



Western India Regional Council (ICAI)

SA 580 – Written Representations

Presented by:

CA Nishant Nemani

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Section 1

Scope and Written Representations as Audit Evidences

Scope and Written Representations as Audit Evidences

This Standard on Auditing (SA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance

Written Representations as Audit Evidences:

- SA 500 : Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based.
- Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements.
- Accordingly, similar to responses to inquiries, written representations are audit evidence.

Written Representations as Audit Evidences

Key Considerations:

- If management modifies or does not provide the requested written representations, it may alert the auditor to the possibility that one or more significant issues may exist.
- Further, a request for written, rather than oral, representations in many cases may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations.
- 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 about the fulfillment of management's responsibilities, or about specific assertions.



Section 2

Objectives and Definition

Objectives and Definition

The objectives of the auditor are:

- a) To obtain written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor;
- 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 SAs; and
- c) To respond appropriately to written representations provided by management and, where appropriate, those charged with governance, or if management or, where appropriate, those charged with governance do not provide the written representations requested by the auditor.

Written representations – A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.



Section 3

Management from Whom Written Representations Requested

Management from Whom Written Representations Requested

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

Who is Management?

- Those responsible for the preparation and presentation of the financial statements. Those individuals may vary depending on the governance structure of the entity, and relevant law or regulation; however, management (rather than those charged with governance) is often the responsible party.
- Management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial statements and the assertions therein on which to base the written representations.

Management from Whom Written Representations Requested

Key Considerations:

- 1) In some cases, management may decide to make inquiries of others who participate in preparing and presenting the financial statements and assertions therein, including individuals who have specialized knowledge relating to the matters about which written representations are requested. Such individuals may include:
 - An actuary responsible for actuarially determined accounting measurements.
 - Staff engineers who may have responsibility for and specialized knowledge about environmental liability measurements.
 - Internal counsel who may provide information essential to provisions for legal claims.
- 2) Management may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the auditor to accept such wording if the auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations



Section 4

Written Representations about Management's Responsibilities

Written Representations about Management's Responsibilities

- The auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation.
- 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, and
 - b) All transactions have been recorded and are reflected in the financial statements.

Written Representations about Management's Responsibilities

Key Considerations:

- Audit evidence obtained during the audit that management has fulfilled the responsibilities is not sufficient without obtaining confirmation from management that it believes that it has fulfilled those responsibilities.

Since, auditor is not able to judge solely on other audit evidence whether management has prepared and presented the financial statements and provided information to the auditor on the basis of the agreed acknowledgement and understanding of its responsibilities.

- The auditor may also ask management to reconfirm its acknowledgement and understanding of those responsibilities in written representations. This is particularly appropriate when:
 - a) Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;
 - b) The terms of the audit engagement were prepared in a previous year;
 - c) There is any indication that management misunderstands those responsibilities; or
 - d) Changes in circumstances make it appropriate to do so



Section 5

Other Written Representations

Other Written Representations

- If the auditor determines that it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements, the auditor shall request such other written representations.
- They may include representations about the following:
 - Whether the selection and application of accounting policies are appropriate; and
 - Whether matters such as the following, where relevant under the applicable financial reporting framework, have been recognized, measured, presented or disclosed in accordance with that framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral; and
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance
 - That it has communicated to the auditor all deficiencies in internal control of which management is aware.
 - When obtaining evidence about, or evaluating, 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.



Section 6

Date of and Period(s) Covered by Written Representations

Date of and Period(s) Covered by Written Representations

Date of Written Representation:

The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements.

