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IAASB ISSUES AUDITING STANDARD ON RELATED PARTIES; MAKES FURTHER PROGRESS ON CLARITY STANDARDS

(New York/July 14, 2008) – Following the consideration and approval of due process by the Public Interest Oversight Board (PIOB), the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), today released International Standard on Auditing (ISAs) 550 (Revised and Redrafted), [Related Parties](#) and three clarity redrafted ISAs.

Related Parties

The involvement of related parties in major corporate scandals encouraged the IAASB to revise its current auditing standard on the subject. The revised *Related Parties* standard clarifies the meaning of “related party” for purposes of an audit. It also makes clear the auditor’s responsibility to obtain sufficient evidence about the required accounting and disclosure of related party relationships and transactions and to understand how such relationships and transactions affect the view given by the financial statements.

“The standard will strengthen current auditing practice in this area by emphasizing the need for the auditor to understand related party relationships and transactions in order to identify

the risks of material misstatement to which these may give rise, and directing the auditor to focus work effort on the assessed risks of material misstatement, including those due to fraud,” explains John Kellas, IAASB Chairman.

“The revised standard clarifies the auditor’s responsibilities in those cases where the financial reporting framework establishes minimal or no related party requirements. In addition, it provides enhanced guidance to assist the auditor in understanding and responding to the risks of material misstatement that may arise in relation to related parties with dominant influence,” emphasizes Kellas.

Clarity Redrafted ISAs

In addition to ISA 550 (Revised and Redrafted), the IAASB has also released the following clarity redrafted ISAs:

- ISA 250 (Redrafted), [*Consideration of Laws and Regulations in an Audit of Financial Statements*](#);
- ISA 510 (Redrafted), [*Initial Audit Engagements—Opening Balances*](#); and
- ISA 570 (Redrafted), [*Going Concern*](#).

They form part of the IAASB’s ambitious 18-month program to redraft existing standards following the clarity drafting conventions.¹ To date, the IAASB has released 15 final clarity redrafted ISAs. The IAASB is on track to finalize its complete set of clarified ISAs by the end of this year.

¹ Key elements of the clarity drafting conventions include: establishing an objective for the auditor with respect to the subject matter of each standard; clearly distinguishing requirements from guidance on their application; avoiding ambiguity through eliminating the present tense to describe actions by the auditor and using more imperative language where a requirement was intended; and other structural and drafting improvements to enhance the overall readability and understandability of the standards.

The complete set of clarified ISAs, including newly revised standards such as ISA 550 (Revised and Redrafted), will be effective for audits of financial statements for periods beginning on or after December 15, 2009.

The ISAs can be downloaded free-of-charge from the IFAC online bookstore at <http://www.ifac.org/store>.

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 global 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 157 members and associates in 123 countries and jurisdictions, 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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