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**WORLD'S LARGEST
ENERGY CONFERENCE.**



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Evas International is now
at the Financial Centre
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WORLD'S LARGEST ENERGY CONFERENCE.

ADIPEC (Abu Dhabi International Petroleum Exhibition and Conference) is one of the premier global energy events providing a platform for top industry players, key influencers, and decision-makers in the sector. This event is held annually in Abu Dhabi and showcases the latest technologies, envisioning the further development of the energy industry, and offers new solutions to address the important issues of the sector.

This event goes beyond being just an oil and gas forum and primarily serves as a driving force, creating an environment for the exchange of innovative ideas, promoting collaboration, and cultivating strategic partnerships. It serves as a platform where key discussions on the future of energy take place, addressing not only traditional energy sources but also the pivotal shifts toward cleaner, more sustainable alternatives. Whether you're a professional attending for business opportunities or a spectator keen to observe the latest trends in the global oil and gas industry, ADIPEC offers a comprehensive overview of the current state of the sector.

ADIPEC 2024 will take place from 4-7 November in Abu Dhabi.

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Hello From Us

VIJAYA MOHAN
Evas Constantin



A Warm Greeting from Evas Constantin

Dear Readers,

Endings rarely signify finality; more often, they pave the way for fresh beginnings. As we release our final newsletter of 2024, it's a fitting moment to reflect on the journey we've taken this year, so far. We began with setting out both personal and professional goals—some achieved, some reshaped, and others still unfolding. While not everything went according to plan, we encountered moments of unexpected joy that enriched our path. Throughout, we've remained steadfast in our belief in ourselves and our dedication to our goals.

As we look towards the final stretch of the year, we remain focused on the efforts required to close it with a sense of true accomplishment. Like life itself, this year has brought its share of challenges and opportunities, helping us grow and strengthen. A defining moment of the year was our collaboration with Constantin, a partnership that has significantly broadened our horizons. Another key milestone was Evas International, being officially recognized as an authorized auditor by the Abu Dhabi Global Market (ADGM), a major international financial center and free zone in Abu Dhabi, UAE.

Our team's remarkable dedication, perseverance, and confidence have been instrumental in all our achievements. I am profoundly grateful to the entire team for their resilience, passion, and willingness to navigate the difficult road, making the rewards all the more meaningful. As we reflect, I am reminded of the wise words of Mr. Ratan Tata: 'If you want to walk fast, walk alone. If you want to walk far, walk together.' Together, we have journeyed farther than we ever could alone.

With this spirit in mind, we present the latest edition of our newsletter, intended to cater to the varied interests of our readers.

Hello From Us

We as finance professionals, staying informed about ongoing changes in the VAT landscape is essential, considering the significance of VAT in the UAE. The recent updates include exemptions for transactions involving virtual assets and investment fund management services, streamlined export documentation requirements, and clarifications in specific areas. We've highlighted these changes in detail in the following article to make them easier to understand and apply.

Overstating assets beyond their recoverable value can lead to doubts and diminish trust amongst the company's stakeholders. This is where IAS 36, the International Accounting Standard, impairment of assets plays a crucial role. It ensures that assets are not reported at values higher than their recoverable amount, promoting transparency and trust in financial statements, particularly important for investors and global trade. In this edition, we've detailed the compliance requirements of IAS 36, which contribute to more accurate financial reporting and provide a realistic perspective on an entity's asset valuations. Impairment testing of goodwill is a common exercise taken by our client to ensure that goodwill is fairly stated.

Another key consideration in the audit process is the role of written representations from management. There is a common misconception that these are equivalent to audit evidence, but ISA 580 clarifies that written representations are meant to complement, not replace, the audit evidence gathered. In our article, we explore the significance of written representations and how they support the overall audit process by confirming the accuracy and completeness of financial statements.

In light of this, we are pleased to present the latest edition of our Evas Constantin Plus Newsletter, the result of our continuous efforts to connect and engage with you, our valued readers. We are grateful for the opportunity to share this platform with you, and it is through this connection that we have been able to consistently refine and enhance our newsletter. Our journey with you has not only elevated the quality of the newsletter itself, but it has also significantly added value to our clients' business, making each edition a more meaningful and impactful tool for them. We are excited to continue this journey, one that is driven by enthusiasm, effort, and a shared vision of growth and improvement. As we move forward, we eagerly anticipate the 'magic' that comes from this ongoing partnership and the mutual success it brings.

Thank you for your continued support and trust in Evas Constantin.

Warm regards,

Happy Reading!



