

Implementation Guide to  
Standard on Auditing (SA) 580  
**Written Representations**



**The Institute of Chartered Accountants of India**  
*(Set up by an Act of Parliament)*  
**New Delhi**

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## Foreword

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The Auditing and Assurance Standards Board (AASB) is a non-standing Committee of the Institute of Chartered Accountants of India (ICAI). The prime objective of AASB is formulating Engagement and Quality Control Standards (Standards on auditing, review, other assurance, quality control and related services). AASB also formulates Guidance Notes on generic as well as industry specific issues in auditing, Technical Guides, Implementation Guides and other publications for guidance of the members. The Board organizes regular awareness programmes on Engagement and Quality Control Standards, industry specific auditing issues and other auditing aspects to update knowledge of the members.

Standards on Auditing prescribe the fundamental principles of audit which need to be followed by auditors in audit engagements. The Implementation Guides to Standards on Auditing issued by AASB are important resource for auditors to understand the principles and requirements of these Standards. These Implementation Guides help auditors in effective implementation of Standards on Auditing.

Over the years, AASB has been issuing number of Implementation Guides to various Standards on Auditing for the benefit of auditors. I am happy that AASB has published the "Implementation Guide to Standard on Auditing (SA) 580, Written Representations". The Implementation Guide is written in simple language in the form of frequently asked questions (FAQs) on SA 580 and their responses.

I compliment CA. (Dr.) Sanjeev Kumar Singhal, Chairman, CA. Vishal Doshi, Vice Chairman and all members of AASB for their efforts in bringing out this Implementation Guide for the benefit of the members.

I am confident that the members would find this Implementation Guide very useful in their professional assignments.

February 3, 2023  
New Delhi

**CA. (Dr.) Debashis Mitra**  
President, ICAI



## Preface

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Written representations are an important means of obtaining audit evidence. Written representations supplement the other audit evidence obtained by auditors during the course of audit. Standard on Auditing (SA) 580, "Written Representations" prescribes the basic principles of written representations. These principles need to be followed by auditors while complying with the requirements of SA 580 and the specific requirements of written representations prescribed by other Standards on Auditing.

It gives us immense pleasure to place in hands of the members, this "Implementation Guide to Standard on Auditing (SA) 580, Written Representations" brought out by the Auditing and Assurance Standards Board (AASB) of ICAI. The Implementation Guide contains Introduction and Overview, Implementation Guidance, Illustrative Checklist and Appendices. Chapter 2 of the Implementation Guide contains detailed guidance on various aspects of SA 580 in a Question-Answer format. The Implementation Guide will enable auditors to comply with requirements of SA 580 effectively.

We are extremely grateful to all members of the study group *viz.* CA. Durgesh Kumar Kabra, Central Council Member (Convenor of the study group), CA. Deepa Agarwal, CA. Yagnesh M Desai and CA. Manish Sampat for sparing time out of their other preoccupations to write this Implementation Guide.

We would like to thank our Honourable President, CA. (Dr.) Debashis Mitra and Honourable Vice-President, CA. Aniket Sunil Talati for their guidance and support in various endeavours of the Board.

We wish to place on record high appreciation of all Board members and special invitees to the Board *viz.* CA. Piyush Sohanraji Chhajed, CA. Chandrashekhar Vasant Chitale, CA.

