

May 25, 2007

Mr. Jim Sylph
Technical Director
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Mr. Sylph:

We appreciate this opportunity to comment on proposed International Standard on Auditing (ISA) 580 (Redrafted), *Written Representations* (the “proposed standard”) as developed by the International Auditing and Assurance Standards Board (IAASB). We are supportive of the development of the proposed standard, which provides more robust requirements and guidance than the extant standard about the basis for requesting written representations and the audit procedures for obtaining and evaluating those representations.

In addition to our responses to the questions posed in the explanatory memorandum accompanying the proposed standard, we have included comments by paragraph. Within our recommendations for editorial changes, additions are noted in “bold underline” and deletions in “double strike-through.”

Responses to Questions Posed in the Explanatory Memorandum

1. *Respondents are asked for views on the specificity of the general written representations regarding the financial statements.*

As indicated by the guidance in paragraph A4, the identification by the auditor of all relevant parties' knowledge, judgments and intents underlies the rationale for requiring general written representations. Hence, requesting the general written representation relating to completeness of information (in paragraph 10), in which relevant parties represent that they have made available to the auditor all information relevant to the audit (which encompasses their knowledge, judgments and intents) is a critical audit procedure.

Therefore, given its importance, we believe that the detailed elements in the third bullet of paragraph 8 would be more appropriately placed with the representation related to completeness of information, focusing on whether relevant parties have provided all the information described in the detailed elements to the auditor in order for the auditor to determine, as part of the audit,

that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Therefore, we recommend the following changes:

1. Incorporate the detailed elements (sub-bullets) of the third bullet of paragraph 8 into paragraph 10.
2. Delete the three black bullets of paragraph 8 and reword the paragraph as follows:

“The auditor shall request relevant parties to provide written representations that they acknowledge and understand their responsibility for preparing and presenting the financial statements, **including for selecting and applying appropriate accounting policies and for recording all transactions**, and whether they believe that the financial statements are prepared in accordance with the applicable financial reporting framework (or are fairly presented in accordance with the applicable financial reporting framework, when that framework is a fair presentation framework).”

2. Respondents are asked to comment on the requirement for the auditor to request relevant parties to confirm whether they believe that the internal control they have maintained is adequate for preparing and presenting financial statements that are free from material misstatement.

While we believe that the proposed standard would not require that relevant parties assess the effectiveness of internal control, it is possible that, in some jurisdictions, the requirement to request a written representation about the adequacy of internal control could be viewed as a requirement to assess the effectiveness of internal control. Currently, the ISAs do not impose such a requirement.

In addition, we believe that it is appropriate to align the wording of the representation with the audit report language in ISA 700, *The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements*.

Therefore, we recommend that paragraph 9 be reworded as follows:

“The auditor shall request relevant parties to provide a written representation that they acknowledge and understand their responsibility for designing, implementing and maintaining internal control relevant to preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error. ~~whether they believe that the internal control they have maintained is adequate for that purpose”~~”

3. Respondents are asked to comment on the requirement in paragraph 19 for the auditor to disclaim an opinion on the financial statements when relevant parties do not provide the general written representations about the premises, relating to management’s responsibilities, on which an audit is conducted.

We believe that there is an inconsistency between the requirement in paragraph 19 and the requirements of proposed revised ISA 210, *Terms of Engagements* and ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*.

Currently, the proposed standard indicates that if relevant parties do not provide general written representations, there is a scope limitation that is pervasive, and therefore the auditor should disclaim in accordance with ISA 705. However, we believe that a relevant party's refusal to provide general written representations represents a management-imposed scope limitation as discussed in both ISA 210 and ISA 705. In accordance with ISA 210 if management imposes a scope limitation prior to engagement acceptance, the auditor should not accept the engagement unless required to do so by law or regulation. If management imposes a scope limitation after engagement acceptance, the auditor should resign unless he is unable to do so by law or regulation, and in which case he should disclaim.

We recommend that the IAASB address this inconsistency.

In addition, we do not think that the proposed standard is sufficiently clear about the impact on the audit opinion of a failure to obtain the written representations required by other ISAs (listed in Appendix 1). For example, the representations concerning related parties are critical to completeness of information. We recommend that the proposed standard address such circumstances.

4. Respondents are asked to comment on the date of the general written representations.

We support the requirement for the date of the general written representations to be the same date as the auditor's report on the financial statements. As noted in paragraph A15, the auditor is concerned with events occurring up to the date of the auditor's report. Therefore, it would be inappropriate to date the general written representations prior to the auditor's report.

It would also be inappropriate to date the general written representations after the auditor's report because ISA 700 requires that the auditor date the report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence. Part of that evidence is obtained through general written representations.

5. Respondents are asked to consider whether the objective for the proposed revised ISA is appropriate, and whether the proposed requirements are appropriate responses to that objective.

We believe that the objective is appropriate, and that subject to our responses to the questions above, the proposed requirements are appropriate responses to that objective.

Comments by Paragraph

• **Paragraph 14**

We note that paragraph 14 does not contain a requirement, and appears to be application material to paragraphs 15 – 17. We therefore recommend that it be located prior to paragraph A17 in the Application Material section of the proposed standard.

• **Paragraph A6**

The first sentence of paragraph A6 indicates that requesting representations about "important matters" is an effective audit procedure. We are concerned that a reader may infer from this description that if they determine that a general written representation is not "important" in the circumstances of the engagement, he or she may be exempted from the requirement to request the representation. Therefore we suggest the following change:

“Requesting representations ~~about important matters~~ is an effective auditing procedure for a number of reasons.”

- **Paragraph A16**

We do not understand the rationale for using a “threshold amount”, particularly for general written representations. We believe that it would be complicated to implement such an approach (i.e. confusion over how to determine the threshold amount, how it relates to materiality, and how to achieve agreement with relevant parties on the amount). We recommend that this paragraph either be deleted or restricted to specific written representations.

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen, Director of Global Audit Services at + 1 212 492 3689 or John Fogarty, Chairman – DTT Assurance Technical Policies and Methodologies Group at + 1 203 761 3227.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens Simonsen". The signature is written in a cursive style with a large, looped initial "J".