**International**

Sample Letter of Representation

Chamber of Hungarian Auditors\_2018

The following sample letter of representation assumes there are no exceptions from the written declarations requested. Should there be any exceptions or discrepancies, amendments to the declarations are required to adequately reflect these exceptions or any possible discrepancies.

(Letterhead of business entity)

**Letter of representation**

(Addressed to the auditor)

(Date) *[Date of closing collection of audit evidence, which shall not be later than the date of the audit report, and shall be the closest possible date thereto.]*

This letter of representation was prepared in connection with the audit of the financial statements of ABC [company] (“Company”) for the financial year that ended on 31 December 20xx (balance sheet, income statement and the supplementary notes hereinafter jointly referred to as: “financial statements”), as conducted by you, with the objective of establishing whether the annual financial statements prepared by Company for the financial year was prepared in accordance with the provisions of Act C of 2000 (Act on Accounting), and consequently provides a true and fair view of the financial position and financial performance of the Company. The audit shall also investigate whether there is consistency between the annual financial statements and the associated business report.

To the best of our knowledge and conviction, we confirm the following:

***Financial statements***

1. We have met our audit obligations defined in the engagement agreement dated [date], pursuant to which it was our responsibility to prepare and present the financial statements in accordance with the Act on Accounting, and we are convinced they provide a true and fair view of the financial position and financial performance of the Company. We consistently applied the principles defined in the Act on Accounting during the preparation of the financial statements for the financial year that ended on 31 December [previous year] [with the exception of ....].
2. Our responsibility is to establish and operate internal control mechanisms as deemed necessary by the management and managing individuals to facilitate the preparation of financial statements which are free from material misstatements whether due to fraud or error.
3. The material assumptions we applied when making the accounting estimates – including estimates at fair value – are reasonable. Material estimates made during the preparation of financial statements were presented in accordance with the financial statements of the Company.
4. The accounting and disclosure of relations and transactions between related parties were carried out appropriately in compliance with the Act on Accounting, including receivables or liabilities, sales and purchases, loans, transfers and cash transfers, leasing agreements and verbal or written guarantees.
5. All amendments or disclosures in the financial statements, for which the Act on Accounting prescribes corrections or disclosures due to events after the reporting date of the financial statements, were carried out.
6. We are convinced that any uncorrected misstatements revealed and identified by you during the audit, and their effects, are immaterial, both separately and collectively, with regard to the financial statements as a whole. The list of uncorrected misstatements, if any, is attached to this representation letter.
7. We accept our responsibility to meet the Company’s obligations with regard to VAT returns, corporate tax returns, the deduction of employees’ personal income taxes, social security contributions, other taxes and duties. Furthermore, we confirm to the best of our knowledge that the Company has duly prepared and submitted all such returns to date (excluding misstatements in tax found during the audit; the Company’s management is responsible for subsequently clearing these up with the tax authority).
8. We have no knowledge of any other material debt or receivable that would greatly impact the financial position of our Company.
9. *The supplementary notes contain a full and appropriate account of any events or circumstances that could, by causing material uncertainty, cast serious doubt on the Company's ability to continue as a going concern, and we have presented our future plans for handling such events or circumstances.[[1]](#footnote-1)*
10. The following are presented appropriately in the supplementary notes in accordance with the Act on Accounting:

* figures and explanations prescribed by the Act on Accounting and required to present a true and fair view of the Company's financial position and financial performance to owners, investors and creditors;
* the key parts of the Company’s accounting policies, any changes therein pertaining to the reporting year and the consequence of any change on profit or loss;
* off-balance sheet items, their types and risks.