Dheeraj Kumar Khandelwal, CA. Durgesh Kabra, CA. Purushottamlal Khandelwal, CA. Mangesh Pandurang Kinare, CA. Dayaniwas Sharma, CA. Sridhar Muppala, CA. Prasanna Kumar D, CA. Rajendra Kumar P, CA. Cotha S Srinivas, CA. Sripriya Kumar, CA. Ranjeet Kumar Agarwal, CA. Sushil Kumar Goyal, CA. Abhay Kumar Chhajed, CA. Anuj Goyal, CA. Gyan Chandra Misra, CA. Prakash Sharma, CA. (Ms.) Kemisha Soni, CA. Sanjay Kumar Agarwal, CA.(Dr.) Raj Chawla, CA. Hans Raj Chugh, CA. Pramod Jain, CA. Charanjot Singh Nanda, Shri Manoj Pandey, Shri Deepak Kapoor, Adv. Vijay Kumar Jhalani, CA. Abhijit Bandyopadhyay, CA. Shyam Lal Agarwal, CA. Sanjay Vasudeva, CA. Shivakumar R Hegde, CA. Jignesh Jashwantbhai Shah, CA. Pinaki Chowdhury, CA. Devinder Kumar Singla, CA. Rakesh Agarwal, CA. Jayanta Mukhopadhyay, CA. Niranjana Joshi, Prof. Naman Desai, Shri Jeevan Sonparote, CA. Dhananjay Gokhale, CA. Amit Mitra, CA. Sandeep Sharma, CA. Lalit Kumar, CA. Parveen Kumar, CA. Sumant Chadha, CA. Pranav Jain, CA. Rajesh Mody, CA. Rajeev Saxena, CA. Naveen Aggarwal, Shri Manish Deo Mishra, CA. Aniruddha Godbole, Shri Atma Sah, Shri Inderjeet Singh, Shri Shardul Admane, CA. Pallav Gupta, Ms. Lopa Ruparel and Shri Subhendu Bhattacharyya for their valuable suggestions in finalising this Implementation Guide.

We also thank CA. Megha Saxena, Secretary, AASB and staff of AASB for their contribution in finalising this Implementation Guide.

We are confident that the Implementation Guide would be well received by the members and other interested readers.

**CA. Vishal Doshi**  
Vice Chairman, AASB

**CA. (Dr.) Sanjeev Kumar Singhal**  
Chairman, AASB

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# Chapter 1

## Introduction and Overview

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1.1 The purpose of this Implementation Guide is to provide practical guidance on implementation of the principles laid down in Standard on Auditing (SA) 580, “Written Representations” (hereinafter referred as “the Standard”). The Standard is effective for audits of financial statements for periods beginning on or after April 1, 2009.

1.2 The Standard deals with the auditor’s responsibility to obtain written representations from management and, where appropriate, those charged with governance.

### 1.3 Objectives of the Auditor

- The objectives of the auditor are:
  - 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 statements and for the completeness of the information provided to the auditor;
  - To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations, if determined necessary by the auditor or required by other SAs; and
  - 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.

### **1.4 Requirements given in the Standard cover the following aspects**

Paragraphs 9 to 11 of the Standard deal with the written representations about management's responsibilities.

Paragraph 12 of the Standard deals with other written representations.

Paragraphs 13 to 14 of the Standard deal with the date, period and form of written representations.

Paragraphs 15 to 17 of the Standard deal with the doubts as to the reliability of written representations.

Paragraphs 18 to 19 of the Standard deal with the auditor's responsibility if requested written representations are not provided.

### **1.5 Structure of the Standard**

The Standard can be broadly divided into two separate parts as under:

Part 1: Introduction, Objectives and Definitions (paragraphs 1 to 7)

Part 2: Procedural requirements to be followed by auditors along with Application and Other Explanatory Material (paragraphs 8 to 19 and paragraphs A1 to A27)

### **1.6 Part 1: Introduction, Objectives and Definitions**

This part covers paragraphs 1 to 7 which deal with the following:

- **Scope of this Standard:** Responsibilities of the auditor to obtain written representations in an audit of financial statements.
- **Written Representations as Audit Evidence:** Written representations are audit evidence that the auditor requires in connection with the audit of the entity's financial statements.

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 reliable written representations do not affect the nature or extent of other audit evidence about the fulfillment of management's responsibilities, or about specific assertions.

- **Effective date of the Standard.**
- **Objectives of the Auditor:** Please refer paragraph 1.3 above.
- **Definition dealt with in the Standard include:**
  - (a) Written representations

### **1.7 Part 2: Procedural Requirements to be followed by auditors**

This part covers paragraphs 8 to 19 along with the corresponding application guidance paragraphs A1 to A27. This part provides the procedural requirements along with the explanation for the following aspects:

- Management from whom written representations requested.
- Written representations about management's responsibilities in respect of preparation of the financial statements, information provided and completeness of transactions and description of management's responsibilities.
- Other written representations.
- Date of and period(s) covered by written representations.
- Form of written representations.
- Doubt as to the reliability of written representations and requested written representations not provided.