RECENT UPDATES IN UAE VAT LAW



The UAE VAT system continues to evolve, and recent updates to Executive Regulation to the Federal Decree Law No. 8 of 2017 (UAE VAT Law) are aimed at making compliance easier and supporting economic growth. These changes include exemptions for transactions involving virtual assets and investment fund management services, relaxed export documentation requirements, and clarification in certain other areas. This allows businesses to streamline their compliance processes, minimize tax liabilities, and make more informed decisions about their tax strategies. Below is a summary of the changes, followed by a detailed table explaining each amendment and its impact on businesses.

KEY HIGHLIGHTS OF VAT AMENDMENTS

Crypto Assets & Fund Management Services: VAT exemption on transactions involving virtual assets and certain investment fund management services.

Input Tax Recovery: Broader eligibility for input tax credit, for health insurance premiums.

Tax Invoices and Credit Notes: Updated rules for the timing of simplified tax invoices, and handling credit notes issued afterward.

Evidence of Exports of Goods: New documentation requirements to simplify export procedures.

Exports of Services: Clearer conditions for zero-rated service exports.

Composite Supplies: Simplified VAT treatment for bundled offerings.

Partial Exemption Recovery: Improved rules for input tax apportionment.

Residential Buildings Exclusions: Hotel and serviced apartments reclassified as non-residential buildings for VAT purposes.

KEY HIGHLIGHTS OF VAT AMENDMENTS

Provisions amended	Amended Provisions	Implications to Business
Article 42 Exemption for Virtual Assets and Investment Fund Management Services	<ul style="list-style-type: none">• VAT exemption on transfer of ownership, conversion and keeping and management of Virtual assets• VAT Exemption for management services of licensed investment funds, which includes management of funds operations, management of investments on or behalf of the fund, monitoring and improvement of funds' performance.	The VAT exemption on virtual assets and investment fund management services supports business growth in these sectors. However, a thorough analysis is necessary to ensure that the services meet the exemption criteria.

Provisions amended	Amended Provisions	Implications to Business
Article 53 Eligibility for input VAT on health insurance premium paid for health insurance of employees and family.	A taxable person can now claim input VAT on health insurance for employees and their families, including one spouse and up to three children under the age of eighteen. Previously, VAT on services provided to employees for personal benefit was non-deductible unless required by labour law, a contract, or company policy.	This helps businesses by reducing their tax burden, allowing them to claim VAT on employee health insurance for their families, and simplifying compliance.
Article 59 Tax invoices	<p>The Registrant must issue the Tax Invoice within 14 (fourteen) days from the date of supply specified in Articles 25 or 26 of the Decree-Law, except in the following instances:</p> <ol style="list-style-type: none"> 1. If a simplified Tax Invoice is issued, the Registrant must provide the Tax Invoice on the date of supply. 2. If the Registrant is required to issue a summary Tax Invoice under Clause 6 for making multiple supplies of Goods or Services to the same person, the invoice must be delivered to the Recipient of Goods or Services within 14 (fourteen) days after the end of the calendar month in which the date of supply occurs. 	<ul style="list-style-type: none"> ● Taxable persons should therefore be cautious while issuing simplified tax invoice as this may have impact on the time of supply and therefore the VAT period such transaction will be subject to VAT ● For taxable persons making multiple supplies and issuing a summary Tax Invoice, the VAT liability will be recognized in the month that falls 14 days after the end of the calendar month in which the supply took place.
Article 60 Tax Credit Notes	<p>Multiple Credit Notes: The tax credit note must include the amount from the original Tax Invoice, the correct supply amount, the difference between these amounts, and the related Tax charged in AED. If multiple Tax Credit Notes are issued for the same Tax Invoice, the subsequent notes will show the adjusted value based on the previous one.</p> <p>Credit note issued by agent: If an agent who is a Registrant supplies Goods and Services on behalf of their principal, the agent can issue a Tax Credit Note as if they made the supply. However, the principal must not issue a Tax Credit Note, provided that:</p> <ol style="list-style-type: none"> a. The agent keeps sufficient records to identify the principal's name, address, and Tax Registration Number. b. The principal retains adequate records to identify the agent's name, address, and Tax Registration Number. 	<ul style="list-style-type: none"> ● While multiple credit notes for a single outward supply may seem complex, they ultimately relate back to the original invoice, ensuring consistent VAT treatment and providing clarity during subsequent adjustments to the credit transactions. ● Agents can handle VAT adjustments directly, reducing complexity for businesses that operate through intermediaries. This allows principals to avoid duplicating VAT reporting responsibilities.

