

**AG ISA (NZ) 580**  
**THE AUDITOR-GENERAL'S STATEMENT ON**  
**WRITTEN REPRESENTATIONS**

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## Introduction

### Scope of this Statement

1. This Auditor-General's Auditing Statement:
  - (a) establishes the Auditor-General's requirements in relation to ISA (NZ) 580: *Written Representations* (ISA (NZ) 580);<sup>1</sup>
  - (b) provides additional guidance to reflect the public sector perspective; and
  - (c) provides sample written representation templates for the Appointed Auditor to use.

### Application

2. Compliance with this Statement is mandatory for Appointed Auditors who carry out annual audits on behalf of the Auditor-General. This Statement requires compliance with all of the requirements of ISA (NZ) 580 and the additional requirements included in this Statement.
3. This Statement applies to audits of financial statements and/or performance information that have been prepared for reporting periods ending on or after 1 April 2020, although earlier application is encouraged.

### Objectives

4. The objectives of the Appointed Auditor are to:
  - (a) obtain written representations from those charged with governance<sup>2</sup> confirming that they believe that they have fulfilled the fundamental responsibilities that constitute the premise on which an audit is conducted;
  - (b) support other audit evidence relevant to the financial and performance information or specific assertions in that information – by means of written representations or required by other ISAs (NZ) or by the Auditor-General's auditing standards and statements; and
  - (c) respond appropriately to written representations provided by those charged with governance or if those charged with governance do not provide the written representations requested by the Appointed Auditor.

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<sup>1</sup> The ISA (NZ) Auditing Standards are scoped so that they apply to audits of "historical financial information". However, for the purposes of the Auditor-General's Auditing Standards and Statements, all references to "historical financial information" should be read as the audit of "historical financial and historical performance information".

<sup>2</sup> For entities with no formal governance body, such as departments, the chief executive may provide the representations.

## Definitions

5. For the purpose of this Auditor-General's Auditing Statement, the defined terms have the meanings attributed:
  - (a) in the Glossary of Terms issued by the New Zealand Auditing and Assurance Standards Board (the NZAuASB glossary) of the External Reporting Board (although, where a term with a specific meaning in the New Zealand public sector differs from the NZAuASB glossary, the New Zealand public sector definition shall prevail); and
  - (b) in the Auditor-General's Glossary of Terms.

## Requirements

### Content of representations

6. The written representation letter from a public entity shall, as a minimum:
  - (a) address all the issues included in the sample written representation letters, except where they are not applicable in the circumstances; and
  - (b) be consistent with the intent and meaning of the representations requested in the sample written representation letters.

Appendix 1 contains an illustrative written representation letter. Additional sample written representation letters, based on the requirements in this Statement and on the requirements contained in ISA (NZ) 580, may be provided by the OAG.

7. The Appointed Auditor shall supplement the wording of the written representation letter by requesting additional representations on material matters that are specific to the public entity subject to audit. Some examples of additional representations that may need to be requested include:
  - (a) a specific representation covering the publication of the audited financial and performance information and the related audit report on a website (in Appendix 2); and
  - (b) an illustrative example of a going concern representation where there is an indication that the going concern basis of accounting may be in doubt (in Appendix 3).

### Signatories of representations

8. The Appointed Auditor shall request written representations from those charged with governance with appropriate responsibilities for the financial and performance information.

The written representation letter may be countersigned by the chief executive officer and other relevant personnel, such as the chief financial officer.

**Doubt as to the reliability of written representations**

9. If, in meeting the requirements of paragraphs 16 and 18 of ISA (NZ) 580, the Appointed Auditor concludes that the written representations are not reliable, the Appointed Auditor shall refer the matter to the OAG. The OAG, in consultation with the Appointed Auditor, shall determine the effect on the audit report together with any other reporting actions.

**Requested written representations not provided**

10. If, in meeting the requirements of paragraph 19 of ISA (NZ) 580, the Appointed Auditor is unable to obtain the requested written representations, the Appointed Auditor shall refer the matter to the OAG. The OAG, in consultation with the Appointed Auditor, shall determine the effect on the audit opinion, together with any other reporting actions.

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## Appendix 1 – Illustrative representation letter for a non-company

The following illustrative letter, which is based on the requirements in AG ISA (NZ) 580 and ISA (NZ) 580, is not to be considered as an all-inclusive list of issues to be addressed in the written representation letter sought from those charged with governance. In all cases where this illustrative representation letter is used, the contents of the letter should be reviewed for their relevance and appropriateness, and additions or deletions made to it where considered necessary.

It is assumed in this illustration that:

- the entity is required to prepare financial statements and a statement of performance;<sup>3</sup> and
- the financial statements and the statement of performance have been prepared using a fair presentation framework.

