

December 15, 2009

Mr. Michael Glynn  
AICPA  
1211 Avenue of the Americas  
New York, N.Y. 10036-8775

By e-mail: mglynn@aicpa.org

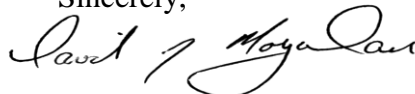
**Re: Proposed Statement on Auditing Standards, *Related Parties* (Redrafted)**

Dear Mr. Glynn:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Auditing Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Robert N. Waxman, Chair of the Auditing Standards Committee at (212) 755-3400, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David J. Moynihan  
President

Attachment



*Home of the Trusted Professional*  
3 park avenue, at 34th street, new york, ny 10016-5991  
212.719.8300 • fax 212.719.3364  
www.nysscpa.org

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON  
PROPOSED STATEMENT ON AUDITING STANDARDS  
RELATED PARTIES (REDRAFTED)**

**December 15, 2009**

**Principal Drafters**

**Mark Mycio**

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Ernest J. Markezin  
William R. Lalli

# **New York State Society of Certified Public Accountants**

## **Comments on**

### **Proposed Statement on Auditing Standards, *Related Parties* (Redrafted)**

The New York State Society of Certified Public Accountants is pleased to submit the following comments in response to the AICPA Auditing Standards Board's (ASB) request for comments on the proposed Statement on Auditing Standards, *Related Parties*. We support the ASB's efforts to clarify the standards on auditing.

We also support the Board's goal of converging its standards with the International Standards on Auditing (ISAs), and to limit divergences only to those for which compelling reasons exist.

Overall, we agree that this standard achieves the goal of clarity. However, as stated below, we have the following comments for the Board's consideration.

#### **General Comment on Convergence Aspect**

We note that ISA 550, *Related Parties*, includes a principles-based "base-line" within the definition of related parties that would apply even when an accounting framework establishes minimal or no related party accounting and disclosure requirements (See Basis for Conclusions: ISA 550: Revised and Redrafted). In contrast, this proposed standard chooses to define related parties entirely by reference to the operative generally accepted accounting principles (GAAP) framework (par. 10).

This approach has a direct bearing on how the objectives of the standard are achieved. Specifically, this could lead to divergence in the "recognize fraud risk" and "fair presentation" objectives. For purposes of pursuing those objectives, the auditor's scope under generally accepted auditing standards (GAAS) would be limited to the "related parties" as defined by the applicable accounting standards (which are primarily concerned with the "appropriately accounted for and disclosed" objective), while the auditor's scope under ISA 550 would, in principle, require consideration of a broader definition that is based on concepts of "control," "significant influence" and "common control."

We recognize that this expanded definition is effectively incorporated within US GAAP at the present time. However, we believe that to rely entirely on the accounting standard to define the concept of related parties for auditing purposes is not appropriate.

## **Responses to Specific Questions**

### **1. Are the objectives of the auditor appropriate?**

We believe that the auditor's objectives are appropriate. However, as noted in our general comment, we believe that the auditor's scope in pursuing these objectives may be limited by the way the Board chose to define related parties.

### **2. Are the revisions made to converge the existing standards with ISA 550 (Redrafted) appropriate?**

Yes.

### **3. Are the differences between the proposed SAS and ISA 550 (Redrafted) identified in the exhibit, and other language changes, appropriate?**

Please see our general comment, above. We believe that the proposed standard should incorporate a principals-based "base-line" within the definition of related parties similar to that which is presently in ISA 550.

### **4. Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?**

The guidance provided for auditors of smaller, less complex entities has been dealt with appropriately. However, we note that the standard does not specifically address the governmental environment. We believe that there are certain aspects of the governmental environment, such as transactions between component units and the government, among component units, and legislative control and resource-sharing that warrant specific consideration.