

EXPOSURE DRAFT

ED 18/08
(October 2008)

Proposed Auditing Standard
ASA 580
Written Representations
(Revised and Redrafted)
(Re-issuance of ASA 580)

Issued for Comment by the **Auditing and Assurance Standards Board**

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Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 15 December 2008. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au.

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**Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)**

CONTENTS

PREFACE

AUTHORITY STATEMENT

Paragraphs

Application
Operative Date
Introduction.....
Scope of this ASA.....
Effective Date.....
Objectives
Definitions.....
Requirements
Application and Other Explanatory Material.....
Conformity with International Standards on Auditing...

PREFACE

Reasons for Issuing ED 18/08

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA 580 *Management Representations* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

**Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA
580)**

Main Proposals

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

Main changes from existing ASA 580 *Management Representations* (April 2006)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 580 *Management Representations* (April 2006), are included in the Tables of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA 580, *Management Representations* by no later than than 15 December 2008. The AUASB is seeking comments on the main changes from the existing ASA 580. In addition, respondents are asked to consider and respond to the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the main changes to the Requirements of this proposed Auditing Standard are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard.

Draft

**Proposed Auditing Standard ASA 580
*Written Representations (Revised and Redrafted) (Re-issuance of ASA
580)***

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 580 *Written Representations (Revised and Redrafted)* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 100 *Preamble to Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied.

AUDITING STANDARD ASA 580

Written Representations (Revised and Redrafted)

Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and
 - (b) an audit of a financial report for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

Introduction

Scope of this ASA

1. This Auditing Standard deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance.
2. Appendix 1 lists other Auditing Standards containing subject-matter specific requirements for written representations. The specific requirements for written representations of other Auditing Standards do not limit the application of this Auditing Standard.

Written Representations as Audit Evidence

3. Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based.¹ Written representations are necessary information that the auditor requires in

¹ ASA 500 (Revised and Redrafted), "Considering the Relevance and Reliability of Audit Evidence," paragraph [3].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

connection with the audit of the entity's financial report. Accordingly, similar to responses to enquiries, written representations are audit evidence. (Ref: Para. A1)

4. 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 fulfilment of management's responsibilities, or about specific assertions.

Effective Date

5. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

6. The objectives of the auditor are:
 - (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; (Ref: Para. A2-A3)
 - (b) To support other audit evidence relevant to the financial report or specific assertions in the financial report by means of written representations if determined necessary by the auditor or required by other Auditing Standards; and
 - (c) To respond appropriately to written representations provided by management or if management does not provide the written representations requested by the auditor.

Definitions

7. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:

Written representation – 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 report, the assertions therein, or supporting books and records.

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

8. For purposes of this Auditing Standard, 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 report in accordance with the financial reporting framework; or the preparation of financial report that give a true and fair view in accordance with the financial reporting framework.

Requirements

Management from whom Written Representations Requested

9. The auditor shall request written representations from management with appropriate responsibilities for the financial report and knowledge of the matters concerned. (Ref: Para. A4-A8)

Written Representations about Management’s Responsibilities

Preparation and Presentation of the Financial report

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 report as set out in the terms of the audit engagement² and, in particular, whether the financial report is prepared and presented in accordance with the applicable financial reporting framework. (Ref: Para. A9-A11, A16, A24)

Information Provided to the Auditor

11. The auditor shall request management to provide a written representation that it has provided the auditor with all relevant information agreed in the terms of the audit engagement,³ and that all transactions have been recorded and are reflected in the financial report. (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)

² ASA 210, “Agreeing the Terms of Audit Engagements,” paragraph [4(b)(i)].

