

**CONFORMING AMENDMENTS TO OTHER ISAs AS A RESULT OF ISA 210
(REDRAFTED), AGREEING THE TERMS OF AUDIT ENGAGEMENTS**

ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing”

[No amendments are proposed to paragraphs 1-3.]

4. The financial statements subject to audit are those of the entity, prepared ~~and presented~~ by management of the entity with oversight from those charged with governance. ISAs do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities. However, an audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of their ~~those~~ responsibilities. (Ref: Para. A2-A11)

[No amendments are proposed to paragraphs 5-12.]

Definitions

13. For purposes of the ISAs, the following terms have the meanings attributed below ...
- (j) Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted – That management and, where appropriate, those charged with governance have acknowledged and understand that they have the following responsibilities that are fundamental to the conduct of an audit in accordance with ISAs. That is, responsibility:
- (i) For the preparation ~~and presentation~~ of the financial statements in accordance with the applicable financial reporting framework; including where relevant their fair presentation—this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- (ii) For such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (iii) To provide the auditor with:
- a. Access to All information, such as records and documentation, and other matters of which management and, where appropriate, those charged with governance are aware that is—~~are~~ relevant to the preparation and presentation of the financial statements such as records, documentation and other matters;

- b. ~~Any~~ a Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and
- c. Unrestricted access to persons ~~those~~ within the entity from whom the auditor determines it necessary to obtain audit evidence.

In the case of a fair presentation framework, ~~the responsibility is~~ (i) above may be restated as “for the preparation and fair presentation of financial statements in accordance with the financial reporting framework;” or “for the preparation of financial statements that give a true and fair view in accordance with the applicable financial reporting framework.” This applies to all references to “preparation and presentation of the financial statements” in the ISAs.

The “premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted” may also be referred to as the “premise.”

[No amendments are proposed to paragraphs 14-24 and A1.]

Preparation of the Financial Statements (Ref: Para.4)

- A2. Law or regulation may establish the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting. However, the extent of these responsibilities, or the way in which they are described, may differ across jurisdictions. Despite these differences, aAn audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility:
- (a) ~~For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework;~~ including where relevant their fair presentation~~this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error; and~~
 - (b) For such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
 - (~~b~~c) To provide the auditor with:
 - (i) Access to A~~all~~ information, ~~such as records and documentation, and other matters of which management and, where appropriate, those charged with governance are aware that is~~ are relevant to the preparation ~~and presentation~~ of the financial statements such as records, documentation and other matters;
 - (ii) ~~Any~~ a Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and

(iii) Unrestricted access to persons ~~those~~ within the entity from whom the auditor determines it necessary to obtain audit evidence.

A3. ~~As part of their responsibility for~~ ~~the preparation and presentation~~ of the financial statements; by management and, where appropriate, those charged with governance requires are responsible for:

- The identification of the applicable financial reporting framework, in the context of any relevant laws or regulations.
- ~~The preparation and presentation~~ of the financial statements in accordance with that framework.
- The inclusion of ~~An~~ adequate description of that framework in the financial statements.

...

[No amendments are proposed to paragraphs A4-A9.]

A10. Because of the significance of the premise to the conduct of an audit, the auditor is required to obtain the agreement ~~of from~~ management and, where appropriate, those charged with governance that they acknowledge and understand that they have their responsibilities set out in paragraph A2 as a precondition for accepting the audit engagement.¹ ~~The auditor is also required to obtain written representations about whether management and, where appropriate, those charged with governance have fulfilled those responsibilities.²~~

[No amendments are proposed to paragraphs A11-A76.]

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

[No amendments are proposed to paragraphs 1-5.]

Objectives

6. The objectives of the auditor are:
 - (a) To obtain written representations from management and, where appropriate, those charged with governance that ~~they management~~ believes that they have it has fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor the fundamental responsibilities that constitute the premise on which an audit is conducted; (Ref: Para. A2-A3)
 - (b) To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations if determined necessary by the auditor or required by other ISAs; and
 - (c) To respond appropriately to written representations provided by management and, where appropriate, those charged with governance, or if management or, where

¹ ISA 210 (Redrafted), paragraph 6(b).

