



LETTERS OF REPRESENTATION

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INTRODUCTION

This helpsheet has been issued by ICAEW's Technical Advisory Service to help ICAEW members to understand the need for letters of representation in the context of auditing and to consider other situations where a letter of representation may be useful. To assist members in the preparation of letters of representation, this helpsheet also includes an example letter.

Members may also wish to refer to the following related guidance:

- [TECH 04/02 AAF Management representation letters: Explanatory note](#)
- [International Standards on Auditing \(UK\)](#)

A word version of the [sample letter of representation wording](#) is available to download and complete.

REQUIREMENT

Written confirmation(s) of representations from management is a requirement of the International Standards on Auditing (UK) (ISAs (UK)) and is therefore required for each and every audit. They are also useful to confirm, in writing with clients, information, assumptions and accounting treatments in non-audit engagements.

AUDIT ENGAGEMENTS

A number of ISAs (UK) require written representations to be obtained from management. These must be obtained as near as practicable to, but not after, the date of the auditor's report (ISA (UK) 580 paragraph 14) in the form of a letter addressed to the auditor (paragraph 15).

Representations are requested from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned. In the UK, those charged with governance are responsible for the preparation of the financial statements.

Letters of representation can be, and often are, signed by more than one member of the audited entity's staff – the auditor needs to make an assessment as to who is in the best position to provide the representations required.

ISA (UK) 580 requires written representations from management 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 (paragraph 10);
- It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement (paragraph 11(a)); **and**
- All transactions have been recorded and are reflected in the financial statements (paragraph 11(b)).

As well as the written representations required in ISA (UK) 580, the following ISAs (UK) require subject-matter specific written representations – reference should be made to the particular ISA (UK) for the full text of the requirements:

- ISA (UK) 240 (Revised May 2021) The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements (paragraph 39);
- ISA (UK) 250 (Revised November 2019) Section A – Consideration of Laws and Regulations in an Audit of Financial Statements (paragraph 17);
- ISA (UK) 450 (Revised June 2016) Evaluation of Misstatements Identified during the Audit (paragraph 14);
- ISA (UK) 501 Audit Evidence – Specific Considerations for Selected Items (paragraph 12);
- ISA (UK) 540 (Revised December 2018) Auditing Accounting Estimates and Related Disclosures (paragraph 37);
- ISA (UK) 550 Related Parties (paragraph 26);
- ISA (UK) 560 Subsequent Events (paragraph 9);
- ISA (UK) 570 (Revised September 2019) Going Concern (paragraph 12-2(f));
- ISA (UK) 710 Comparative Information – Corresponding Figures and Comparative Financial Statements (paragraph 9); **and**
- ISA (UK) 720 (Revised November 2019) The Auditor’s Responsibilities Relating to Other Information (paragraph 13(c)).

In addition, paragraph A25 of ISA (UK) 500 Audit Evidence highlights that the auditor may consider it necessary to obtain written representations from management and, where appropriate, those charged with governance to confirm responses to oral enquiries.

Auditors should be reminded that written representations cannot be used as sole audit evidence in relation to any specific area of the financial statements. Written representations should be used as corroborative evidence in order to support existing audit evidence, rather than as a substitute for the auditor performing specific audit procedures to obtain sufficient appropriate audit evidence.

NON-AUDIT ENGAGEMENTS

Accounts production

Members preparing accounts, without carrying out an audit, may also find it useful to obtain written representations from their clients. Obtaining such representations is useful to emphasise the importance placed on information provided by management in order for the member to undertake the work. In particular, where the work involves the preparation of statutory accounts and there are disclosure requirements that rely on information received from management (for example, post-balance sheet events or related party transactions), this would be appropriate.

Where a firm has prepared the accounts for a client and based those accounts on assumptions and decisions made by management then the firm may wish to confirm the treatment of particular transactions or balances in writing in a letter of representation. For example, movements in a directors' loan account.

Tax compliance

Obtaining written representations could also be appropriate in other circumstances, for example when undertaking tax computations, where information supplied is crucial to the computation and has not been independently corroborated.

EXAMPLE LETTER OF REPRESENTATION

The example in Appendix 1 to this helpsheet deals specifically with those matters that are required to be confirmed by the ISAs (UK), together with other common representations obtained. It is based on the example in Appendix 2 of ISA (UK) 580.

In addition, the letter of representation should include confirmations from management on matters material to the financial statements in order to support other audit evidence obtained. In particular, where amounts are included in the accounts based on management estimates or valuations (such as property or stock values), it would be appropriate to include written confirmations.

It is not current best practice to include a long list of representations about assets and liabilities included in the accounts. Such paragraphs can detract from the impact of the more important matters, and in the case of an audit should be confirmed by adequate audit evidence.

