

Compiled Auditing Standard

ASA 580
(December 2018)

Auditing Standard ASA 580

Written Representations

This compilation was prepared on 4 January 2019 taking into account amendments made by ASA 2011-1, ASA 2013-1, ASA 2015-1 and ASA 2018-1.

Compilation number: 4

Compilation date: 4 January 2019

Prepared by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

The most recently compiled versions of Auditing Standards, original Standards and amending Standards (see Compilation Details) are available on the AUASB website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2019 Commonwealth of Australia. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the Australian Auditing and Assurance Standards Board (AUASB).

Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

This Auditing Standard reproduces substantial parts of the corresponding International Standard on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC), in the manner described in the statement on Conformity with International Standards on Auditing. The AUASB acknowledges that IFAC is the owner of copyright in the International Standard on Auditing incorporated in this Auditing Standard throughout the world.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only.

Further information and requests for authorisation to reproduce this Auditing Standard for commercial purposes outside Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Any decision to approve a request may also require the agreement of IFAC.

ISSN 1833-4393

CONTENTS

COMPILATION DETAILS

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	Aus 0.1-Aus 0.2
Operative Date	Aus 0.3
Introduction	
Scope of this Auditing Standard	1-2
Written Representations as Audit Evidence	3-4
Effective Date	5
Objectives	6
Definitions	7-8
Requirements	
Management from whom Written Representations are Requested	9
Written Representations about Management’s Responsibilities	10-12
Other Written Representations	13
Date of and Period(s) Covered by Written Representations	14
Form of Written Representations	15
Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided	16-20
Application and Other Explanatory Material	
Written Representations as Audit Evidence	A1
Management from whom Written Representations are Requested	A2-A6
Written Representations about Management’s Responsibilities	A7-A9
Other Written Representations	A10-A13
Communicating a Threshold Amount	A14
Date of and Period(s) Covered by Written Representations	A15-A18
Form of Written Representations	A19-A21
Communication with Those Charged with Governance	A22
Doubt as to the Reliability of Written Representations and Requested Written Representations Not Provided	A23-A27
Appendix 1: List of Australian Auditing Standards Containing Requirements for Written Representations	
Appendix 2: Illustrative Representation Letter	

COMPILATION DETAILS

Auditing Standard ASA 580 *Written Representations* (as Amended)

This compilation takes into account amendments made up to and including 5 December 2018 and was prepared on 4 January 2019 by the Auditing and Assurance Standards Board (AUASB).

This compilation is not a separate Auditing Standard made by the AUASB. Instead, it is a representation of ASA 580 (October 2009) as amended by other Auditing Standards which are listed in the Table below.

Table of Standards

Standard	Date made	Operative Date
ASA 580 [A]	27 October 2009	Financial reporting periods commencing on or after 1 January 2010
ASA 2011-1 [B]	27 June 2011	Financial reporting periods commencing on or after 1 July 2011
ASA 2013-3 [C]	1 July 2013	Financial reporting periods commencing on or after 1 July 2013
ASA 2015-1 [D]	1 December 2015	Financial reporting periods ending on or after 15 December 2016
ASA 2018-1 [E]	5 December 2018	Financial reporting periods commencing on or after 15 December 2019, with early adoption permitted*.

[A] Federal Register of Legislation – registration number F2009L04096, 13 November 2009

[B] Federal Register of Legislation – registration number F2011L01379, 30 June 2011

[C] Federal Register of Legislation – registration number F2013L01939, 14 November 2013

[D] Federal Register of Legislation – registration number F2015L02032, 16 December 2015

[E] Federal Register of Legislation – registration number F2019L00016, 3 January 2019

* Early adoption, in conjunction with ASA 540 *Auditing Accounting Estimates and Related Disclosures*, permitted.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Appendix 2	Amended	ASA 2011-1 [50]
Appendix 2 Footnote 10	Addition	ASA 2011-1 [51]
Appendix 2	Amended	ASA 2011-1 [52]
Appendix 2	Amended	ASA 2011-1 [53]
Appendix 2	Addition	ASA 2011-1 [54]
Appendix 2	Addition	ASA 2011-1 [55]
Appendix 1	Amended	ASA 2011-1 [55]
Appendix 1	Amended	ASA 2013-3 [14]
A1 directly below heading “Management from whom Written Representations are Requested”	Renumbered	ASA 2015-1 [168]
Aus A20.1	Deleted	ASA 2015-1 [169]
10	Amended	ASA 2015-1 [169]
Appendix 1	Amended	ASA 2015-1 [170-171]
Appendix 2	Amended	ASA 2015-1 [167, 172]
Appendix 1	Amended	ASA 2018-1 [54]
Appendix 2	Amended	ASA 2018-1 [55]

AUTHORITY STATEMENT

Auditing Standard ASA 580 *Written Representations* (as amended to 5 December 2018) is set out in paragraphs Aus 0.1 to A27 and Appendices 1 and 2.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 580 *Written Representations* 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.