² ~~ISA 580 (Revised and Redrafted), “Written Representations,” paragraphs 10-11.~~

appropriate, those charged with governance does not provide the written representations requested by the auditor.

[No amendments are proposed to paragraph 7.]

Definitions

8. For purposes of this ISA, references to “management” should be read as “management and, where appropriate, those charged with governance.” Furthermore, 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 applicable financial reporting framework; or the preparation of financial statements *that give a true and fair view* in accordance with the applicable financial reporting framework.

[No amendments are proposed to paragraphs 9.]

Written Representations about Management’s Responsibilities

Preparation ~~and Presentation~~ of the Financial Statements

10. The auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation ~~and presentation~~ of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, as set out in the terms of the audit engagement.³ ~~and, in particular, whether the financial statements are prepared and presented in accordance with the applicable financial reporting framework.~~ (Ref: Para. A9-A11, A16, A24)

Information Provided and Completeness of Transactions ~~to the Auditor~~

11. The auditor shall request management to provide a written representation that:
(a) It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement,⁴ and
(b) ~~that a~~ All transactions have been recorded and are reflected in the financial statements. (Ref: Para. A9-A11, A16, A24)

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 these responsibilities are described in the terms of the audit engagement. ~~(Ref: Para. A3)~~

[No amendments are proposed to paragraphs 13-20 and A1.]

~~Premise, relating to Management’s Responsibilities, on which an Audit is Conducted~~ (Ref: Para. 6(a), 12)

- ~~A2. Law or regulation may establish management’s responsibilities in relation to financial reporting. However, the extent of these responsibilities, or the way in which they are~~

³ ISA 210, “Agreeing the Terms of Audit Engagements,” paragraph 6(b)(i).

⁴ ISA 210, paragraph 6(b)(iii).

~~described, may differ across jurisdictions. Despite these differences, an audit in accordance with ISAs is conducted on the premise that management has responsibility:~~

- ~~(a) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes 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~~
- ~~(b) To provide the auditor with:

 - ~~(i) All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of 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.⁵~~~~

~~A3. [Proposed] ISA 210 (Redrafted) requires the auditor to obtain the agreement of management that it acknowledges and understands those responsibilities as a precondition for accepting the audit engagement.⁶ If 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.⁷~~

[No amendments are proposed to paragraphs A4-A8.]

Written Representations about Management's Responsibilities (Ref: Para. 10-11)

A9. Audit evidence obtained during the audit that management has fulfilled ~~is fulfilling~~ the responsibilities referred to in paragraphs 10 and 11 ~~that it agreed to in the terms of the audit engagement~~ is not sufficient without obtaining confirmation from management that it believes that it has fulfilled those responsibilities. This is because the auditor is not able to judge solely on other audit evidence whether management has prepared the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities. For example, the auditor could not conclude that management has provided the auditor with all relevant ~~the information agreed in the terms of the audit engagement described in paragraph A2(b)~~ without asking it whether, and receiving confirmation that, such information has been provided.

[No amendments are proposed to paragraphs A10-A20.]

⁵ ~~[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].~~

⁶ ~~[Proposed] ISA 210 (Redrafted), paragraph [4(b)].~~

⁷ ~~[Proposed] ISA 210 (Redrafted), paragraph [11].~~

Form of Written Representations (Ref: Para. 15)

A21. Written representations are required to be included in a representation letter addressed to the auditor. In some jurisdictions, however, management may be required by law or regulation to make a written public statement about its responsibilities. Although such statement 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 some or all of the representations required by paragraph 10 or 11. Consequently, the relevant matters covered by such statement need not be included in the representation letter. Factors that may affect the auditor’s determination include:

- Whether the statement includes confirmation of the fulfillment of the responsibilities referred to in paragraphs 10 and 11 ~~that are equivalent to some or all of those set out in the terms of the audit engagement.~~
- Whether the statement has been given or approved by those from whom the auditor requests the relevant written representations.
- Whether a copy of the statement 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 14).

[No amendments are proposed to paragraphs A22-A27.]