Provisions amended	Amended Provisions	Implications to Business
Article 30 Documentation requirement for Export of goods.	<p>The documentary requirements for applying the zero rate of VAT on goods exports are now less demanding. Exporters must retain one of the following:</p> <ul style="list-style-type: none"> ● A customs declaration along with Commercial Evidence (an air waybill or air manifest, seaway bill or sea manifest or land way bill or land manifest issued by sea, air or land transport companies and agents) that verifies the export, ● A Shipping Certificate (issued by sea, air or land transport companies and agents) along with Official Evidence (export certificate or clearance certificate issued by the customs department or competent authorities in the state) that prove the export, or ● A customs declaration that demonstrates the customs duty suspension arrangement if the goods are under customs suspension. 	<p>The documentation required to claim zero-rated sales has been simplified to just one of the provided documents. However, taxpayers must still ensure they maintain the necessary documents as specified to successfully claim zero-rated supplies.</p>
Article 31 Export of Services	<p>An additional requirement has been introduced for Zero rating of Service :-</p> <ul style="list-style-type: none"> ● If the Services covered under Clauses 3 to 8 of Article 30 and Article 31 of the Decree Law are not treated as being performed in the State , it will not be considered as zero-rated supply of goods and services. 	<ul style="list-style-type: none"> ● This amendment may restrict the eligibility for zero-rating exports, particularly for services with a place of supply in the UAE, including installation of goods, supply of means of transport, restaurant and catering services, cultural, artistic, sporting, educational, and similar services, as well as real estate, transportation, telecommunications, and electronic services. Consequently, these services may become subject to the standard VAT rate, affecting overall business costs and pricing strategies.
Article 46 Composite Supplies	<p>Where there is a single composite supply without a principal component, the VAT treatment shall be based on the nature of supply as a whole.</p>	<p>VAT treatment for composite supplies based on the overall nature may simplify VAT accounting but requires careful assessment of supply components.</p>
Article 55 Apportionment of Input tax	<p>Tax year for the purpose of apportionment of input tax shall end in the following cases:</p> <ul style="list-style-type: none"> ● where a Taxable Person applies for Tax deregistration, the Tax year shall end on the last day such Person was a Taxable Person. 	<p>Clear end dates for tax years affecting input tax recovery. Businesses need robust tracking systems to comply with the new rules, particularly when joining or leaving tax groups.</p>

Provisions amended	Amended Provisions	Implications to Business
	<ul style="list-style-type: none"> where a member joins a Tax Group, the Tax year shall end on the last day before joining the Tax Group, or where a member leaves a Tax Group, the Tax year shall end on the last day such Person was a member of the Tax Group. <p>If the difference in any Tax year between the Recoverable Tax as calculated under this Article and the Recoverable Tax which would arise if a calculation was made which reflects the actual use of the Goods and Services to which the Input Tax relates, exceeds AED 250,000 (two hundred fifty thousand dirhams), the Taxable Person shall, in the Tax Period make an adjustment to the Input Tax in respect of the difference. Where a Tax year is less than 12 (twelve) months, the amount mentioned above must be adjusted to an amount proportionate to the length of such Tax Period.</p>	
Article 5 Deemed Supply Exemptions	<ul style="list-style-type: none"> If the total value of goods supplied (including samples and commercial gifts) to each recipient within a 12-month period does not exceed AED 500, it will not be considered a deemed supply. <p>For government entities or charities, if the output VAT threshold is less than AED 250,000, the provisions of deemed supply will not be attracted.</p>	<p>The amendment provides significant benefits to businesses by exempting goods supplied to recipients under AED 500 from deemed supply rules, encouraging marketing and customer engagement without VAT concerns.</p> <p>Additionally, government entities and charities with output VAT below AED 250,000 will also be free from deemed supply provisions, reducing administrative burdens and allowing more resources to focus on their core missions.</p>
Article 37 Residential buildings	A hotel apartment or serviced apartment will not be included in the definition of residential building.	Hotel and service apartment therefore shall be excluded from the VAT Exemptions available to residential buildings.

CONCLUSION

The recent updates to the UAE VAT Law aim to simplify compliance and boost economic growth. These amendments address challenges in sectors like digital assets and investment management, creating opportunities for businesses to optimize their tax strategies. Key changes, including exemptions for virtual assets and investment fund management services, along with reduced documentation requirements for exports, are designed to ease administrative burdens. The ambiguity in the place of supply rules for zero-rating service supplies has been clarified, meaning that services rendered in the UAE will be subject to the standard rate, regardless of the location or recipient of the invoice. Additionally, clearer rules for invoicing and credit notes will support smoother operations.

The taxable persons should therefore carefully understand and address the gaps that may arise from these amendments. By doing so, they can navigate the new landscape effectively and leverage the benefits of these changes while ensuring compliance in a continually evolving regulatory environment.

IAS 36

CONCEPT OF IMPAIRMENT AND WHY IS IT IMPORTANT TO RECOGNISE IMPAIRMENT LOSSES.



