

(Letterhead of Client)

.....
Chartered Accountant
Address:.....,
Dhaka-

[Date..... Same date as audit report signing date]

Dear Sir

This representation letter is provided in connection with your audit of the financial statements of XYZ Ltd (“the Company”), for the year ended 31 December 2014, for the purpose of expressing an opinion as to whether these financial statements ‘*give a true and fair view*’ or ‘*are presented fairly, in all material respects,*’ in accordance with International Financial Reporting Standards (IFRSs).

We confirm that the representations we make in this letter are in accordance with the definitions set out in the Appendix to this letter.

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, for the preparation and fair presentation of the financial statements (or preparation of financial statements that give a true and fair view) in accordance with IFRSs.
2. Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which BFRSs require adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and taken together, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information Provided

5. We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the [Group and the] Company from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We confirm the following:

- i) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated because of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) We have disclosed to you all information in relation to:

- a) Fraud or suspected fraud that we are aware of and that affects the Company 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.
- b) Allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, we acknowledge our responsibility for such internal control as we determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. 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 the financial statements. Further, we have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements in accordance with IFRSs all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IFRSs.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

10. We have provided you with all relevant information regarding all of the key risk factors, assumptions and uncertainties of which we are aware that are relevant to the Company's ability to continue as a going concern, and these are fully disclosed in the notes to the financial statements, in accordance with the requirements of IAS 1, *Presentation of Financial Statements*. Material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern are fully disclosed.

We confirm that the attached schedule contains details of our plans, which are fully disclosed in the notes to the financial statements, and the feasibility of these plans, for future action relevant to the Company's ability to continue as a going concern. **Please attached plan**

11. Additional representations to address specific circumstances of the client:

In addition to the written representations required above, the auditor may consider it necessary to request other written representations about the financial statements. Such written representations may supplement, but do not form part of, the written representations required above. They may include representations about the following:

- Significant assumptions and judgments made by management, e.g. whether the selection and application of accounting policies are appropriate;
- Management intent, e.g. plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Information that is known only to management e.g. liabilities, both actual and contingent; title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral; and aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance; and
- To support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements.

Yours truly,

[Senior Executive Officer/ Director]

[Senior Financial Officer]

Optional cc: Audit Committee

Appendix to the Management Representation Letter of XYZ Limited

Definitions

The following definitions assume that IFRSs are the applicable financial reporting framework. When IFRSs have not been used to prepare the financial statements, an appropriate equivalent definition from the applicable financial reporting framework should be used, if available. If the financial reporting framework does not contain a relevant definition, then the definition from the ISA or IFAC Glossary of Terms should be used.

Financial Statements

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

[ISA 580.A14 states that the auditor may consider communicating to management a threshold for the purposes of the requested written representations, to the extent that these refer to material matters or misstatements. Engagement teams may set out such information here, if considered appropriate.]

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. [ISA 240.A2]

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization. [ISA 240.A5]

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure. [IFAC Glossary of Terms].

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorized for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud. [IAS 8.5]

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”. [ISA 580.8]

Related party

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

[In recognition of the circumstances arising in certain countries whereby governments hold large investments in entities, and furthermore, as a result of government “bail-outs” and financial support provided to various entities, resulting from the economic downturn, revised IAS 24.25 states the following, in respect of government-related entities:]

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. [IAS 24.9]

Disclaimer: Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner's judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.