



## News & Events

### Latest News

FOR IMMEDIATE RELEASE

**For Further Information**

Helene Kennedy +1-973-394-9256

(Mobile) +1-917-254-6706

helenekennedy@ifac.org

Bryan Hall +1-212-471-8719

bryanhall@ifac.org

### IAASB Proposes New Requirements for the Audit of Related Parties and Makes Further Progress on Clarity Standards

(New York/March 1, 2007) -- The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), is seeking comments on an exposure draft (ED) of proposed International Standard on Auditing (ISA) 550 (Revised and Redrafted), [Related Parties](#). The IAASB is also seeking comments on proposed ISA 570, [Going Concern](#), which has been redrafted in the new style designed to enhance the clarity of IAASB pronouncements.

#### Related Party Relationships and Transactions

The involvement of related parties in major corporate scandals encouraged the IAASB to review its current auditing standard on the subject. Following earlier consultations, the IAASB has decided to re-expose its revised proposals because of the significance of the changes made in response to the consultations.

The overall aim of the project is to enhance the auditor's consideration of related parties and related party transactions in an audit of financial statements, establishing an approach that requires the auditor to assess the risks of misstatement and direct audit work accordingly. The proposals in the re-exposure draft are intended to make the auditor's responsibilities clearer, distinguishing those cases where the accounting framework includes disclosure and other reporting requirements, and those where it includes no or inadequate requirements.

The exposure draft includes a new definition of a "related party" to serve as a minimum level for the purposes of the audit. It also improves the delineation between the auditor's procedures to identify relevant risks of material misstatement and his or her responses to the assessed risks. The proposed standard also emphasizes the need for the auditor to be aware of related parties and the extent to which they affect the financial statements, even where the financial reporting framework applied in preparing the financial statements does not establish requirements for related parties (or does so inadequately).

John Kellas, Chairman of the IAASB, explains: "The proposed standard makes clear that the auditor has three objectives in considering related parties: to obtain sufficient evidence about the required accounting and disclosure of related party information and transactions; to understand how related party transactions and relationships affect the view given by the financial statements; and to identify fraud risk factors arising from related party relationships that may require further consideration."

#### New Clarity Exposure Draft

As part of its comprehensive program to enhance the clarity of its standards and facilitate convergence, the IAASB has also issued an exposure draft of proposed ISA 570 (Redrafted). The exposure draft forms part of the IAASB's ambitious 18-month program to redraft existing standards and to develop new and revised standards following the new drafting conventions, which were developed after extensive consultation with interested parties, such as the IAASB's Consultative Advisory Group and national auditing standard setters, and public consultation. The new drafting conventions are explained in the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*, which was issued in January 2007.

### How to Comment

Comments on the exposure draft of proposed ISA 550 (Revised and Redrafted) are requested by **June 30, 2007**. Comments on the exposure draft of proposed ISA 570 (Redrafted) are requested by **May 31, 2007**. The EDs may be viewed by going to <http://www.ifac.org/EDs>. Comments should be submitted by email to [EDComments@ifac.org](mailto:EDComments@ifac.org). They may also be faxed to IAASB ED Comments, at +1-212-286-9570 or mailed to IAASB ED Comments at 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website.

### About the IAASB and IFAC

The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The Public Interest Oversight Board oversees the activities of the IAASB and, as one element of that oversight, establishes its due process and working procedures.

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 155 members and associates in 118 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international auditing and assurance standards through the IAASB, IFAC, through its independent standard-setting boards, sets international ethics, education, and public sector accounting standards. It also issues guidance to encourage high quality performance by professional accountants in business.

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**IFAC | 545 Fifth Avenue, 14th Floor | New York, NY 10017 | V: +1 (212) 286-9344 | F: +1 (212) 286-9570**