premise, relating to management’s responsibilities, on which~~ 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 acknowledging confirming management’s acknowledgement and understanding of the 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.

Financial Statements (Ref: Para. 9)

8A10. ~~The representations shall include~~ The written representation about management’s responsibility for the preparation and presentation of the financial statements may also include representations such as the following:

- Whether the selection and application of accounting policies are appropriate; and
- ~~Whether all transactions have been recorded; and~~
- Whether ~~the following~~ matters such as the following, where relevant in view of 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;
 - Whether Liabilities, both actual and contingent, have been recorded and, where appropriate, disclosed;
 - Title to, or control over assets, and the liens or encumbrances on assets, and assets pledged as collateral;
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including noncompliance; and
 - Events subsequent to the period end.

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Internal Control

- A11. ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment” defines “internal control” as: “The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity’s objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control assists managements in fulfilling their responsibility for the preparation and presentation of the financial statements.”
- A12. Internal control is an important aspect of management’s responsibility for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework. Internal control assists management in fulfilling that responsibility. Accordingly, the auditor requests management to provide the written representation about internal control.

Considerations Specific to Small Entities

- A13. Subject to the legal or ethical requirements in a jurisdiction, management of a small entity may request the auditor to prepare the financial statements of that entity. In such a case, written representations about the financial statements are particularly important because management may not acknowledge and understand their responsibility for the preparation and presentation of the financial statements. To ensure that the written representations are meaningful, the auditor may consider explaining these matters to management when agreeing the terms of engagement (see [proposed] ISA 210 (Redrafted)) and when requesting the written representations. Furthermore, the auditor is not an appropriate party of whom management could make inquiries regarding the written representations (see paragraph A6).

Specific Other Written Representations (Ref: Para. 12)

- ~~A1214. A specific written representation may be necessary to corroborate other audit evidence; in particular, where judgment, intent or completeness is involved. The auditor may consider it necessary to confirm an understanding of management’s judgment or intent in relation to, or the completeness of, a specific assertion that the auditor has obtained from other audit evidence. For example, when auditing the valuation of investments where management’s intent is crucial to the accounting treatment, it may not be possible to obtain sufficient appropriate audit evidence without a specific written representation from relevant parties in relation to their intentions.~~
- ~~A1315. Evaluating management’s judgment or intent is inherently subjective, and, therefore, uncertain. In some cases, the auditor may obtain audit evidence~~

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supporting which supports, or ~~which~~ is inconsistent with, ~~relevant parties'~~ management's assertions by considering matters directly or indirectly linked to the assertion. When evaluating ~~relevant parties'~~ management's 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. 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. 7, 12)

~~A16. 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.~~

A16. [Proposed] ISA 450 (Revised and Redrafted), "Evaluation of Misstatements Identified during the Audit" requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial. 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 when requesting the written representations.

Date of and Period(s) Covered by Written Representations (Ref: Para. ~~44~~, 13)

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- ~~A4517.~~ Because written representations are necessary audit evidence, the auditor cannot obtain sufficient appropriate audit evidence without having obtained the written representations. This means that the auditor's opinion cannot be expressed, and the auditor's report cannot be dated, before the date of the written representations. Furthermore, Bbecause 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 made dated ~~as of near as practicable to, but not after,~~ the date of the auditor's report on the financial statements. ~~However, in some circumstances it may be appropriate for the auditor to obtain a specific written representation 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.~~
- ~~A818.~~ 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 ~~relevant parties management~~ management need to reaffirm that the written representations they previously made with respect to prior periods remain appropriate. The auditor and ~~relevant parties management~~ management may agree to a form of written representation ~~letter~~ that updates previous written representations by addressing whether there are any changes to such representations and, if so, what they are.
- ~~A919.~~ Situations may arise where relevant parties who were in place during the period being audited are not in place at the time the written representations are requested by the auditor ~~current management were not present during all periods referred to in the auditor's report. Relevant parties, who were not in place during the period being audited, Such persons~~ may assert that they are not in a position to provide some or all of the written representations requested by the auditor because they were not in place during the period. ~~This fact, however, this fact~~ does not diminish their such persons' responsibilities as set out in paragraph A7. Accordingly, the requirements for the auditor's ~~responsibility to obtain request~~ written representations from them is not affected still apply.

Form of Written Representations (Ref: Para. 14-15)

- ~~A520.~~ Written representations are addressed to the auditor. Management's signing of the financial statements, or making a written public declaration in relation to the financial statements, is a representation to the users of the financial statements subsequent to the audit; not a representation to the auditor prior to issuance of the auditor's report. Such actions, therefore, do not serve as a substitute for the written representations. The expression of relevant parties' management's responsibilities in law or regulation and their signing of the financial statements do not, by themselves, provide sufficient other audit evidence, or also does not

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serve as a substitute for the requested written representations ~~required by the ISAs.~~

A1021.[Proposed] ISA 260 (Revised and Redrafted), ~~“Communication with Those Charged with Governance”~~ requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from ~~relevant parties management.~~ ~~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.~~

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

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

A22. 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.