³ ASA 210, paragraph [4(b)(ii)].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

Other Written Representations

13. Other Auditing Standards 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 to support other audit evidence relevant to the financial report or one or more specific assertions in the financial report, the auditor shall request such other written representations. (Ref: Para. A12-A15, A16, A24)

Date of and Period(s) Covered by Written Representations

14. 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 report. The written representations shall be for the financial report and period(s) referred to in the auditor's report. (Ref: Para. A17-A20)

Form of Written Representations

15. 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 by paragraphs 10 or 11, the relevant matters covered by such statements need not be included in the representation letter. (Ref: Para. A21-A23)

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

Doubt as to the Reliability of Written Representations

16. 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. (Ref: Para. A26-A27)
17. 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 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

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

have on the reliability of representations (oral or written) and audit evidence in general. (Ref: Para. A25)

18. 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 ASA 705 (Revised and Redrafted),⁴ having regard to the requirement in paragraph 20 of this Auditing Standard.

Requested Written Representations Not Provided

19. 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 ASA 705 (Revised and Redrafted), having regard to the requirement in paragraph 20 of this Auditing Standard.

Written Representations about Management's Responsibilities

20. The auditor shall disclaim an opinion on the financial report in accordance with ASA 705 (Revised and Redrafted) if: (Ref: Para. A28-A29)
- (a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by paragraphs 10 and 11 are not reliable; or
 - (b) Management does not provide the written representations required by paragraphs 10 and 11.

* * *

⁴ ASA 705 (Revised and Redrafted), "Modifications to the Opinion in the Independent Auditor's Report."

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

Application and Other Explanatory Material

Written Representations as Audit Evidence (Ref: Para. 3)

- A1. Written representations are an important source of audit evidence. 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.

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 described, may differ across jurisdictions. Despite these differences, an audit in accordance with Australian Auditing Standards is conducted on the premise that management has responsibility:
- (a) For the preparation and presentation of the financial report 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 the financial report 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 report;
 - (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

⁵ ASA 200 (Revised and Redrafted), "Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with Australian Auditing Standards," paragraph [8].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

A3. ASA 210 (Revised and 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

Management from whom Written Representations Requested (Ref: Para. 9)

A4. Written representations are requested from those responsible for the preparation and presentation of the financial report. 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. Written representations may therefore be requested from 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 parties, such as those charged with governance, are also responsible for the preparation and presentation of the financial report.

A5. Due to its responsibility for the preparation and presentation of the financial report, and its responsibilities for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing and presenting the financial report and the assertions therein on which to base the written representations.

A6. In some cases, however, management may decide to make enquiries of others who participate in preparing and presenting the financial report and assertions therein, including individuals who have specialised 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 specialised knowledge about environmental liability measurements.

⁶ ASA 210 (Revised and Redrafted), paragraph [4(b)].

⁷ ASA 210 (Revised and Redrafted), paragraph [11].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

- Internal counsel who may provide information essential to provisions for legal claims.
- A7. In some cases, 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.
- A8. To reinforce the need for management to make informed representations, the auditor may request that management include in the written representations confirmation that it has made such enquiries as it considered appropriate to place it in the position to be able to make the requested written representations. It is not expected that such enquiries would usually require a formal internal process beyond those already established by the entity.

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

- A9. Audit evidence obtained during the audit that management is fulfilling the responsibilities 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 and presented the financial report 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 the information described in paragraph A2 (b) without asking it whether, and receiving confirmation that, such information has been provided.
- A10. The written representations required by paragraphs 10 and 11 draw on the agreed acknowledgement and understanding of management of its responsibilities in the terms of the audit engagement by requesting confirmation that it has fulfilled them. The auditor may also ask management to reconfirm its acknowledgement and understanding of those responsibilities in written representations. This is common in certain jurisdictions, but in any event may be particularly appropriate when:

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

- Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;
- The terms of the audit engagement were prepared in a previous year;
- There is any indication that management misunderstands those responsibilities; or
- Changes in circumstances make it appropriate to do so.
- Consistent with the requirement of ASA 210 (Revised and Redrafted),⁸ such reconfirmation of management's acknowledgement and understanding of its responsibilities is not made subject to the best of management's knowledge and belief (as discussed in paragraph A7 of this Auditing Standard).

