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

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Afternoon Session

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

Presented by

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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

Louise Eggett, BCBS Secretariat

4 November 2015



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