Application and Other Explanatory Material provides explanation on various aspects of written representation and auditor's response.

## Chapter 2

### Implementation Guidance

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**Given below are the responses on key issues of SA 580 in a Question–Answer format**

**Question 1: What is the scope of the Standard?**

**Response:** This standard deals with the auditor’s responsibility to obtain written representations from management and, where appropriate, those charged with governance.

**Question 2: How does the Standard define the term “*Written Representations*”?**

**Response:** Written representations are defined as a written statement by management provided to the auditor to confirm certain matters or to support other audit evidence.

Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

For the purpose of this standard, “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 statements in accordance with the applicable financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the applicable financial reporting framework.

**Question 3: Do Written Representations provide sufficient appropriate audit evidence?**

**Response:** 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 statements. Accordingly, similar to responses to inquiries, written representations are audit evidence.

However, written representations are not a substitute for the application of those audit procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit. Written representations from management ordinarily confirm representations explicitly or implicitly given to the auditor, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

The auditor obtains written representations from management to complement other audit procedures.

In some circumstances, evidential matter that can be obtained by the application of audit procedures other than inquiry is limited; therefore, the auditor obtains written representations to provide additional evidential matter.

For example, if an entity plans to discontinue a line of business and the auditor is not able to obtain sufficient information through other audit procedures to corroborate the plan or intent, the auditor obtains a written representation to provide evidence of management's intent.

In many cases, the auditor applies audit procedures specifically designed to obtain evidential matter concerning matters that also are the subject of written representations.

For example, after the auditor performs the procedures described in SA 550, Related Parties, the auditor should obtain a written representation that management has no knowledge of any relationships or transactions with related parties that have not been properly accounted for and adequately disclosed. The auditor should obtain this written representation even if the results of those procedures indicate that relationships and transactions with related parties have been properly accounted for and adequately disclosed.

Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities, or about specific assertions.

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Written representations are not to be used as:

- A substitute for performing other audit procedures; or
- As the sole source of evidence on significant audit matters.

### **Question 4: What are the objectives enlisted for the auditor to achieve by way of applying this Standard?**

**Response:** The Standard provides the following objectives:

- 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 statements and for the completeness of the information provided to the auditor;
- To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations, if determined necessary by the auditor or required by other SAs; and
- 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.

### **Question 5: From whom the auditor needs to request Written Representations as per this Standard?**

**Response:** The auditor shall request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned. Written representations are requested from those responsible for the preparation and presentation of the financial statements.

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 statements. For example, in the case of a company registered under the Companies Act, 2013, it would be considered as sufficient compliance if the management representation letter is issued by the Board of Directors of the Company.

Due to its responsibility for the preparation and presentation of the financial statements, 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 statements and the assertions therein on which to base the written representations.

In some cases, however, management may decide to make inquiries of others who participate in preparing and presenting the financial statements and assertions therein, including individuals who have specialized 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 specialized knowledge about environmental liability measurements.
- Internal counsel who may provide information essential to provisions for legal claims.

**Question 6: What are Written Representations about management's responsibilities in respect of preparation of financial statements?**

**Response:** The response to this FAQ is linked with the requirements of paragraph 6 of SA 210, "Agreeing the Terms of Audit Engagements". In accordance with paragraph 6 of SA 210, the auditor before commencing the audit work, should agree with the management that the management acknowledges and understands its responsibility for the preparation and presentation of financial statements in accordance with the applicable financial

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reporting framework, including where relevant their fair presentation. When the audit is completed, the management should provide to the auditor a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, as set out in the terms of the audit engagement.

The auditor should request written representations from management that it has fulfilled its responsibilities:

- For the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- For the completeness of transactions and information provided to the auditor (i.e., that all transactions have been recorded and are reflected in the financial statements and that all relevant information and access to the entity's records has been provided to the auditor).
- For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor should request management to describe its responsibilities in the management representations letter in the same manner that they are described in the terms of the audit engagement or to reference those responsibilities to the terms of the audit engagement.