SCENARIO - 1

Consider a manufacturing company that owns a factory and machinery used for producing goods. Due to a significant drop in demand, the factory is no longer operating at full capacity, and future revenue projections have decreased. The company also notices a decline in the market value of similar factories, and the expected cash flows from the factory have significantly reduced. As a result, the carrying value of the machinery in the financial statements is now higher than its actual recoverable amount (which is the greater of its fair value less costs to sell or value in use).

SCENARIO - 2

Suppose a large company, ABC L.L.C, acquires a smaller business, XYZ L.L.C, for AED 50 million. The net identifiable assets of XYZ L.L.C (such as property, equipment, inventory, and trade receivables) are valued at AED 40 million at the time of acquisition, with the remaining AED 10 million recorded as goodwill on ABC L.L.C's balance sheet as an intangible asset. After a few years, unfavourable market conditions cause XYZ L.L.C's operations to underperform, leading to a decline in sales, increased competition, and uncertain future profitability. Consequently, ABC L.L.C may need to evaluate whether the goodwill associated with XYZ L.L.C is impaired.

These scenarios highlight the risk of asset overstatement in the balance sheet if impairment losses are not recognized. Failing to account for impairment can mislead users of financial statements by inflating the value of assets.

Let's explore IAS 36 – Impairment of Assets, to understand the definition of impairment, recoverable amount, accounting treatment for impairment losses and the circumstances that trigger it.

OBJECTIVE

The primary objective of IAS 36 is to ensure that assets are carried at no more than their recoverable amount. If an asset's carrying amount exceeds its recoverable amount, it is considered impaired, and the entity to recognize an impairment loss.

SCOPE OR APPLICABILITY

This standard applies to most assets, including property, plant, and equipment, goodwill, and intangible assets, except for certain types of assets.

IAS 36 applies to all assets except for:

• Inventories (IAS 2)
• Assets arising from Construction contracts (IFRS 15)
• Deferred tax assets (IAS 12)
• Financial instruments (IAS 39)
• Investment property measured at fair value (IAS 40)
• Agricultural assets measured at fair value (IAS 41)
• Insurance contracts (IFRS 17)
• Non-current assets held for sale (IFRS 5)

DEFINITIONS

Carrying Amount:

The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Recoverable Amount:

The recoverable amount is the higher of:

- Fair value less costs to sell (FVLCTS): This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, minus the costs of disposal, that is incremental costs directly attributable to the disposal of an asset excluding finance cost and income tax expense.
- Value in use (VIU): The present value of future cash flows expected to be derived from the asset. (the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset)

Cash flow projections should be based on reasonable and supportable assumptions, the most recent budgets and forecasts, and extrapolation for periods beyond budgeted projections. IAS 36 presumes that budgets and forecasts should not go beyond five years; for periods after five years, extrapolate from the earlier budgets. Management should assess the reasonableness of its assumptions by examining the causes of differences between past cash flow projections and actual cash flows.

Cash flow projections should relate to the asset in its current condition – future restructurings to which the entity is not committed and expenditures to improve or enhance the asset's performance should not be anticipated.

Estimates of future cash flows should not include cash inflows or outflows from financing activities, or income tax receipts or payments.

Impairment loss:

The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount

$$\text{Impairment loss} = \text{Carrying amount} - \text{Recoverable amount}$$

The impairment loss is recognised as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease) and adjust depreciation for future periods.

IDENTIFYING AN ASSET THAT MAY BE IMPAIRED

At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). IAS 36 has a list of external and internal indicators of impairment. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated.

Indicators of Impairment

It is usually not practical to determine the impairment of assets every year due to time and cost constraints. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Where there is no indication of impairment, then no further action needs to be taken.

Exception to above:

The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that it may be impaired. In some cases, the most recent detailed calculation of recoverable amount made in a preceding period may be used in the impairment test for that asset in the current period.

- an intangible asset with an indefinite useful life
- an intangible asset not yet available for use
- goodwill acquired in a business combination

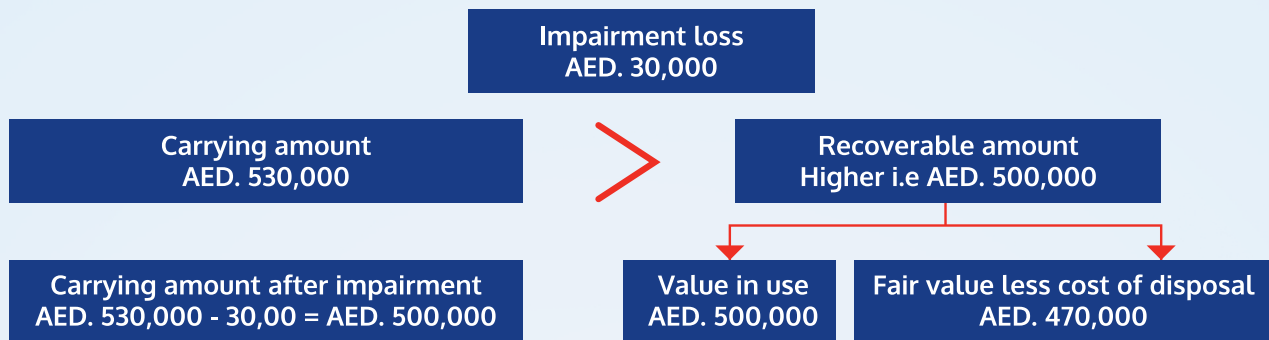
IAS 36 provides both external and internal indicators of impairment:

EXTERNAL INDICATORS	INTERNAL INDICATORS
<ul style="list-style-type: none">● A significant decline in the asset's market value.● Negative changes in the technological, market, economic, or legal environment that adversely affect the entity.● An increase in market interest rates that would significantly reduce the recoverable amount of the asset.● Net assets of the company higher than market capitalisation	<ul style="list-style-type: none">● Evidence of obsolescence or physical damage to the asset.● Internal reports indicating that the economic performance of the asset is worse than expected.● asset is idle, part of a restructuring or held for disposal● for investments in subsidiaries, joint ventures or associates, the carrying amount is higher than the carrying amount of the investee's assets, or a dividend exceeds the total comprehensive income of the investee.

These above lists are not exhaustive. Further, an indication that an asset may be impaired may indicate that the asset's useful life, depreciation method, or residual value may need to be reviewed and adjusted.

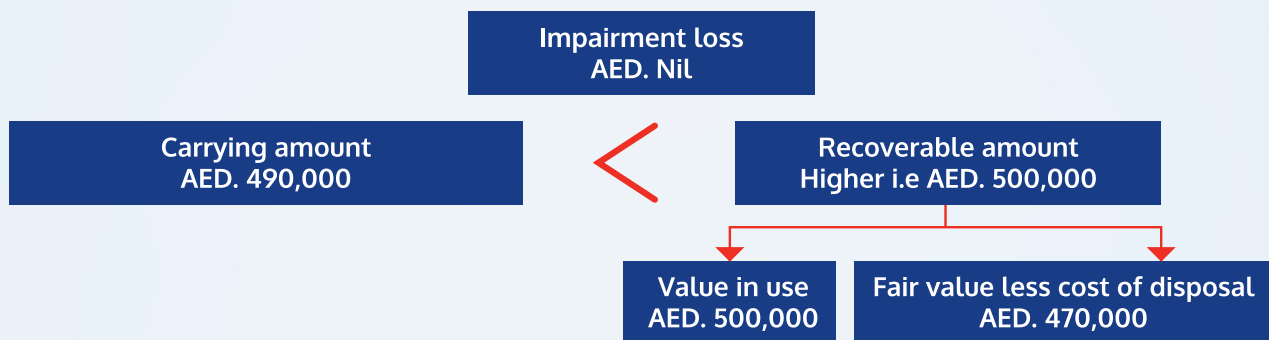
Example 1 :

An asset has carrying value of AED 530,000. Value in use is AED 500,000 and fair value less cost to sell is AED 470,000. Calculate the amount of impairment loss.



Example 2 :

An asset has carrying value of AED 490,000. Value in use is AED 500,000 and fair value less cost to sell is AED 470,000. Calculate the amount of impairment loss.



CASH-GENERATING UNITS

The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. IAS 36 requires assets that do not generate independent cash flows to be tested for impairment as part of a CGU.


Examples for Cash generating units: A complete set up of an office including independent units such as chairs, table, computers, laptops, land phones, etc.

IMPAIRMENT OF GOODWILL

Goodwill arises from business combinations when the acquisition price exceeds the fair value of the identifiable net assets of the acquired business.

Goodwill arising from business combinations is tested for impairment annually, regardless of whether there is any indication of impairment. This test is done by comparing the recoverable amount of the cash-generating unit (CGU) to which the goodwill belongs with its carrying amount.

To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.



If the carrying amount of the CGU, including goodwill, exceeds its recoverable amount, an impairment loss is recognized. The loss is first allocated to goodwill, which is written down to zero if necessary. Any remaining impairment is then allocated to other assets in the CGU on a pro-rata basis.

Goodwill impairments cannot be reversed in future periods, even if the recoverable amount of the CGU increases.

*Determining the recoverable amount involves significant estimates and assumptions, especially related to future cash flows and discount rates.

*Both external market conditions and internal company developments (like declining performance) can trigger an impairment test.

RECOGNITION OF IMPAIRMENT LOSS

An impairment loss should be recognised as an expense in the profit or loss immediately, unless the asset is carried at revalued amount.