Considerations Specific to Public Sector Entities

A11. The mandates for audits of the financial report of public sector entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which an audit of the financial report of a public sector entity is conducted may give rise to additional written representations. These may include written representations confirming that transactions and events have been carried out in accordance with legislation or proper authority.

Other Written Representations (Ref: Para. 13)

Additional Written Representations about the Financial report

- A12. In addition to the written representation required by paragraph 10, the auditor may consider it necessary to request other written representations about the financial report. Such written representations may supplement, but do not form part of, the written representation required by paragraph 10. They may include representations about the following:
- Whether the selection and application of accounting policies are appropriate; and

⁸ ASA 210 (Revised and Redrafted), paragraph [4(b)].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

- Whether matters such as the following, where relevant under the applicable financial reporting framework, have been recognised, 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 report, including non-compliance.

Additional Written Representations about Information Provided to the Auditor

- A13. In addition to the written representation required by paragraph 11, the auditor may consider it necessary to request management to provide a written representation that it has communicated to the auditor all deficiencies in internal control of which management is aware.

Written Representations about Specific Assertions

- A14. When obtaining evidence about, or evaluating, judgements 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 judgement or intent.
- A15. In addition, the auditor may consider it necessary to request management to provide written representations about specific

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

assertions in the financial report; in particular, to support an understanding that the auditor has obtained from other audit evidence of management's judgement or intent in relation to, or the completeness of, a specific assertion. For example, if the intent of management is important to the valuation basis for investments, it may not be possible to obtain sufficient appropriate audit evidence without a written representation from management about its intentions. Although such written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own for that assertion.

Communicating a Threshold Amount (Ref: Para. 10-11, 13)

A16. ASA 450 (Revised and Redrafted) requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial.⁹ The auditor may determine a threshold above which misstatements cannot be regarded as clearly trivial. In the same way, the auditor may consider communicating to management a threshold for purposes of the requested written representations.

Date of and Period(s) Covered by Written Representations (Ref: Para. 14)

- A17. Because written representations are necessary audit evidence, the auditor's opinion cannot be expressed, and the auditor's report cannot be dated, before the date of the written representations. Furthermore, because 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 report, the written representations are dated as near as practicable to, but not after, the date of the auditor's report on the financial report.
- A18. In some circumstances it may be appropriate for the auditor to obtain a written representation about a specific assertion in the financial report during the course of the audit. Where this is the case, it may be necessary to request an updated written representation.
- A19. 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

⁹ ASA 450 (Revised and Redrafted), "Evaluation of Misstatements Identified during the Audit," paragraph [5].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are.

- A20. Situations may arise where current management were not present during all periods referred to in the auditor's report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the financial report as a whole. Accordingly, the requirement for the auditor to request from them written representations that cover the whole of the relevant period(s) still applies.

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 report, 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 fulfilment of responsibilities 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 report (see paragraph 14).

- A22. A formal statement of compliance with law or regulation, or of approval of the financial report, would not contain sufficient information for the auditor to be satisfied that all necessary representations have been consciously made. The expression of

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

management's responsibilities in law or regulation is also not a substitute for the requested written representations.

- A23. Appendix 2 provides an illustrative example of a representation letter.

Communication with Those Charged with Governance (Ref: Para. 10-11, 13)

- A24. ASA 260 (Revised and Redrafted) requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from management.¹⁰

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

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

- A25. In the case of identified inconsistencies between one or more written representations and audit evidence obtained from another source, the auditor may consider whether the risk assessment remains appropriate and, if not, revise the risk assessment and determine the nature, timing and extent of further audit procedures to respond to the assessed risks.
- A26. Concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, may cause the auditor to conclude that the risk of management misrepresentation in the financial report is such that an audit cannot be conducted. In such a case, the auditor may consider, where possible, withdrawing from the engagement, unless those charged with governance put in place appropriate corrective measures. Such measures, however, may not be sufficient to enable the auditor to issue an unmodified audit opinion.
- A27. ASA 230 (Revised and Redrafted) requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.¹¹ 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

¹⁰ ASA 260 (Revised and Redrafted), "Communication with Those Charged with Governance," paragraph 12(c)(iii).