### **Question 7: What are Written Representations about management's responsibilities in respect of information provided and completeness of transactions?**

**Response:** The auditor shall request management to provide a written representation that:

- It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement, and
- All transactions have been recorded and are reflected in the financial statements.



**Question 8: Why it is important for auditor to take Written Representations about management’s responsibilities?**

**Response:** The audit evidence obtained during the audit that management has fulfilled the responsibilities referred to in FAQ 6 and 7 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 statements 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.

**Question 9: Can the auditor accept a qualifying language in Written Representations?**

**Response:** 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.

**Question 10: When it is necessary for the auditor to ask for reconfirmation from the management in their Written Representations about its responsibilities stated in FAQ 6 and 7?**

**Response:** The auditor may ask management to reconfirm its acknowledgement and understanding in their written representations about its responsibilities stated in FAQ 6 and 7 when:

- Those who signed the terms of the audit engagement on behalf of the entity no longer have the relevant responsibilities;

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- 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 SA 210, such reconfirmation of management's acknowledgement and understanding of its responsibilities is not made subject to the best of management's knowledge and belief.

### **Question 11: What are other (additional) written representations about the financial statements which the auditor may consider necessary?**

**Response:** In addition to the written representations referred to in FAQ 6, the auditor may consider it necessary to request other written representations about the financial statements. Such written representations may supplement, but do not form part of, the written representation referred to in FAQ 6. 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 recognized, 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 statements, including non-compliance.
- Representations about specific assertions in the financial statements.

**Question 12: When auditor may consider it necessary to request other (additional) Written Representations about information provided and completeness of transactions?**

**Response:** The auditor should carefully evaluate the aspects on which written representations may be taken to provide evidence that the auditor considered all the relevant information made available by the management in forming the audit opinion. In addition to the written representation required by FAQ 7, 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 or other than those disclosed to the auditor, the management and those charged with governance are not aware of any other deficiency in internal controls over financial reporting. Some other examples of such situations are:

- Other than those disclosed to the auditor, there were no show cause notices or letters received by the Company during the financial year ended (Date) from authorities which lead to any demands raised or which requires to be provided for or disclosed in the financial statements other than those disclosed.
- The Company has not granted any loans or advances to promoters, directors, KMPs and the related parties that are repayable on demand or without terms or period of repayment other than those disclosed in the financial statements.
- Other than those disclosed in the financial statements, we are not aware of contingent liabilities that might require disclosure in the financial statements.

**Question 13: When auditor may consider it necessary to request Written Representations about specific assertions?**

**Response:** The auditor may consider it necessary to request management to provide written representations about specific assertions in the financial statements; in particular, to support an

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understanding that the auditor has obtained from other audit evidence of management's judgment 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.

### **Question 14: Can auditor communicate to management a threshold amount for the purpose of Written Representation?**

**Response:** SA 450 requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial.

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.

Note: Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude and clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances.

### **Question 15: Explain the date and period(s) covered by the Written Representations**

**Response:** The written representations are dated as near as practicable to, but not after, the date of the auditor's report on the financial statements. If the auditor "dual dates" his report, the auditor should consider whether obtaining additional representations relating to the subsequent event is appropriate.

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 statements, the written representations are dated as near as practicable to, but not after, the date of the auditor's report on the financial statements.

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

In some circumstances it may be appropriate for the auditor to obtain a written representation about a specific assertion in the financial statements during the course of the audit. Where this is the case, it may be necessary to request an updated written representation.

**Question 16: What is the form of written representation?**

**Response:** The written representations shall be in the form of a representation letter addressed to the auditor.

Some laws or regulations may, however, require management to make a written public statement about its responsibilities. Although such statement is a representation to the users of the financial statements, 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 FAQ 6 and 7. 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 fulfillment of the responsibilities referred to in FAQ 6 and 7.

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- 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 statements.

A formal statement of compliance with law or regulation, or of approval of the financial statements, 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. The **Appendix I** to this Implementation Guide provides an illustrative example of a representation letter.

**Question 17: What are the management's responsibilities in situations where current management were not present during all periods referred to in the auditor's report?**

**Response:** 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 statements 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.

**Question 18: Explain the auditor's responsibility regarding communication with those charged with governance in terms of this standard**

**Response:** SA 260(Revised) requires the auditor to communicate with those charged with governance the written representations which the auditor has requested from management.

