

Please note that the comments expressed herein are solely my personal views

Public Company Accounting Oversight Board  
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Actuary

15 May 2012

- **Release No. 2012-001**
- **PCAOB Rulemaking Docket Matter No. 038**
- **Proposed Auditing Standard, Related Parties, Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions, and Other Proposed Amendments to PCAOB Auditing Standards**

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Auditing Standard, Related Parties, Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions, and Other Proposed Amendments to PCAOB Auditing Standards. Concerning related parties you are proposing standards that would improve the auditor's evaluation of a company's identification of, accounting for, and disclosure of relationships and transactions between the company and its related parties.

I agree with you that: "The auditor's evaluation of a company's identification of, accounting for, and disclosure about its relationships and transactions with related parties is important to the protection of the interests of investors and to the preparation of informative, accurate, and independent audit reports."<sup>1</sup> I also support the proposed standards, which strike the right balance between principles and prescriptive requirements. I would only suggest that you could improve the completeness of section 20, which concerns "Communications with the Audit Committee".

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<sup>1</sup> See I. Introduction, in the proposed standards.

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I would specifically recommend that you add a point e. to the proposed standard, section 20, that would concern critical processes, as follows:

- e. Any judged shortfalls in processes in critical functions due to related parties or relationships or transactions with related parties that were previously undisclosed to the auditor, including governance, compliance, internal audit, risk management and legal, whether currently material or not.

I believe that this would be sufficient and complete in order that the auditor should communicate those significant matters arising from the audit regarding the company's relationships and transactions with related parties.

Yours faithfully

C.R.B.

Chris Barnard