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# News & Events

## Latest News

FOR IMMEDIATE RELEASE

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### IAASB Proposes Enhanced Requirements for Auditors to Consider Related Parties

(New York/January 03, 2006) -- The involvement of related parties, such as directors, owners, and management, in major corporate scandals encouraged the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) to review its current auditing standard on the subject. The IAASB has just issued an exposure draft (ED), proposed International Standard on Auditing (ISA) 550 (Revised), [Related Parties](#), as a result of its review, and is inviting comments on proposed requirements for auditors regarding the audit of related party relationships and transactions.

The current standard requires the auditor to perform certain specified procedures. The proposed standard would extend current practice by requiring the auditor to obtain an understanding of the nature and business rationale of an entity's related party relationships and transactions sufficient to identify, assess and respond to the risks of material misstatement resulting from them. It also places greater emphasis on the difficult task for the auditor of attempting to identify related party relationships and transactions not identified or disclosed by management.

The proposed standard places new emphasis on evaluating the effects of related party relationships and transactions on the financial statements, even in circumstances where the financial reporting framework does not establish related party accounting or disclosure requirements.

John Kellas, Chairman of the IAASB, explains: "The proposed standard gives greater recognition to the particular risks associated with related parties and calls on the auditor to do more work to identify related parties and the rationale for the transactions between them and the audit client."

### **How to Comment**

Comments on the exposure draft are requested by April 30, 2006. The exposure draft may be viewed by going to <http://www.ifac.org/EDs>. Comments may be submitted by email to [EDComments@ifac.org](mailto:EDComments@ifac.org).

They can also be faxed to the attention of the IAASB Technical Director at +1-212-286-9570 or mailed to the IAASB Technical Director 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 IFAC's website.

### **About IAASB and IFAC**

The objective of the IAASB, an independent standard-setting board within IFAC, 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 international Public Interest Oversight Board\* oversees the activities of the IAASB and, as one element of that oversight, establishes the criteria for 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. Its current membership consists of over 160 professional accountancy bodies in 120 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 sets ethics, education, and public sector accounting standards and develops guidance to encourage high-quality performance by professional accountants in business.

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\* Note to Editors

The international Public Interest Oversight Board was formally established in February 2005 to oversee IFAC's auditing and assurance, ethics, and education standard-setting activities as well as the IFAC Member Body Compliance Program. The objective of the PIOB is to increase confidence of investors and others that such

activities, including the setting of standards by the IAASB, are properly responsive to the public interest. PIOB members are nominated by international institutions and regulatory bodies.

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