Journal entry : (after eliminating accumulated depreciation)

Debit	Impairment loss (P&L)
Credit	Assets / Accumulated impairment losses

Example 3 :

An asset has cost of AED 500,000 and accumulated depreciation of AED 200,000. Its recoverable amount has been estimated at AED 280,000.

$$\begin{aligned}\text{Impairment loss} &= \text{*Carrying amount} - \text{recoverable amount} \\ &= 300,000 - 280,000 = 20,000\end{aligned}$$

$$\begin{aligned}\text{*Carrying amount} &= \text{Cost} - \text{Accumulated depreciation} \\ &= (500,000 - 200,000 = 300,000)\end{aligned}$$

Journal entries for the above :

Impairment loss (P&L)	Debit	20,000	
Assets / Accumulated impairment losses	Credit		20,000

ON REVALUED ASSET

An impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

Journal entry : (after eliminating accumulated depreciation)

Debit	Impairment loss Dr (OCI – up to balance in revaluation reserve)
Debit	Impairment loss Dr (P&L – excess, if any)
Credit	Assets / Accumulated impairment losses

Example 4 : (On revalued asset)

An asset has cost of AED 500,000 and accumulated depreciation of AED 200,000. Its recoverable amount has been estimated at AED 280,000. Asset has balance of AED 7,000 in revaluation surplus arising from previous revaluation.

Journal entries for the above :

Impairment loss Dr (OCI)	Debit	7,000	
Impairment loss (P&L)	Debit	13,000	
Assets / Accumulated impairment losses	Credit		20,000

REVERSAL OF IMPAIRMENT LOSS

Impairment losses, other than those related to goodwill, can be reversed if there has been a change in estimates used to determine the recoverable amount. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss has been recognised for the asset prior years (impairment loss recognised in P&L net of depreciation decrease.)

Reversal

Reversal of impairment loss is dealt in the following way:

Cost model	Assets / Accumulated impairment losses	Dr
	Impairment loss (P&L)	Cr
Revaluation model	Assets / Accumulated impairment losses	Dr
	Impairment loss reversal (P&L)	Cr
	Other comprehensive income (excess amount)	Cr

Example 5 :

An asset was purchased for AED 100,000 on 1 January 2021 with 10 years useful life and nil residual value. Depreciation is charged on straight line basis.

On 31 December 2021, Depreciation of AED 10,000 was recorded. On this date, the recoverable amount of asset was determined to be AED 72,000 and therefore impairment loss of 18,000 was recognised.

On 31 December 2022, the depreciation of AED 8,000 ($72,000 / 9\text{years}$) was recorded. On this date, the recoverable amount (based on fair value) has increased to AED 95,000. Journal entries to record the reversal under cost and revaluation model.

COST MODEL

Assets / Accumulated impairment losses	Dr	16,000	
Impairment loss (P&L)	Cr		16,000

REVALUATION MODEL

Assets / Accumulated impairment losses	Dr	31,000	
Impairment loss reversal (P&L)	Cr		16,000
Other comprehensive income (excess amount)	Cr		15,000

CONCLUSION

IAS 36 ensures that assets are carried at amounts that reflect their actual value and prevent overstatement in the financial statements. Through regular impairment testing, entities can identify assets whose recoverable amounts have decreased and account for the associated losses. Proper implementation of IAS 36 leads to more accurate financial reporting, providing users with a realistic view of an entity's asset valuations.



ISA 580

WRITTEN REPRESENTATION



Do we understand the necessity of obtaining a representation letter from management? What matters are typically included in written representations? Does such a letter protect the auditor from any errors they may commit? What other matters might be included in the representation letter, and when should the auditor request these additional matters?

A representation letter provides confirmation or additional assurance on matters already reviewed by the auditor. While written representations **provide necessary audit evidence, they do not constitute sufficient and appropriate audit evidence.**

The primary contents of the letter include confirmations of management's responsibility for preparing the financial statements and ensuring the completeness of all transactions. However, these confirmations do not absolve the auditor of their responsibility to verify the financial statements according to the applicable reporting framework, **nor do they protect the auditor from errors or negligence.**

Auditors may request written representations on specific assertions from management, either when required by other standards or when, in the auditor's judgment, **dual confirmation on certain matters is deemed necessary.**

You now likely have a general overview of written representations based on the questions posed! Let's delve into ISA 580, "Written Representations," for a broader understanding and to see why it is essential.

DEFINITION :

Written representation - A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

SCOPE :

This International Standard on Auditing (ISA) deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance in an audit of financial statements and the specific requirements for written representations of other ISAs do not limit the application of this ISA.

WRITTEN REPRESENTATIONS AS AUDIT EVIDENCE

Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Written representations are necessary information that the auditor requires in connection with the audit of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are audit evidence.

Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.

Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfilment of management's responsibilities, or about specific assertions.