**Question 19: Explain the auditor's responsibility in case of identified inconsistencies between one or more written representations and other audit evidence**

**Response:** If written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter and reconsider the reliability of other representations made by management. 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.

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.

Based on the circumstances, the auditor should consider whether his reliance on management's representations relating to other aspects of the financial statements is appropriate and justified.

**Question 20: What are auditor's responsibilities in case of doubts as to the reliability of Written Representations?**

**Response:** 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.

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 statements is such that an audit cannot be conducted.

In such a case, the auditor may consider, where possible,

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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. 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 SA 705(Revised), "Modifications to the Opinion in the Independent Auditor's Report".

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 SA 230.

### **Question 21: What are auditor's responsibilities in case management fails or refuses to provide Written Representations referred to in FAQ 6 and 7?**

**Response:** If management fails or refuses to provide written representations referred to in FAQ 6 and 7, the auditor shall disclaim the opinion on the financial statements in accordance with SA 705(Revised), "Modifications to the Opinion in the Independent Auditor's Report".

As explained in FAQ 8, the auditor is not able to judge solely on other audit evidence whether management has fulfilled the responsibilities referred to in FAQ 6 and 7. Therefore, if 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 statements of such inability are not confined to specific elements, accounts or items of the financial statements and are hence pervasive. SA 705 (Revised) requires the auditor to disclaim an opinion on the financial statements in such circumstances.



**Question 22: When is there a need for updating management representation letter?**

**Response:** In some circumstances it may be appropriate for the auditor to obtain a written representation about a specific assertion in the financial statements during the course of the audit. Where this is the case, it may be necessary to request an updated written representation.

There are other circumstances in which an auditor should obtain updating representation letters from management. If a predecessor auditor is requested by a former client to reissue (or consent to the reuse of) his or her report on the financial statements of a prior period, and those financial statements are to be presented on a comparative basis with audited financial statements of a subsequent period, the predecessor auditor should obtain an updated representation letter from the management of the former client. The updated management representation letter should state (a) whether any information has come to management's attention that would cause them to believe that any of the previous representations should be modified, and (b) whether any events have occurred subsequent to the balance-sheet date of the latest financial statements reported on by the auditor that would require adjustment to or disclosure in those financial statements.

**Question 23: What if Written Representations are modified from that requested by the auditor?**

**Response:** 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. Following two cases are discussed here:

- The written representation about management's fulfillment of its responsibility for the preparation and presentation of the financial statements may state that management believes that, except for material non-compliance with a particular requirement of the applicable financial reporting framework, the financial statements are prepared and presented in

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accordance with that framework. The requirement in paragraph 19 of SA 580 (Disclaim an opinion) 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 SA 705 (Revised).

- 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 19 of SA 580 (Disclaim an opinion) 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 statements and the effect thereof on the opinion in the auditor's report in accordance with SA 705 (Revised).

### **Question 24: Are there other Standards on Auditing containing the requirements of Written Representations?**

**Response:** Yes. The requirements of written representations given in other Standards on Auditing are given in the below table. However, the list is not a substitute for considering the requirements and related application and other explanatory material in Standards on Auditing.

<b>Standards on auditing (SA)</b>	<b>Relevant Paragraph</b>	<b>Text of standard/ Requirement</b>
<b>SA 240</b>	<b>39</b>	The auditor shall obtain written representations from management and, where applicable, those charged with governance that: (a) They acknowledge their

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		<p>responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</p> <p>(b) They have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</p> <p>(c) They have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:</p> <ul style="list-style-type: none"> <li>(i) Management;</li> <li>(ii) Employees who have significant roles in internal control; or</li> <li>(iii) Others where the fraud could have a material effect on the financial statements; and</li> </ul> <p>(d) They have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</p>
<p align="center"><b>SA 250</b></p>	<p align="center"><b>16</b></p>	<p>The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known instances of non-compliance or suspected non-compliance with</p>