¹¹ ASA 230 (Revised and Redrafted), "Audit Documentation," paragraphs 8(c) and 10.

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

are nevertheless reliable. In such a case, this significant matter is documented in accordance with ASA 230 (Revised and Redrafted).

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 prepared and presented the financial report 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 report of such inability are not confined to specific elements, accounts or items of the financial report and are hence pervasive. ASA 705 (Revised and Redrafted) requires the auditor to disclaim an opinion on the financial report in such circumstances.¹²

If Management do not provide written representations

Aus A28.1 If management does not provide written representations, the auditor would ordinarily:

- (a) draw to the attention of those charged with governance or management any relevant statutory and/or regulatory provision which gives the auditor access to records and information. For example, under section 310 of the *Corporations Act 2001*, the auditor has a right of access at all reasonable times to the books of a company, registered scheme or disclosing entity, and may require from any officer to give the auditor information and explanations or other assistance for the purposes of the audit or review; and
- (b) consider if the other implications of the refusal may have any additional effect on the auditor's report. For example, section 307(b) of the *Corporations Act 2001* requires an auditor to form an opinion as to whether all information, explanations and assistance necessary for the conduct of the audit have been given, and in

¹² ASA 705 (Revised and Redrafted), paragraph [12].

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

accordance with section 308(3)(b) to state in the auditor's report particulars of any deficiency, failure or shortcoming in respect of these matters.

A29. A written representation that has been modified from that requested by the auditor does not necessarily mean that 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 written representation about management's fulfilment of its responsibility for the preparation and presentation of the financial report may state that management believes that, except for material non-compliance with a particular requirement of the applicable financial reporting framework, the financial report is prepared and presented in accordance with that framework. The requirement in paragraph 20 does not apply because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effect of the non-compliance on the opinion in the auditor's report in accordance with ASA 705 (Revised and Redrafted).
- The written representation about the responsibility of management to provide the auditor with all relevant information agreed in the terms of the audit engagement may state that management believes that, except for information destroyed in a fire, it has provided the auditor with such information. The requirement in paragraph 20 does not apply because the auditor concluded that management has provided reliable written representations. However, the auditor is required to consider the effects of the pervasiveness of the information destroyed in the fire on the financial report and the effect thereof on the opinion in the auditor's report in accordance with ASA 705 (Revised and Redrafted).

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 580 *Written Representations* (Revised and Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

Compliance with this Auditing Standard enables compliance with ISA 580.

**Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA
580)**

Appendix 1

(Ref: Para. 2)

**List of Auditing Standards Containing Requirements for
Written Representations**

This appendix identifies paragraphs in other Auditing Standards as at December 31, 2007 that require subject-matter specific written representations. The list is not a substitute for considering the requirements and related application and other explanatory material in the Auditing Standards.

ASA 240 (Revised and Redrafted), *The Auditor's Responsibilities Relating to Fraud in an Audit of the Financial Report* – paragraph 39

ASA 250 (Revised and Redrafted), *The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of the Financial Report* – paragraph 16

ASA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit* – paragraph 16

ASA 540 (Revised and Redrafted), *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* – paragraph 22

ASA 550 (Revised and Redrafted), *Related Parties* – paragraph 26

ASA 560 (Revised and Redrafted), *Subsequent Events* – paragraph 9

ASA 570 (Revised and Redrafted), *Going Concern* – paragraph 16(e)

Appendix 2

(Ref: Para. A23)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other Australian Auditing Standards in effect as at December 31, 2007. It is assumed in this illustration that the applicable financial reporting framework is Australian Accounting Standards; the requirement of ASA 570 (Revised and Redrafted)¹³ 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 report of ABC Company for the year ended December 31, 20XX¹⁴ for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, (or give a true and fair view) in accordance with Australian Accounting Standards.