AUDITING STANDARD ASA 580

The Auditing and Assurance Standards Board (AUASB) made Auditing Standard ASA 580 *Written Representations* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*, on 27 October 2009.

This compiled version of ASA 580 incorporates subsequent amendments contained in other Auditing Standards made by the AUASB up to and including 5 December 2018 (see Compilation Details).

AUDITING STANDARD ASA 580

Written Representations

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 the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, 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. [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.]

Introduction

Scope of this Auditing Standard

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

Written Representations as Audit Evidence

3. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.¹ 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)

¹ See ASA 500 *Audit Evidence*, paragraph 5(c).

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 and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the financial report and for the completeness of the information provided to the auditor;
 - (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 Australian Auditing Standards; 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.

Definitions

7. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:

Written representation means 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.

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 applicable financial reporting framework; or the preparation of a financial report that *gives a true and fair view* in accordance with the applicable financial reporting framework.

Requirements

Management from whom Written Representations are 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. A2-A6)

Written Representations about Management's Responsibilities

Preparation of the Financial report

10. The auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial report in accordance with the applicable

financial reporting framework, and other statutory reporting requirements, including where relevant their fair presentation, as set out in the terms of the audit engagement.²
(Ref: Para. A7-A9, A14, A22)

Information Provided and Completeness of Transactions

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;³ and
 - (b) All transactions have been recorded and are reflected in the financial report.
(Ref: Para. A7-A9, A14, A22)

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 of this Auditing Standard in the manner in which these responsibilities are described in the terms of the audit engagement.

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. A10-A14, A22)

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 all the financial report(s) and period(s) referred to in the auditor's report. (Ref: Para. A15-A18)

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 of this Auditing Standard, the relevant matters covered by such statements need not be included in the representation letter.
(Ref: Para. A19-A21)

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. A24-A25)
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

² See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(b)(i).

³ See ASA 210, paragraph 6(b)(iii).

Auditing Standard ASA 580
Written Representations

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. A23)

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 705,⁴ 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, 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 if:
- (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 of this Auditing Standard are not reliable; or
 - (b) Management does not provide the written representations required by paragraphs 10 and 11 of this Auditing Standard. (Ref: Para. A26-A27)

* * *

⁴ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

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.

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

- A2. Written representations are requested from those responsible for the preparation 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 of the financial report.
- A3. Due to its responsibility for the preparation 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.
- A4. 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.
 - Internal counsel who may provide information essential to provisions for legal claims.
- A5. 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.
- A6. 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)

- A7. Audit evidence obtained during the audit that management has fulfilled the responsibilities referred to in paragraphs 10 and 11 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 all relevant information

agreed in the terms of the audit engagement without asking it whether, and receiving confirmation that, such information has been provided.

A8. 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:

- 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 210,⁵ 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 A5).

Considerations Specific to Public Sector Entities

A9. The mandates for audits of financial reports 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 law, regulation or other authority.

Other Written Representations (Ref: Para. 13)

Additional Written Representations about the Financial Report

A10. 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
- 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.

⁵ See ASA 210, paragraph 6(b).

Additional Written Representations about Information Provided to the Auditor

- A11. 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

- A12. 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.
- A13. In addition, the auditor may consider it necessary to request management to provide written representations about specific 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)

- A14. ASA 450 requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial.⁶ 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)

- A15. 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.
- A16. 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.
- A17. 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

⁶ See ASA 450 *Evaluation of Misstatements Identified during the Audit*, paragraph 5.

addressing whether there are any changes to such written representations and, if so, what they are.

- A18. 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)

- A19. 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 a 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 a 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 the responsibilities referred to in paragraphs 10 and 11.
- 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).

- A20. 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 management's responsibilities in law or regulation is also not a substitute for the requested written representations.

- A21. Appendix 2 provides an illustrative example of a representation letter.