[Public entity letterhead]

[Date]

[Appointed Auditor]  
[Audit Service Provider]  
[Address 1]  
[TOWN or CITY]

### REPRESENTATION LETTER FOR THE YEAR ENDED [DD MM 20XX]

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of performance of [Name of public entity] for the year ended [DD MM 20XX] for the purpose of expressing an independent opinion about whether:

the financial statements:

- present fairly, in all material respects:
  - the financial position as at [DD MM 20XX]; and
  - the financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with [the applicable financial reporting framework]; and

the statement of performance:

- presents fairly, in all material respects, the performance for the year ended [DD MM 20XX], including:
  - the performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and
  - the actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.<sup>4</sup>

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<sup>3</sup> The Appointed Auditor should ensure that the references to the statements that have been audited in the representation letter are consistent with the statements in the audit report where an opinion is provided.

<sup>4</sup> This wording should be the same wording that is included in the audit report.

[We understand that, because you will be issuing a non-standard audit report, the Auditor-General has the responsibility to refer to that audit report in a report to Parliament in accordance with section 20 of the Public Audit Act 2001.]<sup>5</sup>

### General representations

To the best of our knowledge and belief:

- the resources, activities, [and entities] under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations, including laws, regulations, and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of [Name of public entity]) to prevent and detect fraud or error, and which enables the preparation of the financial statements and the statement of performance that are free from material misstatement whether due to fraud or error (a requirement of paragraph NZ40.1(a) in ISA (NZ) 240).

### Representations on the financial statements and the statement of performance

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of performance, and that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of performance as required by [specify the statutory or other requirements for the preparation of the financial statements and statement of performance] and, in particular, that:
  - the financial statements:
    - present fairly, in all material respects:
      - the financial position as at [DD MM 20XX]; and
      - the financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with [the applicable financial reporting framework]; and
  - the statement of performance:
    - presents fairly, in all material respects, the performance for the year ended [DD MM 20XX], including:
      - the performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and
      - the actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - complies with generally accepted accounting practice in New Zealand;
- we believe the methods, significant assumptions, and data used in making and support the accounting estimates and the related disclosures in the financial statements and performance information are appropriate to achieve recognition, measurement, or disclosure that is in accordance with the applicable financial reporting framework (a requirement of paragraph 37 in ISA (NZ) 540);<sup>6</sup>
- we have appropriately accounted for and disclosed the related party relationships and transactions in the financial statements (a requirement of paragraph NZ26.1(b) in ISA (NZ) 550);

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<sup>5</sup> This wording is optional and should only be included in the representation letter if the Appointed Auditor will be issuing a non-standard audit report.

<sup>6</sup> Appointed Auditors shall consider the need to obtain additional representations about specific accounting estimates, including in relation to the methods, assumptions, or data used, in accordance with the requirements of ISA (NZ) 540.

- we have adjusted or disclosed all events subsequent to the date of the financial statements and the statement of performance that require adjustment or disclosure (a requirement of paragraph NZ9.1 in ISA (NZ) 560);
- we believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and statement of performance as a whole – a list of the uncorrected misstatements is attached to this representation letter (a requirement of paragraph NZ14.1 in ISA (NZ) 450);
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with [the applicable financial reporting framework] (a requirement of paragraph NZ12.1 in ISA (NZ) 501); and
- [Any other matters that the Appointed Auditor may consider appropriate.]

#### Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
  - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of performance; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of performance may be materially misstated as a result of fraud (a requirement of paragraph NZ40.1(b) in ISA (NZ) 240);
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements and the statement of performance (a requirement of paragraph NZ40.1(c) in ISA (NZ) 240);
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements and statement of performance communicated by employees, former employees, analysts, regulators, or others (a requirement of paragraph NZ40.1(d) in ISA (NZ) 240);
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of performance (a requirement of paragraph NZ17.1 in ISA (NZ) 250 (Revised));<sup>7</sup>
- [we have provided you with all the other documents (other information) that will accompany the financial statements and the performance information, that is consistent with the financial statements and the performance information, and that does not contain any material misstatements];<sup>8</sup>
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware (a requirement of paragraph NZ26.1(a) in ISA (NZ) 550); and
- [Any other matters that the Appointed Auditor may consider appropriate.]

#### Going concern basis of accounting<sup>9</sup>

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<sup>7</sup> This paragraph may be enhanced to make specific reference to specific laws and regulations, such as making reference to the laws and regulations for setting local government rates.

<sup>8</sup> Include this text in the representation letter if the entity is including all "other information" in the annual report. However, if the "other information" is not available when you issue your audit report, include the following text instead:

[we will provide you with the final version of the following documents that will accompany the financial statements and the performance information by [date], which is before the annual report is issued, and we confirm that the information contained in these documents will be consistent with the financial statements and the performance information, and will not contain any material misstatements:

- [list documents to be provided]

We confirm that, to the best of our knowledge and belief, the [Name of public entity] has adequate resources to continue operations at its current level for the foreseeable future. For this reason, the [Governing body] continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of performance for the year ended [DD MM 20XX]. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the [Name of public entity] during the period of one year from [date of signing the financial statements and the statement of performance] and to circumstances that we know will occur after that date that could affect the validity of the going concern basis of accounting. [Insert details of key considerations (for example, operating and cash flow forecasts, forecast borrowing requirements, commitments, and contingencies).]