OBJECTIVES OF AUDITOR IN RELATION TO THE ISA 580

- ▶ To obtain written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor.

In some cases, however, management may decide to make inquiries of others who participate in preparing and presenting the financial statements and assertions therein, including individuals who have specialized knowledge relating to the matters about which written representations are requested. Such individuals may include:

- i. An actuary responsible for actuarially determined accounting measurements.
 - ii. Staff engineers who may have responsibility for and specialized knowledge about environmental liability measurements.
 - iii. Internal counsel who may provide information essential to provisions for legal claims.
- ▶ To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations if determined necessary by the auditor or required by other ISAs; and
 - ▶ To respond appropriately to written representations provided by management and, where appropriate, those charged with governance.

WRITTEN REPRESENTATION ABOUT MANAGEMENT'S RESPONSIBILITY

- ▶ The auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation, as set out in the terms of the audit engagement.
- ▶ The auditor shall request management to provide a written representation that:
 - It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement; and
 - All transactions have been recorded and are reflected in the financial statement.
 - Description of Management's Responsibilities in the Written Representations.
- ▶ Other ISAs require the auditor to request written representations. If, in addition to such required representations, the auditor determines that it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements, the auditor shall request such other written representations. (Ex: ISA 560 and ISA 570)
- ▶ Written Representations about Specific Assertions with regard to balance sheet and P&L items.

Date of and period covered by written representation

The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements.

Form of Written Representations

The written representations shall be in the form of a representation letter addressed to the auditor.

DOUBT AS TO THE RELIABILITY OF WRITTEN REPRESENTATIONS & REQUESTED WRITTEN REPRESENTATIONS NOT PROVIDED.

► Doubt as to the Reliability of Written Representations

- If the auditor has concerns about the competence, integrity, ethical values or diligence of management, or about its commitment to or enforcement of these, the auditor shall determine the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general.
- If written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter
- if the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with ISA 705, (*Modifications to the opinion in the independent auditor's report*).

► Requested Written Representations Not Provided

If management does not provide one or more of the requested written representations, the auditor shall:

- Discuss the matter with management.
- Re-evaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and
- Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with ISA 705.

► Written Representations about Management's Responsibilities

The auditor shall disclaim an opinion on the financial statements in accordance with ISA 705 if:

- the auditor concludes that there is sufficient doubt about the integrity of management such that the written representations provided for preparation of financial statements as per the applicable financial reporting framework and completeness of information provided agreeing with the terms of audit engagement
- management does not provide the written representations required by for the above matters specified.

CONCLUSION

ISA 580 also makes it very clear that written representation supports audit evidence and that it does not in isolation provide sufficient audit evidence. The ISA states the representation should support other audit evidence relevant to the accounts or specific assertions in the accounts by means of written representations if determined necessary by the auditor or required by other ISAs.



EVAS INTERNATIONAL IS NOW AT THE FINANCIAL CENTRE OF ABU DHABI (ADGM APPROVED AUDITOR)



Evas International: Officially Approved Auditor by ADGM

Evas International, a trusted name in the professional services sector, has achieved a significant milestone by becoming an officially approved auditor by the Abu Dhabi Global Market (ADGM) from August 2024 onwards.

This accomplishment underscores the firm's commitment to providing world-class auditing services, aligning with ADGM's stringent standards of financial governance and corporate transparency.

About ADGM

Abu Dhabi Global Market (ADGM) is an international financial center and free zone located in Abu Dhabi, UAE. ADGM is a financial center that provides transparency, efficiency, and integrity, through its progressive frameworks, future focused infrastructure, all within a familiar independent legal jurisdiction. With a choice of legal structures, a reliable partner network, straight forward set-up processes, it's easy to see why ADGM is the fastest growing international financial centre in the region. ADGM provides market participants with a world-class legal system and regulatory regime. If you are operating in ADGM and you need to appoint an auditor, you can find the same from the list of ADGM registered auditors in the ADGM website. If you are required to submit audited accounts, for an ADGM Company they must be audited by an ADGM registered auditor.

Evas International's Role

As an approved auditor, Evas International is entrusted with ensuring that entities operating within ADGM comply with the financial reporting requirements and maintain the highest level of accuracy and transparency in their financial records. Evas International's team of seasoned professionals brings deep industry expertise and a proven track record of delivering high-quality audit and assurance services. Evas International is an approved auditor with the ADGM for providing auditing services to clients within ADGM regime other than public listed entities and Financial Institutions (regulated firms).

Being part of the ADGM's official list of auditors is a testament to Evas International's integrity, professionalism, and dedication to upholding international best practices in financial reporting.

Key Benefits for Clients

Clients of Evas International, particularly those with a presence in ADGM, will benefit from:

Regulatory Compliance: Ensuring compliance with ADGM's financial statements disclosure requirements.

