

## Document 1 of 1

### Source:

International//Auditing/Standards//IFAC/2008 Handbook of International Auditing Assurance and Ethics Pronouncements - Part I/IFAC ISAs - Contents List/IFAC ISA 580 - Management Representations IFAC ISA 580/Appendix Example of a management representation letter IFAC ISA 580

IFAC ISA 580

The information contained herein is for internal and external use.

## Appendix Example of a management representation letter

The following letter is not intended to be a standard letter. Representations by management will vary from one entity to another and from one period to the next.

Although seeking representations from management on a variety of matters may serve to focus management's attention on those matters, and thus cause management to specifically address those matters in more detail than would otherwise be the case, the auditor needs to be cognizant of the limitations of management representations as audit evidence as set out in this ISA.

(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 December 31, 19X1 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of (present fairly, in all material respects) the financial position of ABC Company as of December 31, 19X1 and of the results of its operations and its cash flows for the year then ended in accordance with (indicate applicable financial reporting framework).

We acknowledge our responsibility for the fair presentation of the financial statements in accordance with (indicate applicable financial reporting framework).<sup>[1]</sup>

We confirm, to the best of our knowledge and belief, the following representations:

Include here representations relevant to the entity. Such representations may include the following:

- ? There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.
- ? We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the board of directors (namely those held on March 15, 19X1 and September 30, 19X1, respectively).
- ? We confirm the completeness of the information provided regarding the identification of related parties.
- ? The financial statements are free of material misstatements, including omissions.
- ? The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of noncompliance. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.
- ? The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
  - ? The identity of, and balances and transactions with, related parties.
  - ? Losses arising from sale and purchase commitments.
  - ? Agreements and options to buy back assets previously sold.

? Assets pledged as collateral.

? We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

? We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realizable value.

? The Company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in Note X to the financial statements.

? We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in Note X to the financial statements all guarantees that we have given to third parties.

? Other than . . . described in Note X to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto.

? The . . . claim by XYZ Company has been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

? There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements, we have no other line of credit arrangements.

? We have properly recorded or disclosed in the financial statements the capital stock repurchase options and agreements, and capital stock reserved for options, warrants, conversions and other requirements.

---

(Senior Executive Officer)

---

(Senior Financial Officer)

**Footnotes**

[1]

1 If required, add "On behalf of the board of directors (or similar body)."

{back}

## Document 1 of 1

### Source:

International/Auditing/Standards/IFAC/2008 Handbook of International Auditing Assurance and Ethics  
Pronouncements - Part I/IFAC ISAs - Contents List/IFAC ISA 240 - The Auditor's Responsibility to consider Fraud  
in an Audit of Financial Statements IFAC ISA 240/Management Representations IFAC ISA 240

IFAC ISA 240

The information contained herein is for internal and external use.

## Management Representations

- 90 **The auditor should obtain written representations from management that:**
- (a) **It acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud;**
  - (b) **It has disclosed to the auditor the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud;**
  - (c) **It has disclosed to the auditor its knowledge of fraud or suspected fraud affecting the entity involving:**
    - (i) **Management;**
    - (ii) **Employees who have significant roles in internal control; or**
    - (iii) **Others where the fraud could have a material effect on the financial statements; and**
  - (d) **It has disclosed to the auditor its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.**
- 91 ISA 580, "Management Representations" provides guidance on obtaining appropriate representations from management in the audit. In addition to acknowledging its responsibility for the financial statements, it is important that, irrespective of the size of the entity, management acknowledges its responsibility for internal control designed and implemented to prevent and detect fraud.
- 92 Because of the nature of fraud and the difficulties encountered by auditors in detecting material misstatements in the financial statements resulting from fraud, it is important that the auditor obtains a written representation from management confirming that it has 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 and its knowledge of actual, suspected or alleged fraud affecting the entity.