

Chapter - 7 "Completion and Review"

- Topics covered:
- (1) SA-260 "Communication with TCWG"
 - (2) SA-265 "Communicating deficiencies in I.C. to TCWG and Mngt."
 - (3) SA-450 "Evaluation of Misstatements identified during the audit"
 - (4) SA-560 "Subsequent Events"
 - (5) SA-570 "Going Concern"

(6) SA-580 "Written Representations":

(A) Meaning and Nature of WR: SA 580 defines the term "Written Representation" as a "written statement by Mngt. / TCWG to Auditor"

- (a) to confirm certain matters; or
- (b) to support other audit evidences.

- WRs are recognised as audit evidences being necessary information required by Auditor.
- However, WRs do not provide sufficient appropriate audit evidences on their own w.r.t. the matters to which they relate to.
Hence, if Auditor forms the conclusion solely on the basis of WRs, it will not be considered as a right approach.
- Auditor should request WRs from Mngt. / TCWG having responsibilities for preparation of financial statements and having knowledge of concerned matters.

(B) Objctives of Auditor: ^{Imp} To obtain WR from mngt. / TCWG that they believe that they have fulfilled their responsibility for:

- (a) Preparation of F.S.; and
- (b) Completeness of information provided to Auditor.

- ✓ (ii) To support other audit evidences relevant to the f.s. or specific assertions by means of WR.
- (iii) To respond appropriately to WR provided by Mngt./TCWG; or if Mngt./TCWG does not provide the WR requested by auditor.

(C) Matters on which WR is required:

✓ (i) WR w.r.t. Management responsibilities:

It involves confirmation of fulfilment of Mngt. responsibilities:

✓ (a) For preparation and presentation of financial statements in accordance with applicable FRF.

Note: If management uses qualifying language in the WR that WR are made to the best of its knowledge and belief; auditor can accept such wordings if appears reasonable and he is satisfied that WR is being made by persons having knowledge and responsibilities of matters addressed in WR.

✓ (b) That it has provided to the auditor with all relevant information and access as agreed in terms of audit engagement; and all drawactions have been recorded and reflected in the f.s.

Note: WR must describe the management responsibilities in the manner in which these responsibilities are described in terms of audit engagement.

Imp:

Circumstances in which auditor can ask the management to reconfirm its acknowledgement and understanding of responsibilities:

Auditor may ask the management to reconfirm its acknowledgement and understanding of responsibilities in following circumstances:

- (a) Those who signed the terms of audit engagement on behalf of Entity, no longer in the Entity or have the relevant responsibilities;
- (b) Terms of audit engagement were prepared in previous year;
- (c) There is an indication that management misunderstand the responsibilities;
- (d) Changes in Circumstances.

(iv) Other WRs: Auditor may ask other WR as required by other SAs, for example:

- (a) WR as to selection and application of accounting policies.
- (b) WR as to recognition, measurement, presentation and disclosure of significant financial items, (for Ex: RP transaction, subsequent events, classification of assets and liabilities etc.)
- (c) Communication of all deficiencies in G.C. of which mgmt. is aware.
- (d) Specific assertions in the F.S. (for Ex: classification of F.S. items like investments; inventory etc.)

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(D) Date of WR / Period covered by WR / Form of WR:

- ✓ Date of WR shall be as near as practicable to the date of audit report.
- In no case, it should be after the date of AR.
- ✓ WR must cover the entire period referred to in the Audit report.

Note: Situations may arise where current management were not present during all periods referred to in the Audit report. Such persons may assert that they were not in a position to provide some or all of WRs because they were not in place during the period.

This fact does not diminish such persons' responsibilities for the F.S. as a whole.

Accordingly, the requirement of auditor to request from them WRs that cover whole of relevant period still applies.

- WR shall be in the form of a representation letter addressed to the auditor.

M. Imp-

(E) Auditor's duties when WRs not provided:

- Discuss the matter with management.
- Re-evaluate the integrity of management and evaluate its effect on reliability of representation and audit evidence in general.
- Take appropriate action, including determining possible effects on the opinion in the auditor's report in accordance with SA 705 having regard to requirements of disclaimer of opinion.

(F) Auditor's duties when reliability of WR is doubtful:

- If auditor has concerns about the competency, integrity, ethical values of mgmt., auditor shall evaluate its effect on reliability of representation and audit evidence in general.
- If WRs provided are inconsistent with other audit evidence, perform procedures to resolve the matter.
- If auditor concludes that WRs are not reliable, take appropriate action, including determining possible effects on the opinion in the auditor's report in accordance with SA 705, having regard to requirements of disclaimer of opinion.