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

- A22. ASA 260 requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from management.⁷

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)

- A23. 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.
- A24. 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

⁷ See ASA 260 *Communication with Those Charged with Governance*, paragraph 16(c)(ii).

conducted. In such a case, the auditor may consider withdrawing from the engagement, where withdrawal is possible under applicable law or regulation, 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.

- A25. ASA 230 requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.⁸ 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 ASA 230.

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

- A26. As explained in paragraph A7, 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. 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 requires the auditor to disclaim an opinion on the financial report in such circumstances.⁹

If Management do not Provide Written Representations

- Aus A26.1 If management do not provide written representations, the auditor would ordinarily:
- (a) draw to the attention of those charged with governance any relevant regulatory requirements which give the auditor a right of access to any requested information, explanations or assistance for the purposes of the audit;^{*}
 - (b) consider any other implications of the refusal that may have any effect on the auditor's report;[#] and
 - (c) consider whether the auditor has any regulatory obligation to report that management has not provided a written representation.[†]
- A27. 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 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 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.
 - 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

⁸ See ASA 230 *Audit Documentation*, paragraphs 8(c) and 10.

⁹ See ASA 705, paragraph 9.

^{*} See, for example, section 310 of the *Corporations Act 2001*.

[#] See, for example, section 307(b) and section 308(3)(b) of the *Corporations Act 2001*.

[†] See, for example, sections 310-312, section 601HG, or section 990K of the *Corporations Act 2001*.

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.

Appendix 1

(Ref: Para. 2)

List of Australian Auditing Standards Containing Requirements for Written Representations

This appendix identifies paragraphs in other Auditing Standards 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 Australian Auditing Standards.

ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of the Financial Report* – paragraph 39

ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* – paragraph 16

ASA 450 *Evaluation of Misstatements Identified during the Audit* – paragraph 14

ASA 502 *Audit Evidence—Specific Considerations for Litigation and Claims* – paragraph 6

ASA 540 *Auditing Accounting Estimates and Related Disclosures* – paragraph 37

ASA 550 *Related Parties* – paragraph 26

ASA 560 *Subsequent Events* – paragraph 9

ASA 570 *Going Concern* – paragraph 16(e)

ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports* – paragraph 9

ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 13(c)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other Auditing Standards, in effect for audits of financial reports for periods beginning on or after 1 January 2010. It is assumed in this illustration that the applicable financial reporting framework is the Australian Accounting Standards and the *Corporations Act 2001*; the requirement of ASA 570¹⁰ and ASA 710[#] 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 Ltd for the year ended 30 June 20XX¹¹ [or period covered by the auditor's report] for the purpose of expressing an opinion as to whether the financial report gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

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, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*; in particular the financial report gives a true and fair view in accordance therewith.
- The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework. (ASA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards. (ASA 550)
- 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)
- 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)
- [Any other matters that the auditor may consider appropriate (see paragraph A10).]

¹⁰ See ASA 570 *Going Concern*.

[#] See ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports*

¹¹ [Footnote deleted by the AUASB as not applicable in Australia.]

*Information Provided*¹²

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report 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 within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial report.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 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)
- 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
 - Others where the fraud could have a material effect on the financial report. (ASA 240)
 - 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)
 - 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)
 - We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with [the applicable financial reporting framework]. (ASA 502)
 - 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)
- Aus In respect of other information:
 - We have informed you of all the documents that we expect to issue that may comprise other information;

If the other information has been provided prior to the auditor's report date:

¹² If the auditor has included others matters relating to management's responsibilities in the audit engagement letter in accordance with ASA 210 *Agreeing the Terms of Audit Engagements*, consideration may be given to including these matters in the written representations from management or those charged with governance.

Auditing Standard ASA 580
Written Representations

- [The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements;] *or*

If the other information will not be provided prior to the auditor's report date:

- [With regard to any other information that we have not provided to you prior to the date of the auditor's report, that we intend to prepare and issue such other information and that we expect to issue it by [insert date.] and will provide it to you to enable you to complete your required procedures.]
 - [Any other matters that the auditor may consider necessary (see paragraph A11).]
 - Aus We have provided you with all requested information, explanations and assistance for the purposes of the audit.*
 - Aus We have provided you with all information required by the *Corporations Act 2001* [where applicable].#

Management

* There may be a regulatory requirement for particular information to be provided. For example, see section 312 of the *Corporations Act 2001*.

See, for example, sections 300A and 295A of the *Corporations Act 2001*.