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

A28. As explained in paragraph A9, the auditor is not able to judge solely on other audit evidence whether management has fulfilled the responsibilities referred to in paragraphs 10 and 11 ~~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, as described in paragraph 20(a), 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. ~~Proposed~~–ISA 705 (Revised and Redrafted) requires the auditor to disclaim an opinion on the financial statements in such circumstances.⁸

[No amendments are proposed to paragraph A29 and Appendix 1.]

Appendix 2

(Ref: Para. A23)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other ISAs in effect for audits of financial statements for periods beginning on or after ~~as at~~

⁸ ~~Proposed~~–ISA 705 (Revised and Redrafted), paragraph [12].

December ~~1531, 2009~~2007. It is assumed in this illustration that the applicable financial reporting framework is International Financial Reporting Standards; the requirement of ISA 570 (Redrafted)⁹ to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

(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 respects, (or *give a true and fair view*) in accordance with International Financial Reporting Standards.

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

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation ~~and presentation~~ of the financial statements in accordance with International Financial Reporting Standards; as set out in the terms of the audit engagement dated [insert date] and in particular, the financial statements are fairly presented (or *give a true and fair view*) in accordance therewith ~~International Financial Reporting Standards~~.

...

Information Provided

- We have provided you with:
 - Access to all information of which we are aware, such as records and documentation, and other matters that is ~~are~~ relevant to the preparation ~~and presentation~~ of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons ~~those~~ within the entity from whom you determined it necessary to obtain audit evidence.

...

[No other amendments are proposed to Appendix 2.]

⁹ ISA 570 (Redrafted), "Going Concern." [See footnote 15.]

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.

ISA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements”

[No amendments are proposed to paragraphs 1-26. Paragraphs 24-25 are included for information only.]

Management’s Responsibility for the Financial Statements

24. This section of the auditor’s report describes the responsibilities of those in the organization that are responsible for the preparation of the financial statements. The auditor’s report need not refer specifically to “management,” but shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference may be to those charged with governance.
25. The auditor’s report shall include a section with the heading “Management’s [or other appropriate term] Responsibility for the Financial Statements.”
26. The auditor’s report shall describe management’s responsibility for the preparation of the financial statements ~~in the manner in which that responsibility is described in the terms of the audit engagement.~~ The description shall include an explanation that management is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework, and for such internal control as it determines is necessary; ~~this responsibility includes the design, implementation and maintenance of internal control relevant to enable~~ the preparation of financial statements that are free from material misstatement, whether due to fraud or error. (Ref: Para. A20- A22)
27. Where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management’s responsibility for the financial statements in the auditor’s report shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances.

[No amendments are proposed to paragraphs 28-A4.]

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

- A5. As explained in ISA 200 (Revised and Redrafted), the preparation of the financial statements by management and, where appropriate, those charged with governance requires the inclusion of ~~have responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework and for an adequate description of that~~ the applicable financial reporting framework in the financial statements.¹¹ That description is important because it advises users of the financial statements of the framework on which the financial statements are based.

[No amendments are proposed to paragraphs A6 – A19.]

¹¹ ISA 200 (Revised and Redrafted), paragraphs A2-A3.

Management’s Responsibility for the Financial Statements (Ref: Para. 26)

A20. ISA 200 (Revised and Redrafted) explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with ISAs is conducted.¹² Management and, where appropriate, those charged with governance accept responsibility ~~are responsible~~ for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation. ~~For example, in the case of many general purpose frameworks, management is responsible for the preparation of financial statements that fairly present the financial position, financial performance and cash flows of the entity in accordance with those frameworks. This~~ Management also accepts responsibility ~~includes the design, implementation and maintenance of~~ for such internal control ~~relevant as it determines is necessary to enable~~ the preparation of financial statements that are free from material misstatement, whether due to fraud or error. ~~In some jurisdictions, law or regulation prescribing management’s responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315 (Redrafted)¹³) no specific reference is made to them in paragraph 26 for the description of management’s responsibilities. The description of management’s responsibilities in the auditor’s report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted.~~

A21. There may be circumstances when it is appropriate for the auditor to add to the description of management’s responsibility in paragraph 26 to reflect additional responsibilities that are relevant to the preparation of the financial statements in the context of the particular jurisdiction or the nature of the entity.

