

SA - 580 (Revised)

WRITTEN REPRESENTATIONS

(w.e.f. 1st April, 2009)

Scope of this SA

This Standard on Auditing (SA) deals with the auditor's responsibility to obtain Written Representations from **Management** and **Those Charged With Governance (TCWG)**.

Written Representations

(Not Financial Statements & Assertions)



- To confirm certain matters or to support other Evidence

Objectives of Auditor

- To **obtain** written representations from management that management believes that it has fulfilled the fundamental responsibilities
- To **support** other evidence by means of written representations, if considered necessary or required by other SA's; and
- To **respond** appropriately to written representations where it is provided also in cases where it is not provided.

Written Representation as Audit Evidence

- Similar to responses to inquiries, written representations are audit evidence.
- Although written representations provide necessary audit evidence, **they do not provide sufficient appropriate audit evidence on their own** about any of the matters with which they deal.
- Furthermore, the fact that, management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains.
- Auditor needs to be aware of the limitations of management representations as audit evidence

From Whom

The auditor shall request written representations from management with appropriate **responsibilities** for the financial statements and **knowledge** of the matters concerned.

Written Representations about Management's Responsibilities

Preparation and Presentation of the Financial Statements



- Written representation that management has fulfilled its responsibility for the preparation and presentation of the financial statements.

Information provided to the Auditor



- Written representation that management has provided the auditor with all relevant information agreed in the terms of the audit engagement and that all transactions have been recorded and are reflected in the financial statements.

Other Written Representations

Other SA's require the auditor to request written representations. If, in addition to such required representations, the auditor determines that it is necessary to obtain one or more written representations, the auditor shall request such other written representations.

When it is Obtained??

An auditor has to obtain the written representation letter, before completion of the assignment; to ensure he has adequate information before an opinion is formed.

Form of Written Representations

There is no Standard format of Written Representation

- ❖ The written representation shall be in the form of a representation letter **addressed to the auditor.**
- ❖ If law or regulation requires management to make written public statements about its responsibilities, the relevant matters covered by such statements need not be included in the representation letter.

Communication with TCWG

SA 260 requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from management.

When auditing “Trust” but “Verify”

To start with an audit; an Auditor should know who manages the show in the company and to concentrate more on what is not on the paper than what is available.

A Written Representation acts only as a corroborative evidence to the Audit Evidence already available.

It is not a substitute for performing alternative audit procedures

Doubt as to the Reliability of Written Representations

- If the auditor has concerns about competence, integrity, ethical values or diligence of management, the auditor shall determine their effect on the reliability of representations (oral or written) and audit evidence in general.
- In particular, if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter.
- If the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion.

Requested Written Representation Not Provided

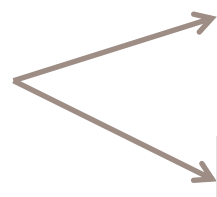
If management does not provide one or more of the requested representation, he shall discuss the matter with management and re-evaluate the reliability and integrity of management. He shall consider its effect on his audit report as well

Effect on audit report

The auditor shall disclaim an opinion on the financial statements if :

- a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations are not reliable, or
- b) Management does not provide the written representations.

**Written
Representation
from**



TCWG

**With respect to items/ matters
effecting financial statement**

Management

- WR should be obtained from knowledgeable persons inside the entity.
- WR about management's responsibility w.r.t. =
Preparation & Presentation of F.St. + Proper recording of all transactions &
proper disclosure of all information
to the auditor
- Consider - SA 580 + Other SA's
- WR do not include f.st., supporting records etc.
- It should be obtained before/ at date of A. R.
- It should be addressed to the auditors.
- If management makes public statement w.r.t its responsibilities, the matter
need not be included in WR
- However, WR alone cannot provide sufficient evidence
- It is just an additional evidence.
- Other evidences w.r.t specific item, shall be obtained.
- If there is any doubt about management's integrity/ competence, then consider
reliability of WR.
- If it is inconsistent with other evidence, then he should perform extended
procedures.
- If it is unreliable, then consider effect on A. R.

Thank You!!!