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		laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor.
<b>SA 450</b>	<b>14</b>	The auditor shall request a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation.
<b>SA 501</b>	<b>12</b>	The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.
<b>SA 540</b>	<b>22</b>	The auditor shall obtain written representations from management and, where appropriate, those charged with governance whether they believe significant assumptions used in making accounting estimates are reasonable.
<b>SA 550</b>	<b>26</b>	Where the applicable financial reporting framework establishes

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		<p>related party requirements, the auditor shall obtain written representations from management and, where appropriate, those charged with governance that:</p> <p>(a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and</p> <p>(b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</p>
<b>SA 560</b>	<b>9</b>	<p>The auditor shall request management and, where appropriate, those charged with governance, to provide a written representation in accordance with SA 580, "Written Representations" that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<b>SA 570 (Revised)</b>	<b>16(e)</b>	<p>Requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future actions and the feasibility of these plans.</p>
<b>SA 710</b>	<b>9</b>	<p>As required by SA 580, the auditor shall request written</p>

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		representations for all periods referred to in the auditor's opinion. The auditor shall also obtain a specific written representation regarding any prior period item that is separately disclosed in the current year's statement of profit and loss or regarding any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information (refer applicable financial reporting framework).
<b>SA 720 (Revised)</b>	<b>13(c)</b>	When some or all of the document(s) determined in (a) will not be available until after the date of the auditor's report, request management to provide a written representation that the final version of the document(s) will be provided to the auditor when available, and prior to its issuance by the entity, such that the auditor can complete the procedures required by this SA.

## Chapter 3

### Illustrative Checklist

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S. No	Particulars	(client management) discussed with	supporting document reference	(auditor) reviewed by	date
1.	Did the letter address all representations required by SA 580 and did it include all financial statement periods covered by the auditor's report?				
2.	Was the standard letter appropriately modified to address unique individual client or engagement circumstances (a review of the financial statements should be made to ensure that all significant items were appropriately addressed)?				
3.	Did the signed management representation letter include the Summary of Uncorrected Misstatements (including disclosure items where appropriate)?				
4.	Was the date of the written representations as near as				

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	practicable to but not after the date of auditor's report?				
5.	<p>Where the engagement team received the management representation letter as of the date of the audit report but there was a substantial delay in actually issuing the report, did the engagement team request an updated letter?</p> <p>It is not necessary to request a client to duplicate the content of the original letter; however, the engagement team should have at a minimum, requested the entity to make its representations current by referring to the previous letter and informing them of any material subsequent developments.</p>				
6.	Where possible, was the updated letter(s) signed by the persons who signed the original representation letter?				
7.	Are all representations as applicable given under different SAs covered?				
8.	Were representations adequately corroborated through performance of other appropriate audit procedures, where practicable?				



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9.	If not, did the engagement team investigate the circumstances and, where necessary, reconsider the reliability of other representations made by management?				
10.	Whether any qualifying language is used in case of reconfirmation of management's responsibilities?				

# Appendix I

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## Illustrative Representation Letter

*The following illustrative letter includes written representations that are required by this and other SAs in effect for audits of financial statements for period beginning on or after as at [date]. It is assumed in this illustration that the applicable financial reporting framework is applicable accounting standards in India; the requirement of SA 570 (Revised) 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 statements of ABC Company for the year ended March 31, 20XX<sup>1</sup> for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, (or *give a true and fair view*) in accordance with the applicable accounting standards in India.

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

### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial statements in accordance with Financial Reporting Standards; in particular the financial statements are fairly presented (or *give a true and fair view*) in accordance with the applicable accounting standards in India.

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<sup>1</sup> 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.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (SA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable accounting standards in India. (SA 550)
- All events subsequent to the date of the financial statements and for which applicable accounting standards in India require adjustment or disclosure have been adjusted or disclosed. (SA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. (SA 450)
- [Any other matters that the auditor may consider appropriate (see paragraph A10 of this SA).]

***Information Provided***

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements 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 statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (SA 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:

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- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements. (SA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (SA 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 financial statements. (SA 250)
- 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. (SA 550)
- [Any other matters that the auditor may consider necessary (see paragraph A11 of this SA).]

Management

Management

## Appendix II

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### Illustrative Format for Updating Management Representation Letter

The following letter is presented for illustrative purposes only. Management need not repeat all of the representations made in the previous representation letter.

