

Policy 3420 – Representation Letters

BACKGROUND

Written representations are necessary audit evidence that confirm assertions expressed or implied by management during the course of the engagement, document the continuing appropriateness of such representations and reduce the possibility of misunderstanding. Written representations are a complement to other audit procedures and do not provide sufficient appropriate evidence on their own.

REQUIREMENTS

- ✓ 1. **Representation letters will be requested for all accountability, financial statement and single audits with the exception of assessment audits conducted in accordance with Policies 1310 and 1320.**

Auditors will request representations from members of management with appropriate responsibilities for and knowledge of the matters represented. For example, a management representation letter will be requested from the Office of Financial Management for the audit of the statewide financial statements and the statewide single audit.

- ✓ 2. **Representation letters may be considered for performance audits or investigations, based on the circumstances.**

- ✓ 3. **Representation letters will be requested for all attestation engagements from the responsible party and – if different – the engaging party.**

- ✓ 4. **Representation letters will be dated as of the date of the auditor's report to which the representations apply.**

The report date is when the auditor has obtained sufficient appropriate evidence for the engagement objective and documentation has been reviewed.

- ✓ 5. **The representation letter will include all periods covered by the auditor's report.**

For example, if a financial statement audit report includes an opinion on comparative years, the representation letter should include both years in the comparative statements. Also, if an accountability report covers multiple years, the representation letter should include all years addressed by the audit.

- ✓ 6. **Auditors will use the appropriate template available in TeamMate to request the representation letter and ensure that all necessary representations are made. Significant modifications to existing templates or representation letters for new or unique engagements must be reviewed by Team Audit Support.**

Additional representations may need to be added to the template for matters specific to the entity's activities or circumstances. For example, additional representations are needed for hospital districts to address unique reporting issues and estimated balances. Additional representations may also be needed in circumstances where the entity has changed accounting principles or has used the work of a specialist (such as an actuary or environmental engineer) to estimate pension, self-insurance, landfill or pollution remediation liabilities.

- ✓ 7. **If management refuses to make a necessary representation or if representations are inconsistent with other audit evidence, the auditor will attempt to resolve the matter with management, re-evaluate the sufficiency and appropriateness of evidence and determine the effect on the report.**

When management refuses to make a necessary representation or when representations are inconsistent, it would cast doubt on the integrity of management and the reliability of audit evidence in general.

RELATED POLICIES

8310 - Determining the Nature, Timing and Extent of Testing for Attestation Engagements

REFERENCES

AU-C §580 – Written Representations
AU-C §935.23-24 – Compliance Audits
AT-C §205.50-56 – Examination Engagements
AT-C §210.33-39 – Review Engagements
AT-C §215.28-32 – Agreed-Upon Procedures Engagements
AT-C §315.17-18 – Compliance Attestation