

Written representations (Lecture A772 – 8.37 minutes)

ISA (UK) 580 *Written Representations* provides the guidance to auditors on obtaining written representations from clients during the course of an audit. Written representations are often scrutinised as part of file reviews and, quite often, there are deficiencies noted in the content of the representation itself. It should be noted that for the purposes of ISA (UK) 580, written representations do not include the financial statements or assertions therein and do not include the books and records supporting the amounts and disclosures in the financial statements.

1.1 Auditor's objectives

The objectives of the auditor where written representations are concerned are outlined in ISA 580, paras 6(a) to (c). These paragraphs state that the auditor's objective are:

- (a) to obtain written representations from management and, where applicable, those charged with governance that they believe they have fulfilled their responsibilities in respect of the preparation of the financial statements as well as for the completeness of the information that they have provided to the auditor;
- (b) to support other audit evidence relevant to the financial statements or specific assertions within those financial statements where such written representations are considered necessary by the auditor, or are required by other ISAs (UK); and
- (c) to respond appropriately to written representations provided by management and, where appropriate, those charged with governance or where management, and those charged with governance, do not provide written representations requested by the auditor.

An important point to emphasise at the outset is that written representations are **not** sufficient appropriate audit evidence on their own. This is because they are internally generated and hence written representations must **complement other forms of audit evidence**. A frequent criticism by file reviewers and professional bodies is that written representations are often used as sole audit evidence and this cannot be the case because of the inherent limitations of written representations.

1.2 Management's responsibilities

The auditor has a responsibility to request management to provide a written representation that they have fulfilled their responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework (e.g. FRS 102), including, where relevant, their fair presentation. Management must also confirm that the financial statements are complete and hence they must also provide the auditor with a written representation that:

- (a) management have provided the auditor with all relevant information and access to such information as agreed in the letter of engagement; and
- (b) all transactions have been recorded and have been reflected within the financial statements.

1.3 Other representations

The following ISAs (UK) specifically require the auditor to obtain written representations from the audit client. It should be noted that the list below is not a substitute for requesting any other representations that the auditor may consider necessary:

Relevant ISA	Para number
ISA (UK) 240 (Revised June 2016) <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>	39
ISA (UK) 250 (Revised November 2019) <i>Section A – Consideration of Laws and Regulations in an Audit of Financial Statements</i>	17
ISA (UK) 450 (Revised June 2016) <i>Evaluation of Misstatements Identified During the Audit</i>	14
ISA (UK) 501 <i>Audit Evidence – Specific Considerations for Selected Items</i>	12
ISA (UK) 540 (Revised December 2018) <i>Auditing Accounting Estimates and Related Disclosures</i>	37
ISA (UK) 550 <i>Related Parties</i>	26
ISA (UK) 560 <i>Subsequent Events</i>	9
ISA (UK) 570 (Revised September 2019) <i>Going Concern</i>	12-2(f)
ISA (UK) 710 <i>Comparative Information – Corresponding Figures and Comparative Financial Statements</i>	9
ISA (UK) 720 (Revised November 2019) <i>The Auditor's Responsibilities Relating to Other Information</i>	13(c)

Audit firms are encouraged to ensure that their written representation letters comply with ISA (UK) 580 and include management representations in respect of the above ISAs (UK).

As noted above, written representations may be requested from management in respect of any areas of the financial statements that the auditor deems necessary.

1.4 Timing of representations

Written representations should be obtained on the client's letterhead and must always be dated as near as practicable to, but not after, the date of the auditor's report on the financial statements. Firms have been criticised in the past from professional bodies for failing to ensure that the date of the written representation is either on, or immediately prior to, the date of the auditor's report.

1.5 Doubts concerning the reliability of written representations

When the auditor has any doubts concerning the audit client's competence, integrity, ethical values or diligence of management, or concerns relating to the enforcement of these values, the auditor must consider the effect those concerns have on the reliability of the representations (whether oral or written) received. This is because the representations received may be inconsistent with other audit evidence obtained by the auditor.

If the auditor concludes that the representations are inconsistent with other audit evidence, the auditor must perform audit procedures in an attempt to resolve the matter. When the matter remains unresolved, the auditor reconsiders the assessment of the competence, integrity, ethical values or diligence of management, or of management's commitment to, or enforcement of, these values.

The auditor may conclude that the written representations are unreliable. In such instances, ISA (UK) 580 requires the auditor to take appropriate actions, including determining the potential effect on the auditor's opinion.

1.6 Management fail to provide written representations

If management fail to provide written representations specifically requested by the auditor, the auditor must discuss the issue with management and re-evaluate the integrity of management together with the effect that this may have on the overall reliability of the representations (whether oral or written) received and audit evidence in general. The auditor must also take appropriate action, including considering the effect that management's failure to provide written representations may have on the auditor's opinion.

If the auditor concludes that there is sufficient doubt concerning the integrity of management to such an extent that management's assertion concerning their responsibilities relating to the preparation of the accounts and assertion relating to the provision of information to the auditors is brought into doubt, the auditor must express a disclaimer of opinion. This will also be the case if management fail to provide written representations concerning their responsibilities for the preparation of the financial statements. This is because the auditor will be unable to obtain sufficient appropriate audit evidence. The potential effects on the financial statements of such an inability to obtain representations are not confined to specific elements and hence are deemed to be pervasive which would warrant a disclaimer of opinion.

1.7 Key points to bear in mind

Key points to bear in mind where written representations are concerned are as follows:

- Ensure written representations are obtained on the client's letterhead.
- Ensure the written representation letter includes reference to all the paragraphs required by other ISAs (UK) from which management must provide representations.
- Request that the written representation letter is dated as near as practicable to, but not after, the date of the auditor's report.
- Do not regard written representations on their own as sufficient appropriate audit evidence because they are not; they are designed to complement other forms of audit evidence.
- Always consider the reliability of the representations received (both oral and written) in light of other audit evidence obtained by the auditor as inconsistencies may become apparent between the representations received and the audit evidence.