We consider that the financial statements and the statement of performance adequately disclose the circumstances and any uncertainties that we can reasonably be expected to be aware of concerning the adoption of the going concern basis of accounting by the [Name of public entity].

The representations in this letter are made at your request and to supplement information obtained by you from the records of the [Name of public entity] and to confirm information given to you orally.

Yours faithfully

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Chairperson

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Chief executive

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<sup>9</sup> If there is any doubt about the validity of the going concern basis of accounting, the going concern section in this representation letter should be replaced with the going concern representation in Appendix 3 (a requirement of paragraph 16 in ISA (NZ) 570).

## Appendix 2 – Illustrative website publication representation

The following is an illustration of an additional representation that can be included in the representation letter when the entity intends publishing its audited financial statements and statement of performance and the related audit report on a website.

### **Publication of the financial statements [and statement of performance] and related audit report on a website**

- The [Governing body] accepts that it is responsible for the electronic presentation of the audited financial statements [and statement of performance].
- The electronic version of the audited financial statements [and statement of performance] and the related audit report presented on the website are the same as the final signed version of the audited financial statements [and statement of performance] and audit report.
- We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.
- We have assessed the security controls over audited financial [and performance] information and the related audit report, and are satisfied that procedures are adequate to ensure the integrity of the information provided.
- Where the audit report on the full financial statements [and statement of performance] is provided on a website, the financial statements [and statement of performance] are also provided in full.

## Appendix 3 – Illustrative going concern representation where doubt exists as to the use of the going concern basis of accounting

### Going concern basis of accounting

The considered view of the [Governing body] is that, after making enquiries, the [Governing body] has a reasonable expectation that the [Name of public entity] has adequate resources to continue operations for the foreseeable future. For this reason, the [Governing body] continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of performance for the year ended [DD MM 20XX].

The [Governing body] has reached this conclusion having regard to circumstances that it considers likely to affect the [Name of public entity] during the period of one year from [date of signing the financial statements and the statement of performance] and to circumstances that it knows will occur after that date that could affect the validity of the going concern basis of accounting. The key considerations are set out below.<sup>10</sup>

### Operating and cash flow forecasts

The [Governing body] has considered forecast information relating to operational viability and cash flow requirements. The [Governing body] is satisfied that there will be enough cash flows generated from operating activities to meet the investing and financing cash flow requirements of the [Name of public entity].

### Borrowing covenants and forecast borrowing requirements

Throughout the year, the [Name of public entity] has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

The forecasts for the next [...] months prepared by the [Governing body] show that the available borrowing facilities exceed the peak borrowing requirements by a margin of [Amount]. Furthermore, the forecast borrowing requirements can be met without breaching covenants or other borrowing restrictions.

### Commitments

The [Name of public entity] has commitments that are analysed as follows:

	\$000
Relating to existing activities:	
Fixed assets – contracted	XX
Fixed assets – budgeted but not contracted	XX
	XX
Relating to expansion:	
Fixed assets – contracted	XX
Fixed assets – budgeted but not contracted	XX
	XX
<b>Total</b>	<b>XXX</b>

The commitments for existing activities will be incurred in the next [...] months and will be met out of established facilities.

The commitments for future expansion will start to be incurred in [...] months' time and will be met partly out of existing facilities and partly out of new funds.

[Note X] to the financial statements also shows lease commitments. These are to meet existing needs and will be met out of current funds.

### Contingencies

[Note X] to the financial statements and the statement of performance explains the [Name of public entity]'s contingencies. As stated, the [Governing body] does not consider that provision for these items is necessary and has not therefore arranged funding to meet the liability should the contingency be realised. The [Governing body] does not consider that the contingency affects the appropriateness of the going concern basis of accounting in preparing the financial statements and the statement of performance for the year ended [DD MM 20XX].

### [or alternatively]

<sup>10</sup> Appointed Auditors should enhance the representations contained in this appendix in accordance with paragraph NZ16.1 in ISA (NZ) 570 to ensure that those charged with governance have outlined their plans for future actions and the feasibility of these plans when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

[Note X] to the financial statements and the statement of performance states that the [Name of public entity] has no contingencies as at [date]. The [Governing body] is not aware of any undisclosed contingencies that would affect the appropriateness of the going concern basis of accounting in preparing the financial statements and the statement of performance for the year ended [date].

**Disclosure**

We consider that the financial statements and the statement of performance adequately disclose the circumstances and any uncertainties concerning the adoption of the going concern basis of accounting by the [Name of public entity].