



Mr. James M. Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017

**Subject: Proposed Revisions to International Standard on Auditing
No. 550 – RELATED PARTIES**

This letter provides the comments of the PSC Financial Audit Guidelines Subcommittee of the International Organization of Supreme Audit Institutions (INTOSAI) on the proposed revisions to International Standard on Auditing (ISA) No. 550 – *Related Parties*, issued December 2005. The Financial Audit Guidelines Subcommittee is comprised of experts from the Supreme Audit Institutions of Canada, Cameroon, Namibia, Norway, United States, United Kingdom and Sweden. The comments reflect the opinion of the experts. The Subcommittee also encourages the respective Supreme Audit Institutions to provide their own comments on proposed International Standards of Auditing.

We commend the International Auditing and Assurance Board (IAASB) for its proposal to enhance the current standard. A representative of the Financial Audit Guidelines Subcommittee participated in the development of the exposure draft.

Overall, we support the proposed standard. Special considerations in the audit of public sector entities have been dealt with appropriately. However we suggest the inclusion of the following additional guidance specific to audits in the public sector:

“Laws and regulations governing public sector bodies may lay down specific requirements in the conduct of business with related parties. Public sector auditors, as part of their wider responsibilities, may be mandated to examine and report on an entity’s compliance with such regulations, including business conducted with related parties. In applying the requirements of this ISA, public sector auditors have to consider legislative requirements which are applicable to public sector entities and employees in respect of related party transactions. Such legislation may prohibit entities and employees from entering into transactions with related parties. There may also be a requirement for public sector employees to declare their

interests in entities with which they transact on a professional or commercial basis. Where such legislative requirements exist, the audit procedures may need to be expanded to detect instances of non-compliance with these requirements”.

The suggestion above can preferably be included in the application material, under a special heading for public sector considerations (*considerations specific for public sector entities*).

We thank you for considering our comments on this important standard, and we welcome the opportunity to work with the IAASB to develop globally accepted auditing standards for use in both the public and private sectors.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Gert Jönsson', with a long horizontal flourish extending to the right.

Gert Jönsson
Deputy Auditor General

The Financial Audit Guidelines Subcommittee