1. *We hereby confirm that the following were presented appropriately in the Company’s financial statements (if relevant, and only the relevant items from below):*

* *Oral guarantees made by the Company on behalf of a related company, director, officer or any other third party including customers.*
* *Share repurchase options or agreements; capital stock reserved for options, warrants, conversions.*
* *Balance compensation agreements concluded with financial institutions or other agreements limiting cash balances or credits, or other agreements.*
* *Agreements regarding the repurchasing of assets previously sold.*
* *Other agreements beyond the scope of normal business operations.*

*[Formulation of declarations in any other matter deemed necessary by the auditor under the given circumstances.]*

***Information provided***

1. We supplied you with the following:
   * access to all information that we believe is relevant from the perspective of preparing the financial statements, such as our accounting records, documents and other materials;
   * further information that you requested from us for the audit; and
   * unlimited access to any persons at the business entity from whom you wished to request audit evidence.
2. Every single transaction was recorded in the accounting records, and they were included in the financial statements. The financial statements are free from material misstatement and no significant items were omitted. The financial statements contain all the information necessary for the true and fair presentation of the Company’s financial position and financial performance in accordance with the Act on Accounting, and they include all information to be presented under the laws and regulations applicable to the Company.
3. We informed you about all the shortcomings we are aware of in connection with our internal control mechanisms.
4. We shared with you the results of our assessment of the risk posed by possible material misstatements in the financial statements due to fraud.
5. We shared with you all the information we are aware of on any actual or alleged fraudulent act committed with the involvement of the individuals below:
   * management,
   * employees with key roles related to internal controls, or
   * other individuals whose act of fraud could have a material impact on the financial statements.
6. We shared with you all the information related to any statements made by employees, former employees, analysts, regulators or other individuals on actual or alleged fraudulent acts in connection with the Company’s financial statements.
7. We informed you about any actual or alleged non-compliance with all known rules and legislation, where the effects need to be considered when preparing the financial statements or disclosed therein, or which might constitute a source of an expected loss. We received no feedback from higher-level authorities that our financial reporting procedures were inappropriate, or included discrepancies that could have a significant impact on our financial statements. The Company fulfilled all contractual agreements where non-performance could have a significant impact on the financial statements.
8. We shared with you the identification data of related parties of our business entity, as well as all relations and transactions between such related parties that we are aware of. The accounting records underlying the financial information are accurate and reliable, and reflect the Company’s transactions with related parties appropriately.
9. The financial statements as of 31 December 20XX contain details of all the Company’s cash and bank account balances as well as other properties and assets that we are aware of. The Company has the proper legal titles to all of its assets *[list of exceptions, if any]*, and has no mortgages, collaterals or other debts of significant consequence connected to any of its assets that were not presented in the financial statements or the supplementary notes.
10. There are no unclaimed receivables against the Company that could be claimed in the opinion of the Company’s legal representative.
11. We have no plans or intentions that were not disclosed to you, and which would significantly influence the classification or carrying value of our assets and liabilities.
12. No significant issues arose that would make it necessary to present the corrections of previous year's errors in a separate (third) column in the financial statements of the reporting period.
13. The Company’s management and managing individuals have no knowledge of any events that could be labelled as abuse or misconduct pursuant to the prevailing Act on the Prevention and Impeding of Money Laundering and Financing of Terrorism.
14. As of the date of this declaration we are not aware of any cases or issues which could have a significant effect on the financial statements for the financial year that ended on 31 December 20XX, or any information disclosed in relation thereto. We are not aware of any facts that caused or could cause any material, favourable or unfavourable changes to the Company’s financial position or financial performance.

*[Formulation of declarations in any other matter deemed necessary by the auditor under the given circumstances.]*

Authorised signature(s) of Company representative(s)

1. *Alternative declaration:*

   *We hereby declare that based on our review and assessment by the date of this letter of representation we have not identified any events or conditions that would, separately or collectively, signal material uncertainty and cast serious doubt on the Company's ability to continue as a going concern in the financial period of the 12 months following the reporting date of the financial statements. Consequently, we are convinced that there are no events, circumstances or material uncertainty in connection with the Company’s ability to continue as a going concern that would need to be disclosed in the supplementary notes.* [↑](#footnote-ref-1)