

[Company Letterhead]

[Date]

To: The Board of Directors / Management

[Company Name]

[Company Address]

RE: MANAGEMENT LETTER ON NON-COMPLIANCE WITH RELATED PARTY DISCLOSURE FRAMEWORKS

Dear Sir/Madam,

During our audit/review of the financial statements for the period ended [Date], we identified specific instances of non-compliance regarding the identification and disclosure of related party transactions and balances. These requirements are governed by [Insert Applicable Standard, e.g., IAS 24 / FASB ASC 850].

1. Observation:

The following transactions or relationships were not adequately disclosed in the draft financial statements:

- [Insert specific transaction or entity name]
- [Insert specific transaction or entity name]

2. Risk:

Failure to disclose related party information may mislead stakeholders regarding the entity's financial position and results of operations. It further increases the risk of undisclosed conflicts of interest and non-compliance with statutory reporting requirements.

3. Recommendation:

We recommend that management:

- Update the Related Party Register to include all controlling parties, subsidiaries, and key management personnel.
- Implement a formal quarterly declaration process for directors and officers.
- Adjust the current financial statements to include the nature of the relationships, transaction amounts, and outstanding balances.

4. Management Response:

[Insert Management's explanation and planned corrective action here.]

Please feel free to contact us should you require further clarification on these matters.

Yours faithfully,

[Signature]

[Name of Auditor/Firm]

[Title]