If matters exist that should be disclosed to the auditor, they should be indicated by listing them following the representation. For example, if an event subsequent to the date of the balance sheet has been disclosed in the financial statements, the final paragraph could be modified as follows: "To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred."

[Date]

To [Auditor]

In connection with your audit(s) of the [identification of financial statements] of [name of entity] as of [dates] and for the [periods] for the purpose of expressing an opinion as to whether the [consolidated] financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of [name of entity] in conformity with accounting principles generally accepted in India, you were previously provided with a representation letter under date of [date of previous representation letter]. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

To the best of our knowledge and belief, no events have occurred subsequent to [date of latest balance sheet reported on by the auditor] and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

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[Management]

## Appendix III

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### Illustrative Format for additional considerations

Representation letters ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. The following is a list of additional representations that may be appropriate in certain situations. This list is not intended to be all-inclusive. The auditor should also consider the effects of relevant pronouncements issued by ICAI subsequent to the issuance of this Implementation Guide.

General	
Condition	Illustrative Example
Unaudited interim financial information accompanies the financial statements.	The unaudited interim financial information accompanying [ <i>presented in Note X to</i> ] the financial statements for the [ <i>identify all related periods</i> ] has been prepared and presented in conformity with generally accepted accounting principles applicable to interim financial information. The accounting principles used to prepare the unaudited interim financial information are consistent with those used to prepare the audited financial statements.
The impact of a new accounting principle is not known.	We have not completed the process of evaluating the impact that will result from adopting, [XXX, Name], as discussed in Note [X]. The company is therefore unable to disclose the impact that adopting [XXX] will have on its financial position and the results of operations when such [XXX] is adopted.

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<p>There is justification for a change in accounting principles.</p>	<p>We believe that [<i>describe the newly adopted accounting principle</i>] is preferable to [<i>describe the former accounting principle</i>] because [<i>describe management's justification for the change in accounting principles</i>].</p>
<p>Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.</p>	<p>Note [X] to the financial statements discloses all of the matters of which we are aware that are relevant to the company's ability to continue as a going concern, including significant conditions and events, and management's plans.</p>
<p>The possibility exists that the value of specific significant long-lived assets or certain identifiable intangibles may be impaired.</p>	<p>We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.</p>
<p>The entity engages in transactions with special purpose entities.</p>	<p>We have evaluated all transactions involving special purpose entities to determine that the accounting for such transactions is in accordance with generally accepted accounting principles. Specifically indicate appropriate accounting principles.</p>
<p>The work of a specialist has been used by the entity.</p>	<p>We agree with the findings of specialists in evaluating the [<i>describe assertion</i>] and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and</p>

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	underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
<b>Assets</b>	
<b>Condition</b>	<b>Illustrative Examples</b>
<u>Cash</u> Disclosure is required of compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.	Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
<u>Financial Instruments</u> Management intends to and has the ability to hold to maturity debt securities classified as held-to-maturity.	Debt securities that have been classified as held-to-maturity have been so classified due to the company's intent to hold such securities, to maturity and the company's ability to do so. All other debt securities have been classified as available-for-sale or trading.
Management considers the decline in value of debt or equity securities to be temporary.	We consider the decline in value of debt or equity securities classified as either available-for-sale or held-to-maturity to be temporary.



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<p>Management has determined the fair value of significant financial instruments that do not have readily determinable market values.</p>	<p>The methods and significant assumptions used to determine fair values of financial instruments are as follows: [describe methods and significant assumptions used to determine fair values of financial instruments]. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.</p>
<p>There are financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk.</p>	<p>The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:</p> <ol style="list-style-type: none"> <li>1. The extent, nature, and terms of financial instruments with off-balance-sheet risk.</li> <li>2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.</li> <li>3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.</li> </ol>
<p><u>Receivables</u> Receivables have been recorded in the financial statements.</p>	<p>Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.</p>
<p><u>Inventories</u> Excess or obsolete inventories exist.</p>	<p>Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.</p>

