SA 550

Related Party

Step-1 ⇒ Understanding the entity's related party relationship & transactions

→ Auditor will inquire with mgt. & understand controls regarding,

- Identification of Related Party
- Nature of Relationship
- Whether any transaction entered, if yes → Relation & purpose

⇒ Auditor will understand controls for

- Disclosure as per FRF
- Authorize & approval controls for transaction & arrangement

→ Auditor will maintain alertness for related party information during documents review

- Maintain alertness
- If auditor identify R.P. transaction discuss with mgt.
- Share relevant info. with engagement team

Step-2 ⇒ Identify & assessment of ROMM / Response to ROMM → Associated with R.P. relationship & trans.

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If auditor identify any significant risk consider SA 240 as well (fraud risk factor)

- **Case I**: Identified previously unidentified or undisclosed R.P. relation or transaction (More dangerous situation for auditor)
- **Case II**: Identified significant R.P. transaction outside the entity normal course of business (Less dangerous situation for auditor)

Case I	Case II
Auditor shall → Communicate with other team members → Request mgt. to identify all R.P. and do evaluation → Inquiry mgt. → how I.C. failed to identify the R.P/ transaction → Perform substantive audit procedure on new RP/ trans. → Re-consider the risk → If non-disclosure appear intentionally → evaluate implication in the audit	Auditor shall → Inspect contract/ agreement for • Business rationale • terms of trans. • Accounting & disclosure of trans. → obtain S & A audit evidence that trans. • Have been appropriately authorised & approved • transaction ~~conducted~~ conducted at ALP (Arm length price

Step-3 → Reporting stage – Framing opinion

→ Evaluate whether
- → R.P trans./ ~~rel~~ relationship are appropriately accounted/ disclosed
- → Effects are not preventing from true & fair view on F.S.

} Unmodified opinion, if cause the mat. misstatement Qualified/ Adverse as per SA 705

* General Points

i) Obtain ~~WRL~~ WRL that mgt. disclosed all R.P. relationship/ transaction

ii) Communicate with TCWG related to all significant matters in relation to R.P.

iii) Documentation