

SA 580 (Revised) - Written Representations

Q. What do you mean by written representation?

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.

Q. What is Objective of Auditor defined for the purpose of this SA?

According to SA 580 (R) auditor's objective is

(a) To obtain written representations from management that management believes that it has fulfilled the fundamental responsibilities that constitute the premise on which an audit is conducted;

(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 or if management does not provide the written representations requested by the auditor.

Q. To What extent an auditor can use these representations as sufficient and appropriate audit evidences?

According to SA280 "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.

Q. What considerations are required while obtaining written representations from Management?

According to SA580

A . WR ABOUT MANAGEMENT'S RESPONSIBILITIES:- Auditor shall obtain WR in relation to following from management that :-

1. It has fulfilled its responsibility for the preparation and presentation of the financial statements

- as set out in the terms of the audit engagement and,
- in particular, by complying with the applicable financial reporting framework.

2. it 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.

B. WR IN ADDITION TO REQUIRED BY ANOTHER SA:- Auditor may obtain if necessary WR from management over and above requirement of any other SA. 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 / one or more specific assertions in the financial statements.

C. DATE OF WR :- The date of the written representations shall be as near as the date of audit report but in no case after the date of the auditor's report on the financial statements. It should be kept in mind that auditor shall take written representations for all financial statements and period(s) referred to in the auditor's report.

D. FORM OF WR:- 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 fulfils auditor's requirement he need not required to take separate representation letter.

E. AUDITOR'S DOUBT ON MANAGEMENT:- If the auditor has worry about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, the auditor shall evaluate that such worries may have effect on the reliability of representations (oral or written) and audit evidence in general.

F.EVALUATION OF WR WITH OTHER AUDIT EVIDENCES:- Auditor shall evaluate the WR in the light of other audit evidences and 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 the reliability of representations (oral or written) and audit evidence in general.

G.WR FOUND UNRELIABLE:- 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 appropriate opinion (qualified or adverse).

H.LIMITATION ON SCOPE:- . 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 .

I. AUDITOR'S DISCLAIMER:- - 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 and that the written representations required are not reliable; or
- (b) Management does not provide the written representations