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

Financial report

- We have fulfilled our responsibilities for the preparation and presentation of the financial report as set out in the terms of the audit engagement dated [insert date] and, in particular, the financial report is fairly presented (or give a true and fair view) in accordance with Australian Accounting Standards.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ASA 540 (Revised and Redrafted))

¹³ ASA 570 (Revised and Redrafted), “*Going Concern*.”

¹⁴ 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.

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards. (ASA 550 (Revised and Redrafted))
- All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed. (ASA 560 (Revised and Redrafted))
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole. A list of the uncorrected misstatements is attached to the representation letter. (ASA 450 (Revised and Redrafted))
- [Any other matters that the auditor may consider appropriate (see paragraph A12 of this Auditing Standard).]

Information Provided

- We have provided you with:
 - All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial report;
 - Additional information that you have requested from us; and
 - Unrestricted access to those within the entity.
- All transactions have been recorded in the accounting records and are reflected in the financial report.
- We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud. (ASA 240 (Revised and 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

Proposed Auditing Standard ASA 580
Written Representations (Revised and Redrafted) (Re-issuance of ASA 580)

- Others where the fraud could have a material effect on the financial report. (ASA 240 (Revised and Redrafted))
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others. (ASA 240 (Revised and Redrafted))
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report. (ASA 250 (Revised and Redrafted))
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ASA 550 (Revised and Redrafted))
- [Any other matters that the auditor may consider necessary (see paragraph A13 of this Auditing Standard).]

Management

Management

Tables of Differences — ASA 580 (Revised and Redrafted) and Extant ASA 580

Underlying Standard

ISA 580 *Written Representations* (Revised and Redrafted) is used as the underlying Auditing Standard for the purpose of re-drafting this proposed Auditing Standard. The underlying Auditing Standard will be amended for the following matters:

- Australian Laws and Regulations (including the *Corporations Act 2001*);
- Changes considered necessary because this Auditing Standard is a legislative instrument; and
- Changes considered necessary in the public interest.

Summary of Main Differences — ASA 580 (Revised and Redrafted) and Extant ASA 580

The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and extant ASA 580.

Requirements in ASA (Revised and Redrafted) not in extant ASA

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Scope			
1	1 - 4	1. This Auditing Standard deals with the auditor’s responsibility to obtain written representations from management and, where appropriate, those charged with governance. 2. Appendix 1 lists other Auditing Standards containing subject-matter specific requirements for written representations. The specific requirements for written representations of other Auditing Standards do not limit the application of this Auditing Standard.	Shaded text represents an extension of this Auditing Standard’s application to “those charged with governance”.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		<p>Written Representations as Audit Evidence</p> <p>3. 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 report. Accordingly, similar to responses to enquiries, written representations are audit evidence. (Ref: Para. A1)</p> <p>4. 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 fulfilment of management's responsibilities, or about specific assertions.</p>	
Objectives			
2	6	<p>The objectives of the auditor are:</p> <p>(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; (Ref: Para. A2-A3)</p> <p>(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</p>	New Objectives included.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		(c) To respond appropriately to written representations provided by management or if management does not provide the written representations requested by the auditor.	
Definitions			
3	7 & 8	<p>For purposes of the Auditing Standards, the following term has the meaning attributed below:</p> <p>7. Written representation – 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 the financial report, the assertions therein, or supporting books and records.</p> <p>8. For purposes of this Auditing Standard, 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 report in accordance with the financial reporting framework; or the preparation of the financial report that give a true and fair view in accordance with the financial reporting framework.</p>	New Definitions included.
Written Representations about Management’s Responsibilities			
4	11	The auditor shall request management to provide a written representation that 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. (Ref: Para. A9-A11, A16, A24)	No extant ASA equivalent.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
5	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)	Elevation of extant ASA Explanatory Guidance. [Extant ASA 580 para 8—equivalent Explanatory Guidance]
Other Written Representations			
6	13	Other Auditing Standards 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 to support other audit evidence relevant to the financial report or one or more specific assertions in the financial report, the auditor shall request such other written representations. (Ref: Para. A12-A15, A16, A24)	No extant ASA equivalent.
Date of and Period(s) Covered by Written Representations			
7	14	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 report. The written representations shall be for all financial report and period(s) referred to in the auditor’s report. (Ref: Para. A17-A20)	Requirement is more comprehensive and expressed differently to the extant ASA equivalent Explanatory Guidance (which only referred to the representation being “appropriately dated”), but has similar meaning. [Extant ASA 580 para 19—equivalent Explanatory Guidance]