A1723.~~The appropriate action to be taken in relation to~~ In the case of identified inconsistencies, the auditor may ~~include~~ considering whether the ~~auditor’s~~ risk assessment remains appropriate and, if not, ~~revising~~ revise the risk assessment and ~~determining~~ determine 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.~~

A1824.~~In the event that the auditor identifies issues related to~~ Concerns about management’s ~~commitment to~~ competence, communication, integrity, ethical values or diligence, or management’s commitment and or enforcement of ~~integrity and ethical values, or diligence~~ these, may be so serious as to cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted ~~appropriate action.~~ In such a case, the auditor may include discussing the matter with those charged with governance and consider, where possible, withdrawing from the engagement, unless those charged with governance put in place appropriate corrective measures. Such action, however, may not be sufficient, ~~however,~~ to enable the auditor to issue an unmodified audit opinion.

A25. [Proposed] ISA 230 (Redrafted), “Audit Documentation” requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. The auditor may have identified significant issues relating to management’s competence, communication, integrity, ethical values or

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diligence, or management's commitment 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 the Premise, relating to Management's Responsibilities, on which the Audit has been Conducted (Ref: Para. 20)

~~19A26.~~As explained in paragraph A1, the auditor is not able to judge management's acknowledgement and understanding of the premise, relating to management's responsibilities, on which the audit has been conducted solely based on other audit evidence. When relevant parties do not provide the general Therefore, if the auditor concludes that the written representations about the premises, relating to management's responsibilities, on which ~~an~~ the audit ~~is~~ has been conducted (see paragraphs ~~8-10~~ 9-10) ~~(or the auditor concludes that such general written representations are unreliable (see paragraph 17))~~ or management do 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. ~~Therefore, in accordance with [Proposed] ISA 705 (Redrafted), "Modifications to the Opinion in the Independent Auditor's Report," requires~~ the auditor ~~shall~~ to disclaim an opinion on the financial statements in such circumstances.

A~~19~~27.A written representation that has been modified from that requested by the auditor does not necessarily mean that ~~relevant parties~~ management did not provide the written representation. However, the underlying reason for such modification may affect the opinion in the auditor's report. For example:

- The ~~general~~ written representation ~~relating to~~ about management's responsibility for the preparation and presentation of the financial statements may state that ~~relevant parties~~ management 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 ~~19~~ 20 does not apply because the auditor concluded that ~~relevant parties~~ management have provided reliable ~~general~~ written representations about the premise, relating to management's responsibilities, on which the audit has been conducted. However, the ~~auditor considers the effect of the noncompliance on the opinion in the auditor's report in accordance with requirement in [proposed] ISA 705 (Revised and Redrafted) for the auditor to consider the effect of the noncompliance on the opinion in the auditor's report applies~~.

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- ~~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 ~~relating to~~ about completeness of information ~~made available~~ provided to the auditor may state that ~~relevant parties~~ management believe that, except for information destroyed in a fire, all records, documentation, unusual matters of which ~~they~~ management are aware, and other information relevant to the audit have been ~~made available~~ provided to the auditor. The requirement in paragraph ~~19~~ 20 does not apply because the auditor concluded that ~~relevant parties~~ management have provided reliable ~~general~~ written representations about the premise, relating to management's responsibilities, on which the audit has been conducted. However, the requirement in [proposed] ISA 705 (Revised and Redrafted) for ~~The auditor~~ 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 ISA 705 applies.~~ Depending on the pervasiveness of the effects, the auditor may disclaim an opinion.

The Effect of Unreliable Other Written Representations on the Written Representations about the Premise

A28. The auditor may conclude that one or more of the written representation(s) required by other ISAs, or one or more of the written representation(s) about specific assertions of the financial statements is (are) not reliable, or management may not provide them. This may affect the reliability of the written representations about the premise, relating to management's responsibilities, on which the audit has been conducted. For example, the auditor may conclude that the written representation about completeness of information provided to the auditor is not reliable if the auditor has concluded that the written representations required by ISA 240 (Redrafted), "The Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements" are unreliable or management did not provide them. This will render the written representation

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about completeness of information unreliable and, as a result, the auditor's
opinion is disclaimed as required in paragraph 20.

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Appendix 1

(Ref: Para. 1)

List of ISAs Containing Requirements for Written Representations

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

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

[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 20

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

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

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Appendix 2

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 ~~example illustration~~ 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 requested written representations ~~requested 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, 20XX¹⁰ for the purpose of expressing an opinion as to whether the financial statements [are presented fairly, in all material respect,] [give a true and fair view] ~~[are presented fairly, in all material respects,]~~ in accordance with ~~[specify the applicable financial reporting framework]~~ International Financial Reporting Standards. ~~We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, that:~~

Financial Statements

- We acknowledge and understand our responsibility for ~~preparing and presenting the~~ [preparation and fair presentation of the financial statements] [preparation of financial statements that give a true and fair view] and that this responsibility includes the

¹⁰ 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.

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design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and,

- believe that ~~To the best of our knowledge and belief,~~ the financial statements are ~~prepared~~ [fairly presented] [give a true and fair view] 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 This includes 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))
- ~~All events subsequent to the year end for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.~~
- *[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.]*
- *[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.]*

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- 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 A10 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

- To the best of our knowledge and belief, we have provided you with all the information you required in connection with the audit of ABC Company. This includes All records, documentation, ~~unusual~~ and other matters of which ~~management is~~ we are aware and that may affect the financial statements, and other information relevant to the audit have been made available to you.
- To the best of our knowledge and belief:
 - All transactions have been recorded; and
 - We have disclosed to you all control deficiencies.
- 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))

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- *[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.]*
- [\[Any other matters that the auditor may consider necessary.\]](#)

~~(Relevant Party)~~[Management](#)

~~(Relevant Party)~~[Management](#)