FSB FINANCIAL STABILITY BOARD

# Press release

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## FSB holds 2022 Roundtable on External Audit

The Financial Stability Board (FSB) held the 2022 Roundtable on External Audit on 1 – 2 June 2022 in Madrid, Spain. Margarita Delgado, Deputy Governor of the Banco de España, chaired the in-person meeting. Participants comprised senior representatives from FSB member authorities, regulatory standard-setting bodies, audit oversight bodies, the International Forum of Independent Audit Regulators (IFIAR), the Committee of European Auditing Oversight Bodies, the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and its oversight body the Public Interest Oversight Board, and the six largest global audit networks.

The discussion focused on ways to promote financial stability by enhancing public confidence in external audits. The issues covered included:

- Progress made by the global audit networks on achieving consistency of high-quality audits;
- Common issues and lessons learned on accounting and the audits of expected credit losses (ECL) in the COVID-19 environment relevant for 2022 and beyond;
- Preparedness for IFRS 17 Insurance Contracts implementation;
- Ways to enhance convergence in accounting requirements, such as on goodwill, and consistency in global valuation practices;
- The role of external auditors in relation to fraud and the need to bridge the expectations gap through stronger requirements in standards and enhanced transparency;
- The growing importance of robust audit, assurance and ethics standards for sustainability-related reporting; and
- Emerging issues in light of geopolitical and economic uncertainty.

Participants acknowledged the efforts made by the global audit networks on audit quality through improvements in audit methodologies and quality control management systems. While progress is being made, the level of audit inspections findings and recurrence of areas reflected in the 2021 IFIAR Inspection Findings Survey indicate the need for continuous sustained improvement in achieving consistency in the execution of high-quality audits.

Participants agreed on the need for auditors to continue challenging banks' application of ECL processes in changing economic conditions and noted the importance of auditors demonstrating heightened professional scepticism and challenging management judgments inherent in complex estimates. This would support authorities' ability to rely on the work of auditors to assess the reasonableness of accounting estimates.

Preparedness for insurers and related audits on IFRS 17 Insurance Contracts implementation remains critical and participants reinforced the expectation for timely and robust implementation in 2023.

Alongside sustainability and climate-related reporting standards, there is an important role for global audit and assurance standards to drive the reliability of disclosures and consistency in practices. Participants discussed the increasing interconnectedness with financial reporting. There was broad consensus on the need for robust audit, assurance and ethics standards to support this increased disclosure.

## Notes to editors

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.