Within the specimen letter of representation, guidance and instruction are shown in **italics**. None of this italicised text is for inclusion in the letter of representation. Members need to ensure it has been sufficiently tailored and all italicised text has been removed, before it is sent to client's management for them to print on their own letterhead and sign as appropriate and then return to the firm. In some paragraphs, optional or alternative wording has been provided, shown in [square brackets] and each suggestion requires individual consideration and possible amendment.

IF IN DOUBT SEEK ADVICE

ICAEW members, affiliates, ICAEW students and staff in eligible firms with **member firm access** can discuss their specific situation with the Technical Advisory Service on +44 (0)1908 248 250 or via **webchat**.

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APPENDIX 1: EXAMPLE LETTER OF REPRESENTATION

The following wording is given as an example. It may not be applicable in every case or be in line with the method of operation of the firm and may consequently need addition or amendment.

AUDITED ENTITY / CLIENT LETTERHEAD

Date.....

Dear Sir(s)

This representation letter is provided in connection with your **insert type of engagement e.g. audit of the financial statements / preparation of the financial statements, etc.** of..... **insert client name** for the [period] [year] ending..... **insert date** for the purpose of **insert purpose e.g. expressing an opinion as to whether the financial statements give a true and fair view of the results and financial position / filing the financial statements with Companies House / computing the tax liability, etc.** of **insert client name** in accordance with **insert any relevant legislation or accounting framework e.g. the Companies Act 2006 / other applicable legislation / and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) / International Financial Reporting Standards as adopted by the European Union.**

Financial statements

1. [I] [We] have fulfilled [my] [our] responsibilities as [director[s]] [owner[s]] [proprietor[s]] [trustee[s]], as set out in the terms of your engagement dated..... **insert date** [under the Companies Act 2006] for preparing financial statements in accordance with **insert any relevant legislation or accounting framework** [, which you have drafted on [my] [our] behalf,] which give a true and fair view of the financial position of the **insert type of entity e.g. company / business / trust / charity, etc.** as of **insert date** and of the results of its operations [and its cash flows] for the year then ended and for making accurate representations to you.
2. The methods, significant assumptions and the data used by [me] [us] in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. [I] [We] have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.
4. [I] [We] have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting standards.

6. All events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements have been adjusted or disclosed in the financial statements.
7. [I] [We] confirm the financial statements are free of material misstatements, including omissions. [I] [We] believe that those uncorrected misstatements identified during the **insert type of engagement** are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with [my] [our] reasons for not correcting them.
8. [I] [We] confirm that, having considered [my] [our] expectations and intentions for the next twelve months, and the availability of working capital, the **insert type of entity** is a going concern. [I] [We] confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for [my] [our] consideration that the financial statements should be drawn up on a going concern basis. [I] [We] confirm that [I] [We] have disclosed to you details of our plans for future actions relating to [my] [our] going concern assessment including the feasibility of these plans.
9. [[I] [We] confirm, in respect of the restatement made to correct a material misstatement in a prior period financial statements that affects the comparative information **describe the financial effects of the restatement]**
10. **add any other matters relevant to the financial statements that have been represented by management. E.g. stock or investment property valuations or bad debt or other provisions.**

Information provided

11. All accounting records and relevant information have been made available to you for the purpose of your **insert type of engagement**. [I] [We] have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to [obtain audit evidence] [request information]. All other records and related information [including minutes of all management and shareholders meetings] have been made available to you.
12. All transactions undertaken by the **insert type of entity** have been properly reflected in the accounting records and are reflected in the financial statements.
13. [I] [We] acknowledge [my] [our] responsibility for the design, implementation and maintenance of controls to prevent and detect fraud. [I] [We] have disclosed to you the results of [my] [our] assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. [I] [We] have disclosed to you all information in relation to fraud or suspected fraud that [I am] [we are] aware of and that affects the entity and involves, management, employees who have significant roles in internal control, or others, where fraud could have a material effect on the financial statements.

15. [I] [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.
16. [I] [We] confirm that [I am] [we are] not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the **insert type of entity** conducts its business and which could affect the financial statements. The **insert type of entity** has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
17. [I] [We] confirm that [I] [we] have disclosed to you the identity of the entity's related parties and all related party relationships and transactions relevant to the **insert type of entity** that we are aware of.
18. The **insert type of entity** has satisfactory title to all assets, and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.
19. There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.
- [20. **Insert for companies only**
The company has at no time during the year entered into any arrangement, transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for directors, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.]
21. **insert any other information relevant to the financial statements that has been represented by management.**

[I] [We] confirm to the best of [my] [our] knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy [myself] [ourselves] that [I] [we] can properly make each of the above representations to you.

[Insert for audit assignments only]

[I] [We] acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as [I am] [we are] aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. [I have] [Each director has] taken all the steps that [I] [he] ought to have taken as a director in order to make [myself] [himself] aware of any relevant audit information and to establish that you are aware of that information.]

Yours faithfully

Signed on behalf of the board of directors by:

.....(Signature)

.....(Director)

Date.....