Enhanced Credibility: A partnership with an approved auditor enhances business reputation and trustworthiness in the eyes of investors and stakeholders.

Access to Global Market: Companies/ Entities with ADGM audit reports may find it easier to engage with international investors and partners who value recognized auditing standards because of the strong regulatory infrastructure of ADGM.

Guidance on Best Practices: Evas International can provide insights and overview into industry best practices, helping businesses to improve operational efficiency and be compliant with the highest qualitative standards.

Facilitates Strategic Planning: Comprehensive financial reviews can assist in long-term strategic planning and goal setting which are highly beneficial for all clientele.

(Continued in page 21)

THE POWER OF SPORTSMANSHIP IN

BUSINESS

A PATH TO SUCCESS



Sportsmanship, a principle deeply rooted in sports, underscores fair play, respect for opponents, and maintaining grace in both victory and defeat. A true sportsman remains humble in success and resilient in loss, always striving for self-improvement. During a match, the dynamics can shift dramatically; one moment we may be on the brink of victory, and the next we might face the possibility of defeat. However, a true fighter never gives up, eventually making a comeback to win.

Life mirrors sports in its blend of successes and failures. Failures drive us to persevere, while successes highlight the value of hard work and dedication. In every competition, there will always be a winner, but those who do not win gain another opportunity to succeed in future events. Embracing this chance to succeed captures the essence of sportsmanship. In life, experiencing failure is essential, as it also provides the opportunity to strive for success. However, those who don't put in the effort to succeed from their failures, risk fading into obscurity.

Business, which directly and indirectly touches everyone's lives, is deeply ingrained in us. The principle of sportsmanship holds great value in the business world. Just as a person's personality defines them, a business also has its characteristics, shaped by the people who run it. A sustainable business model often hinges on its core principles. In business, sportsmanship means conducting oneself with honor, fairness, and integrity in all interactions. By adhering to these principles, organizations can foster a more ethical, efficient, and harmonious environment, supporting sustainability and long-term success. Companies that consistently exhibit good sportsmanship gain the respect and trust of their stakeholders. A reputation for fairness and integrity attracts partners, clients, and top talent, providing a competitive advantage. Trustworthy businesses foster lasting relationships, paving the way for long-term success.

A workplace culture centered on sportsmanship nurtures a positive and encouraging environment. When employees feel respected and appreciated, they become more motivated and engaged, resulting in increased productivity and job satisfaction. Fostering a culture of respect and collaboration can mitigate workplace conflicts and enhance team cohesion. Integrating sportsmanship into business practices encourages ethical decision-making.

To foster sportsmanship in the workplace, leaders must set the standard by exemplifying honesty, fairness, commitment and decency to inspire their teams. This commitment not only ensures regulatory compliance but also mitigates the risk of scandals and unethical conduct. Cultivating a culture centered on collaboration rather than competition fosters a unified sense of community and shared purpose. Encouraging teamwork and acknowledging accomplishments reinforces a collective mind-set and underscores the value of mutual respect.

Setting precise ethical standards, communicating them effectively, and equipping employees with the necessary tools and training are vital steps in integrating these values into daily operations. Implementing robust reporting mechanisms for addressing unethical conduct promotes accountability. Moreover, acknowledging and rewarding employees who demonstrate sportsmanship underscores its importance and encourages others to adopt similar behaviours.

Incorporating sportsmanship into business operations isn't just morally upright but also economically beneficial. Fostering a culture that prioritizes integrity, respect, and teamwork enhances a company's reputation, increases employee satisfaction, and promotes sustained success. Similar to sports, where fair play and respect enhance the overall experience, embracing sportsmanship in business creates a more positive and resilient path to achieving goals.



EVAS INTERNATIONAL IS NOW AT THE FINANCIAL CENTRE OF ABU DHABI (ADGM APPROVED AUDITOR)

(Continued from page 19)

This authorization marks a new chapter for Evas International, positioning the firm as a leading player in the financial services industry within the UAE. With its official status at ADGM, the firm is well-equipped to serve a wide range of clients, from startups to multinational corporations, ensuring their financial success in a dynamic and evolving marketplace.

So,

Evas International's status as an officially approved auditor by ADGM is a remarkable achievement, reflecting the firm's unwavering commitment to quality, transparency, and client success. Evas International will continue to deliver value and support the growth of businesses operating within ADGM's ecosystem.

EVENTS

EVAS CONSTANTIN *Onam* Celebrations 2024



Onam Celebrations



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**A TRANSITION TO CLEAN ENERGY
IS ABOUT MAKING AN INVESTMENT
IN OUR FUTURE.**

- Gloria Reuben -
actress and environmental activist

”



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