



***Standard on Auditing***  
**SA 580- Written Representations**



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## *Introduction*

- SA 580 deals with the auditor's responsibility to obtain written representations from the management and, where appropriate, those charged with governance
- A necessary information that the auditor requires in connection with the audit of the entity's financial statement
- Written representations are audit evidence similar to responses to inquiries
- **They do not provide sufficient appropriate audit evidence on their own about any of the matters**
- It does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities

# *Objective and Definitions*

## *Objective*

To obtain written representation from management that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor.

## *Definition*

- A written statement by management to confirm certain matters or to support other audit evidence.
- Does not include financial statements, the assertions therein, or supporting books and records.

## *Management Responsibilities and Date of and Period(s) covered*

### *Written Representation about Management's responsibilities*

- Preparation of Financial Statements to give a **true & fair** view
- It has provided all relevant information and access as agreed in the terms of the audit engagement
- All transactions have been recorded and are reflected in the financial statements

### *Date of and Period(s) covered*

- The shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements.
- It shall be for all financial statements

## *Doubt as to the Reliability of Written Representation*

- Determine the effect that auditor's concern may have on the reliability of representation and audit evidence
- Perform audit procedures to attempt to resolve the matter in case written representation are inconsistent with other audit evidence
- Reconsider the competence, integrity ,ethical values or diligence of management

## *Requested Written Representation not provided*

- Discuss matter with management and those charged with governance
- Reconsider the level of risk on the engagement
- Re-evaluate the integrity of management and evaluate the effect on the reliability of representation and audit evidence
- Determine possible effect on the opinion in the auditor's report
- Possible withdrawal from the engagement for lack of appropriate action by management or those charged with governance

## ***Management from whom requested and Other written representation***

### ***Management from whom requested***

- The entity's chief executive officer and chief financial officer.
- Individuals who have specialized knowledge relating to the matters.
- Internal counsel especially in the case of significant litigations

### ***Other Written Representations which may be considered necessary***

- Application of accounting policies
- Matters that are relevant under the applicable financial reporting framework includes:
  - ✓ Business Plans
  - ✓ Liabilities, both actual and contingent,
  - ✓ Title to, or control over, assets
  - ✓ Aspects of laws & legislative requirements



## *Communicating a Threshold Amount*

- SA 580 requires the auditor to accumulate misstatement identified other than those that are clearly trivial
- Determine a threshold above which misstatement cannot be regarded as trivial
- Communicate to management a threshold for purpose of the requested written representations

## *Point to Remember*

A written representation letter is not a substitute for Auditors' responsibilities to plan and execute an effective audit

# *Questions*



The views expressed are the personal view of the speaker