

Auditing related parties



Relevant auditing standards

- ISA 550 - Related parties
- ISA 240 - The auditor's responsibilities relating to fraud in an audit of financial statements
- ISA 315 - Identifying and assessing the risks of material misstatement
- ISA 330 - The auditor's responses to assessed risks

Related parties is an inspection area of focus for IAASA

- Audit work around related parties has been inspected by IAASA during several inspection cycles.
- In December 2022, IAASA published key messages on auditing related party transactions. Read IAASA's [2022 publication](#).

Areas for improvement

- In the course of inspections, IAASA has raised queries with auditors to understand how audits have complied with the requirements of the auditing standard on related parties.
- IAASA has also raised queries to understand how audit work on related parties has complied with other auditing standards, including the standards listed above.

What's on the next page?

- The next page sets out some of the key auditing requirements for related parties.
- The requirements discussed on the next page are requirements where IAASA has raised queries of audit teams.

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Other IAASA publications

- IAASA's [AQS publications](#)
- International Standards on Auditing (Ireland) on IAASA's [website](#)

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Risk assessment

- Identify significant related party classes of transactions, account balances and disclosures, including the relevant assertions where there is a risk of material misstatement.



Related party risk assessment procedures

- Understand related party relationships and transactions.
- Remain alert for related party information during the audit.
- Share related party information with the audit team.

Responding to risks relating to related parties

- Audit procedures are based on and respond to the assessed risks of material misstatement at the assertion level.
- Irrespective of the assessed risks, substantive audit procedures are performed for each material class of transaction, account balance, and disclosure.

Responsibilities relating to fraud

- Understand if the assessed risks of misstatement are due to fraud and are therefore significant risks.

Written representations

- Obtain written representations from management and, where appropriate, those charged with governance on their disclosure of and accounting for related parties and related party relationships and transactions.

Matters that require specific procedures

- Previously unidentified or undisclosed related parties or significant related party transactions.
- Significant related party transactions outside the normal course of business.
- Assertions that related party transactions were conducted on an arm's length basis.

In forming an opinion on the financial statements

- Evaluate whether:
 - The identified related party relationships and transactions have been appropriately accounted for and disclosed.
 - The effects of the related party relationships and transactions prevent the financial statements from achieving fair presentation.