A22. Paragraph 26 is consistent with the form in which the responsibilities are agreed in the engagement letter or other suitable form of written agreement, as required by ISA 210 (Redrafted).¹⁴ ISA 210 (Redrafted) provides some flexibility by explaining ~~explains~~ that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor’s judgment, are equivalent in effect to those set out in ISA 210 (Redrafted). For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor’s report to describe management’s responsibilities as required by paragraph 26. In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording of paragraph 26 is used. For those that are not prescribed by law or regulation such that their effect is equivalent, the engagement letter or other suitable form of written agreement reflects the description

¹² ISA 200 (Revised and Redrafted), paragraph 13(j).

~~¹³ ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment,” paragraph 4(c).~~

¹⁴ ISA 210 (Redrafted), paragraphs 6(b)(i) and (ii).

in ISA 210 (Redrafted).¹⁵

A22a. In some jurisdictions, law or regulation prescribing management’s responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315 (Redrafted)¹⁶), the descriptions in ISA 210 (Redrafted) and in paragraph 26 do not make specific reference to them.

[When the conforming amendments are included in ISA 700 (Redrafted), paragraph A22a will become paragraph A23 and the ISA will be renumbered accordingly. No amendments are proposed to paragraphs A23-A25.]

Auditor’s Opinion (Ref: Para. 35-37)

Wording of the auditor’s opinion prescribed by law or regulation

A26. ISA 210 (Redrafted) explains that, in some cases, law or regulation of the relevant jurisdiction prescribes the wording of the auditor’s report (which in particular includes the auditor’s opinion) in terms that are significantly different from the requirements of ISAs. In these circumstances, ISA 210 (Redrafted) requires the auditor to evaluate:

- (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
- (b) Whether additional explanation in the auditor’s report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor’s report cannot mitigate possible misunderstanding, ISA 210 (Redrafted) requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ISA 210 (Redrafted), an audit conducted in accordance with such law or regulation does not comply with ISAs. Accordingly, the auditor does not include any reference in the auditor’s report to the audit having been conducted in accordance with International Standards on Auditing.¹⁷

[No amendments are proposed to paragraphs A27-A54.]

Appendix

(Ref: Para. A16)

Illustrations of Auditors’ Reports on Financial Statements

- Illustration 1: An auditor’s report on financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., International Financial Reporting Standards).

¹⁵ ~~[ISA 210 (Redrafted), paragraph [to be inserted].]~~

¹⁶ ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment,” paragraph 4(c).

¹⁷ ISA 210 (Redrafted), paragraph 21.

- Illustration 2: An auditor’s report on financial statements prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users.
- Illustration 3: An auditor’s report on consolidated financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., International Financial Reporting Standards).

Illustration 1:

Circumstances include the following:

- **Audit of a complete set of financial statements.**
- **The financial statements are prepared for a general purpose by management of the entity in accordance with International Financial Reporting Standards.**
- **The terms of the audit engagement reflect description of management’s responsibility for the financial statements in ISA 210 (Redrafted).**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements¹⁸

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s¹⁹ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁰ ~~this includes the design, implementation and maintenance of~~ and for such internal control ~~relevant as management determines is necessary to enable the preparation and fair presentation~~ of financial statements that are free from material misstatement, whether due to fraud or error.

¹⁸ The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

²⁰ ~~Depending on the circumstances, Where management’s responsibility is to prepare financial statements that give a true and fair view, this sentence~~ may read: “Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such ...”

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²¹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ABC Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

²¹ Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

²² In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 20, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

[Illustrations 2 and 3 are not reproduced here. The description of management’s responsibility for the financial statements and relevant footnotes in those illustrations will be amended as set out in the description of that responsibility and relevant footnotes in Illustration 1.

In addition, illustrative examples of auditors’ reports in other ISAs will be amended accordingly.]