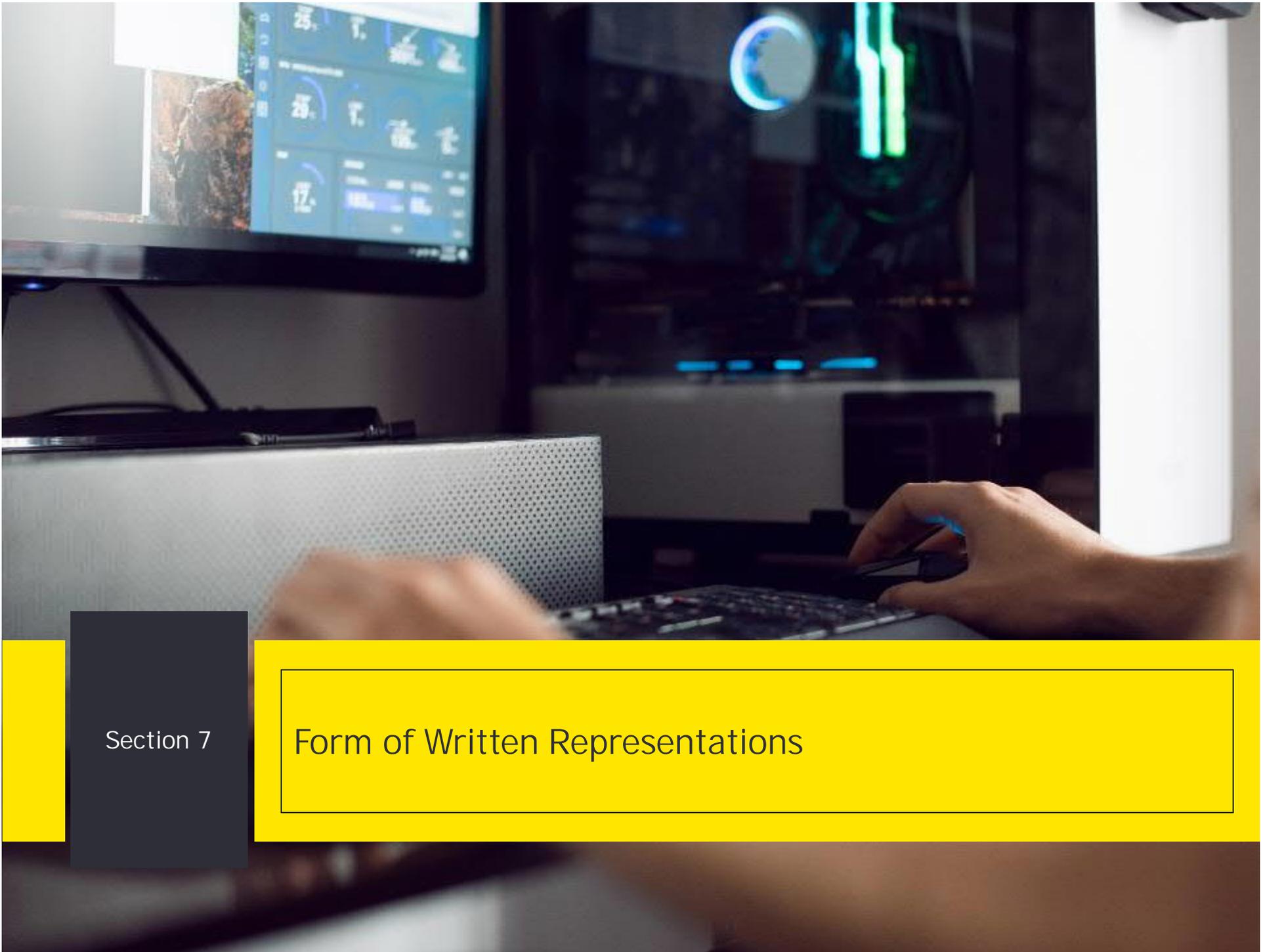
Period covered by Written Representations:

The written representations shall be for all financial statements and period(s) referred to in the auditor's report.

Key considerations:

- In some circumstances it may be appropriate for the auditor to obtain a written representation about a specific assertion in the financial statements during the course of the audit. Where this is the case, it may be necessary to request an updated written representation.
- The written representations are for all periods referred to in the auditor's report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate.

The auditor and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.



Section 7

Form of Written Representations

Form of Written Representations

- The written representations 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 and the auditor determines that such statements provide some or all of the representations required, the relevant matters covered by such statements need not be included in the representation letter.

Factors that may affect the auditor's determination include:

- a) Whether the statement includes confirmation of the fulfillment of the responsibilities.
- b) Whether the statement has been given or approved by those from whom the auditor requests the relevant written representations.
- c) 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.

A formal statement of compliance with law or regulation, or of approval of the financial statements, would not contain sufficient information for the auditor to be satisfied that all necessary representations have been consciously made. The expression of management's responsibilities in law or regulation is also not a substitute for the requested written representations.



Section 8

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

Doubt as to the Reliability of Written Representations

Circumstances where there can be doubt to the Reliability of Written Representations:

- If the auditor has concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, the auditor shall determine the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general.

Key Considerations:

The auditor may have identified significant issues relating to the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, but concluded that the written representations are nevertheless reliable. In such a case, this significant matter is documented in accordance with SA 230 : Audit Documentation

- if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of management, or of its commitment to or enforcement of these, and shall determine the effect that this may have on the reliability of representations (oral or written) and audit evidence in general.

Key Considerations:

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 in the auditor's report in accordance with SA 705(Revised) : Modifications to the Opinion in the Independent Auditor's Report

Requested Written Representations Not Provided

If management does not provide one or more of the requested written representations, the auditor shall:

- a) Discuss the matter with management;
- b) Re-evaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and
- c) Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705(Revised)



Section 9

Auditors Evaluation

Auditors Evaluation

The auditor shall disclaim an opinion on the financial statements in accordance with SA 705(Revised) if:

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



Thank You