|  |  |  |
| --- | --- | --- |
| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

# **Guidance (click to expand):**

Purpose

This document contains a list of all identified related parties, the nature of the relationships between the entity and these related parties; and if the entity entered into any transactions with these related parties during the period, the type and purpose of the transactions. The engagement team is also required to document related considerations mentioned in this documentation template.

Introduction

Related party is a party that is either:

1. A related party as defined in the applicable financial reporting framework; or
2. Where the applicable financial reporting framework establishes minimal or no related party requirements:
3. A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;
4. Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
5. Another entity that is under common control with the reporting entity through having:
6. Common controlling ownership;
7. Owners who are close family members; or
8. Common key management.

However, entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.

The existence of the following relationships may indicate the presence of control or significant influence:

1. Direct or indirect equity holdings or other financial interests in the entity.
2. The entity’s holdings of direct or indirect equity or other financial interests in other entities.
3. Being part of those charged with governance or key management (that is, those members of management who have the authority and responsibility for planning, directing and controlling the activities of the entity).
4. Being a close family member of any person referred to in (3).
5. Having a significant business relationship with any person referred to in (3).

Related parties, by virtue of their ability to exert control or significant influence, may be in a position to exert dominant influence over the entity or its management. Consideration of such behavior is relevant when identifying and assessing the risks of material misstatement due to fraud.

In some circumstances, a special-purpose entity may be a related party of the entity because the entity may in substance control it, even if the entity owns little or none of the special-purpose entity’s equity.

Identifying Related Parties

The auditor may obtain information regarding the entity’s related parties through inquiries of the management (including those conducted during acceptance and continuance phase). Management is likely to have a comprehensive list of related parties and changes from the prior period. For recurring engagements, making the inquiries provides a basis for comparing the information supplied by management with the auditor’s record of related parties noted in previous audits.

In pursuance of remaining alert throughout the audit for arrangements or other information indicative of the existence of related party relationships or transactions that were not previously identified or disclosed to the engagement team, the auditor may inspect following records or documents that may provide information about related party relationships and transactions, for example:

* Third-party confirmations obtained by the auditor (in addition to bank and legal confirmations).
* Minutes of meetings of shareholders and those charged with governance.
* Entity income tax returns.
* Information supplied by the entity to regulatory authorities.
* Shareholder registers to identify the entity’s principal shareholders.
* Statements of conflicts of interest from management and those charged with governance.
* Records of the entity’s investments and those of its pension plans.
* Contracts and agreements with key management or those charged with governance.
* Significant contracts and agreements not in the entity’s ordinary course of business.
* Specific invoices and correspondence from the entity’s professional advisors.
* Life insurance policies acquired by the entity.
* Significant contracts re-negotiated by the entity during the period.
* Reports of the internal audit function.
* Documents associated with the entity’s filings with a securities regulator (for example, prospectuses).

Examples of arrangements that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor include:

* Participation in unincorporated partnerships with other parties.
* Agreements for the provision of services to certain parties under terms and conditions that are outside the entity’s normal course of business.
* Guarantees and guarantor relationships.

Identification of Significant Transactions outside the Normal Course of Business

The auditor shall obtain further information on significant transactions outside the entity’s normal course of business, if any. Inquiring into the nature of the significant transactions outside the entity’s normal course of business involves obtaining an understanding of the business rationale of the transactions, and the terms and conditions under which these have been entered into. The auditor shall also inquire into whether related parties could be involved. A related party could be involved in a significant transaction outside the entity’s normal course of business not only by directly influencing the transaction through being a party to the transaction, but also by indirectly influencing it through an intermediary. Such influence may indicate the presence of a fraud risk factor. Examples of transactions outside the entity’s normal course of business may include:

* Complex equity transactions, such as corporate restructurings or acquisitions.
* Transactions with offshore entities in jurisdictions with weak corporate laws.
* The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
* Sales transactions with unusually large discounts or returns.
* Transactions with circular arrangements, for example, sales with a commitment to repurchase.
* Transactions under contracts whose terms are changed before expiry.

# **List of Related Parties**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S. No.** | **Name** | **Nature of relationship** | **Type and purpose of transactions entered into during the period** | **Was it previously identified or disclosed to us by the management?**  **Yes/No** |
| **1** |  |  |  |  |
| **2** |  |  |  |  |
| **3** |  |  |  |  |
| **4** |  |  |  |  |
| **5** |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Significant Transactions Outside the Normal Course of Business** | | |
| **S. no.** | **Nature of transaction** | **Does it involve related parties?**  **Yes/No** |
| **1** |  |  |
| **2** |  |  |
| **3** |  |  |
| **4** |  |  |
| **5** |  |  |