Additional Conforming Amendments

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

39. The auditor shall obtain written representations from management and, where applicable, those charged with governance that:
- (a) They ~~It~~ acknowledges their ~~its~~ responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;
 - (b) They have ~~It has~~ disclosed to the auditor the results of management’s ~~its~~ assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - (c) They have ~~It has~~ disclosed to the auditor their ~~its~~ knowledge of fraud or suspected fraud affecting the entity involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial statements; and
 - (d) They have ~~It has~~ disclosed to the auditor their ~~its~~ knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others. (Ref: Para. A57-A58)

...

A12. Management accepts responsibility ~~is responsible~~ for the entity’s internal control and for the preparation of the entity’s financial statements. Accordingly, it is appropriate for the auditor to make inquiries of management regarding management’s own assessment of the risk of fraud and the controls in place to prevent and detect it. The nature, extent and frequency of management’s assessment of such risk and controls may vary from entity to entity. In some entities, management may make detailed assessments on an annual basis or as part of continuous monitoring. In other entities, management’s assessment may be less structured and less frequent. The nature, extent and frequency of management’s assessment are relevant to the auditor’s understanding of the entity’s control environment. For example, the fact that management has not made an assessment of the risk of fraud may in some circumstances be indicative of the lack of importance that management places on internal control.

...

A57. ISA 580 (Revised and Redrafted)²³ establishes requirements and provides guidance on obtaining appropriate representations from management and, where appropriate, those charged with governance in the audit. In addition to acknowledging that they have fulfilled their ~~its~~ responsibility for the preparation of the financial statements, it is important that, irrespective of the size of the entity, management and, where appropriate, those charged with governance acknowledge their ~~its~~ responsibility for internal control designed, implemented and maintained to prevent and detect fraud.

A58. Because of the nature of fraud and the difficulties encountered by auditors in detecting material misstatements in the financial statements resulting from fraud, it is important that the auditor obtain a written representation from management and, where appropriate, those charged with governance confirming that they have ~~it has~~ disclosed to the auditor:

- (a) The results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; and
- (b) Their ~~Its~~ knowledge of actual, suspected or alleged fraud affecting the entity.

ISA 540 (Revised and Redrafted), “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures”

22. The auditor shall obtain written representations from management and, where appropriate, those charged with governance whether they ~~management~~ believes significant assumptions used ~~by it~~ in making accounting estimates are reasonable. (Ref: Para. A126-A127)

ISA 550 (Revised and Redrafted), “Related Parties”

A16. The audit is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility for the ~~preparation and presentation~~ of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, and for such. ~~This includes the design, implementation and maintenance of~~ internal control as management and, where appropriate, those charged with governance, determine is necessary to enable ~~relevant to the preparation and presentation of~~ financial statements that are free from material misstatement, whether due to fraud or error.²⁴ Accordingly, where the framework establishes related party requirements, management, with oversight from those charged with governance, is responsible for the design, implementation and maintenance of adequate controls over related party relationships and transactions so that these are identified and appropriately accounted for and disclosed in accordance with the framework. In their oversight role, those charged with governance are responsible for monitoring how management is discharging its responsibility for such controls. Regardless of any related party requirements the framework may establish, those charged with governance may, in order to fulfill their oversight responsibilities, obtain

²³ ISA 580 (Revised and Redrafted), “Written Representations.”

²⁴ ISA 200 (Revised and Redrafted), paragraph A2.

information from management to enable them to understand the nature and business rationale of the entity's related party relationships and transactions.

ISA 560 (Redrafted), "Subsequent Events"

Management Responsibility Towards Auditor (Ref: Para. 10)

A11. As explained in ISA 210 (Redrafted), ~~agreed in the terms of the audit engagement, include the agreement of management has a responsibility to inform the auditor of relevant facts that may affect the financial statements, of which management it may~~ becomes aware during the period from the date of the auditor's report to the date the financial statements are issued.²⁵

ISA 570 (Redrafted), "Going Concern"

16. When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A15)

....

(e) Requesting written representations from management ~~and/or~~, where appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans.

²⁵ ~~Proposed~~ ISA 210 (Redrafted), "Agreeing the Terms of Audit Engagements," paragraph ~~A22~~~~{A23}~~.