Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

32nd SESSION

4 - 6 November 2015 Room XVIII, Palais des Nations, Geneva

Wednesday, 4 November 2015 Afternoon Session

Key foundations of high-quality reporting: International audit and assurance requirements and good practices in their implementation

Presented by

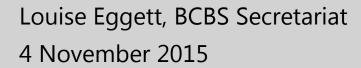
Louise Eggett
Secretariat
Basel Committee on Banking Supervision

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

BCBS perspective on ISAs and their implementation

Panel on "Key foundations of high quality reporting: International audit and assurance requirements and good practices on their implementation"

32nd session of UNCTAD ISAR







What is the Basel Committee?

- Basel Committee on Banking Supervision (BCBS)
- Mandate: strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability
 - Primary global standard-setter for prudential regulation of banks
 - Forum for cooperation on banking supervision
- Formed of supervisory agencies from 27 jurisdictions
- Chaired by Mr Stefan Ingves, Governor of Sveriges Riksbank
- Secretariat located at Bank of International Settlements in Basel, Switzerland

Role of ISAs

- BCBS committed to strong accounting and auditing standards at international level
 - Solvency and liquidity frameworks based on accounting frameworks
- Plays full role in standard-setting process and governance
- Highly supportive of ISAs
- Support IAASB's current strategy and work programme
 - Priority: supporting global financial stability



Efficient and consistent implementation

- a focus on banks
- Serious difficulties faced by banks in financial crisis, despite clean audit reports
 - Raised questions about audit expectation and audit quality
- Complexity in banks' activities and growth in disclosures creates evolving and challenging audit environment
- Complexity in application of current and expected new accounting standards, especially for financial instruments
 - Need for additional authoritative material to make bank audits more robust

BCBS materials – for banks and supervisors

- Revised BCBS guidelines on external audits of banks
 - Focus on audit quality
 - Enhanced supervisory expectations of auditors and audit committees
 - Communication with prudential regulators
- (Draft) BCBS guidelines on expected credit losses
 - Supervisory focus, but useful for auditors and audit regulators
 - Independent review of model validation processes
 - High risk areas: internal controls and disclosures
 - Communication with regulators





Improving consistency in bank audits

- BCBS suggestions:
 - Enhancing ISAs most relevant to bank audits
 - ISA 540
 - Also, for example, ISQC 1 and ISAs 250, 260, 315, 570, 620
 - Dedicated practice note for audits of banks
- IAASB work programme:
 - Special audit considerations relevant to financial institutions
 - Addressing financial statement disclosures
 - Liaison and dialogue with key stakeholders about audit quality
 - Financial Institutions Working Group

Good practices and lessons learned

- BCBS accounting and audit dialogue



Standard-setting

Enforcement

- Consistent methodology
- Emerging issues

Supervision

Review

- Consistent methodology
- Supervisor-auditor relationship

Application

- **Banks**: translation from standards into systems internal governance, unbiased and consistent reporting
- **Auditors**: pro-active involvement, professional scepticism, consistency within and between firms

Throughout the cycle:

outreach and structural dialogue



