
INDEPENDENT REGULATORY BOARD FOR AUDITORS
COMMITTEE FOR AUDITING STANDARDS

IRBA Staff Audit Practice Alert 5:

The Auditor's Considerations with respect to Transaction that are not at Arm's Length

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The Independent Regulatory Board for Auditors' (IRBA) has today issued the *IRBA Staff Audit Practice Alert 5: The Auditor's Considerations with respect to Transactions that are not at Arm's Length* (IRBA Staff Audit Practice Alert) for use by registered auditor. This IRBA Staff Audit Practice Alert has been prepared by the parties linked to the Audit Client Task Group of the IRBA's Committee for Auditing Standards (CFAS).

Transactions that are not at arm's length may pose risks in an audit of the financial statements, because if such transactions are not identified by management and/or the auditor it could give rise to risks that are not addressed in the audit, and ultimately in misstatements in the financial statements. Auditors have thus called for guidance regarding the auditor's considerations with respect to transactions that are not at arm's length. Consequently, the IRBA has responded to the call.

Therefore, this IRBA Staff Audit Practice Alert serves to provide auditors with guidance and considerations to be made with respect to transactions that are not at arm's length, and the possible auditor's responses to the resulting audit risks.

This IRBA Staff Audit Practice Alert **does not constitute an authoritative pronouncement** from the IRBA, nor does it amend or override the International Standards on Auditing, South African Auditing Practice Statements or South African Guides (collectively called pronouncements). **Further, this IRBA Staff Audit Practice Alert is not meant to be exhaustive.** Reading it is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.

The IRBA Staff Audit Practice Alert is available in PDF format and may be downloaded from the IRBA website at www.irba.co.za. Should you have any further queries, please do not hesitate to contact the Standards Department by email at standards@irba.co.za.

Imran Vanker

Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

The statutory responsibilities of the CFAS are to assist the IRBA to develop, maintain, adopt, issue or prescribe auditing pronouncements; to consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information, where requested; and to promote and ensure the relevance of auditing pronouncements.