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Form of Written Representations			
8	15	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 by paragraphs 10 or 11, the relevant matters covered by such statements need not be included in the representation letter. (Ref: Para. A21-A23)	<p>(1) Shaded text is an elevation of extant ASA Explanatory Guidance. [Extant ASA 580 para 6—equivalent Explanatory Guidance]</p> <p>(2) Unshaded text is elevation of extant ASA Explanatory Guidance. [Extant ASA 580 para 20—equivalent Explanatory Guidance]</p>
Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided			
9	17	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 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. (Ref: Para. A25)	No extant ASA equivalent.
10	18	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 ASA 705 (Revised and Redrafted), having regard to the requirement in paragraph 20 of this Auditing Standard.	No extant ASA equivalent.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
11	19	<p>If management does not provide one or more of the requested written representations, the auditor shall:</p> <ul style="list-style-type: none"> (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 ASA 705 (Revised and Redrafted), having regard to the requirement in paragraph 20 of this Auditing Standard. 	<p>(1) Shaded text has not extant ASA equivalent.</p> <p>(2) Unshaded text is elevation of extant ASA Explanatory Guidance.</p> <p>[Extant ASA 580 para 23—equivalent Explanatory Guidance]</p>
12	20	<p>The auditor shall disclaim an opinion on the financial statements in accordance with ASA 705 (Revised and Redrafted) if: (Ref: Para. A28-A29)</p> <ul style="list-style-type: none"> (a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by paragraphs 10 and 11 are not reliable; or (b) Management does not provide the written representations required by paragraphs 10 and 11. 	<p>(1) Shaded text represents conceptual differences between the extant ASA and the ASA (Revised and Redrafted) Requirements, as follows:</p> <p>Extant ASA required a ‘qualified opinion or a disclaimer of opinion’ rather than just a ‘disclaimer’ as per the ASA (Revised and Redrafted).</p> <p>(2) Bold text has no extant ASA equivalent</p> <p>(3) Unshaded/non-bold text is equivalent in meaning to extant ASA Requirement.</p> <p>[Extant ASA 580 para 22—equivalent Requirement]</p>

Requirements in extant ASA not in ASA (Revised and Redrafted)

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary
Representations by Management as Audit Evidence			
1	12	<p>The auditor shall endeavour to obtain written representations from management that:</p> <p>(a) it acknowledges its responsibility for the design and implementation of internal control to prevent and detect error; and</p> <p>(b) it believes the effects of those uncorrected financial report misstatements aggregated by the auditor during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of such items shall be included in or attached to the written representations.</p>	<p>(1) Shaded text is included as a Requirement in another ASA (Revised and Redrafted), with some conceptual differences.</p> <p>ASA 210 (Revised and Redrafted) <i>Agreeing the Terms of Audit Engagements</i>, [para 4(b)(i)] extends the acknowledgement to include “the design, implementation and <u>maintenance</u> of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement”</p> <p>ASA 210 (Revised and Redrafted) <i>Agreeing the Terms of Audit Engagements</i> [para 4(b)(i)]</p> <p>(2) Bold text is included as a requirement in another ISA.</p> <p>ASA 450 (Revised and Redrafted) <i>Evaluation of Misstatements Identified during the Audit</i> [para 14]</p>