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<p><u>Investments</u> There are unusual considerations involved in determining the application of equity accounting.</p>	<p>[For investments in common stock that are either non-marketable or of which the entity has a 20 percent or greater ownership interest, select the appropriate representation from the following:]</p> <ul style="list-style-type: none"> <li>• The equity method is used to account for the company's investment in the common stock of [investee] because the company has the ability to exercise significant influence over the investee's operating and financial policies.</li> <li>• The cost method is used to account for the company's investment in the common stock of [investee] because the company does not have the ability to exercise significant influence over the investee's operating and financial policies.</li> </ul>
<p><u>Deferred Charges</u> Material expenditures have been deferred.</p>	<p>We believe that all material expenditures that have been deferred to future periods will be recoverable.</p>
<p><u>Deferred Tax Assets</u> A deferred tax asset exists at the balance-sheet date.</p>	<p>The valuation allowance has been determined pursuant to the provisions of AS 22/Ind AS 12, Accounting for Taxes on Income/Income Taxes, as may be applicable, including the company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. [Complete with appropriate wording detailing how the entity determined the valuation allowance against the deferred tax asset.] Or</p>

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	A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized.
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<b>Liabilities</b>	
<b>Condition</b>	<b>Illustrative Examples</b>
<p><u>Debt</u> Short-term debt could be refinanced on a long-term basis and management intends to do so.</p>	<p>The company has excluded short-term obligations totaling [amount] from current liabilities because it intends to refinance the obligations on a long-term basis. [Complete with appropriate wording detailing how amounts will be refinanced as follows:]</p> <ul style="list-style-type: none"> <li>• The company has issued a long-term obligation [debt security] after the date of the balance sheet but prior to the issuance of the financial statements for the purpose of refinancing the short-term obligations on a long-term basis.</li> <li>• The company has the ability to consummate the refinancing, by using the financing agreement referred to in Note [X] to the financial statements.</li> </ul>
<p>Tax-exempt bonds have been issued.</p>	<p>Tax-exempt bonds issued have retained their tax-exempt status.</p>
<p><u>Taxes</u> Management intends to reinvest undistributed earnings of a foreign subsidiary.</p>	<p>We intend to reinvest the undistributed earnings of [name of foreign subsidiary].</p>

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<p>Contingencies and Estimates and disclosures have been made of environmental remediation liabilities and related loss contingencies.</p>	<p>Provision has been made for any material loss that is probable from environmental remediation liabilities associated with [name of site]. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the company's financial statements.</p>
<p>Agreements may exist to repurchase assets previously sold.</p>	<p>Agreements to repurchase assets previously sold have been properly disclosed.</p>
<p><u>Pension and Post-retirement Benefits</u> An actuary has been used to measure pension liabilities and costs.</p>	<p>We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.</p>
<p>There is involvement with a multiemployer plan.</p>	<p>We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan. Or We have determined that there is the possibility of a withdrawal liability in a multiemployer plan in the amount of Rs. [XX].</p>
<p>Post-retirement benefits have been eliminated.</p>	<p>We do not intend to compensate for the elimination of post-retirement benefits by granting an increase in pension benefits. or We plan to compensate for the elimination of post-retirement benefits by granting an increase in pension benefits in the amount of Rs. [XX].</p>

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<p>Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary.</p>	<p>Current employee layoffs are intended to be temporary.</p>
<p>Management intends to either continue to make or not make frequent amendments to its pension or other post-retirement benefit plans, which may affect the amortization period of prior service cost, or has expressed a substantive commitment to increase benefit obligations.</p>	<p>We plan to continue to make frequent amendments to its pension or other post-retirement benefit plans, which may affect the amortization period of prior service cost. or We do not plan to make frequent amendments to its pension or other post-retirement benefit plans.</p>

<b>Equity</b>	
<b>Condition</b>	<b>Illustrative Example</b>
<p>There are capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.</p>	<p>Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements have been properly disclosed.</p>

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<b>Income Statement</b>	
<b>Condition</b>	<b>Illustrative Example</b>
There may be a loss from sales commitments.	Provisions have been made for losses to be sustained in the fulfillment of or from inability to fulfill any sales commitments.
There may be losses from purchase commitments.	Provisions have been made for losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
Nature of the product or industry indicates the possibility of undisclosed sales terms.	We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.