

Press release

Press enquiries:
+41 76 350 8055

Press@bis.org

Ref no: 15/2012

15 March 2012

Enhancing the contribution of external audit to financial stability

At its Plenary meeting on 10 January, the FSB Plenary underscored the importance of work to improve the role that external audits play in providing information to prudential supervisors and regulators of financial institutions, and to reinforce the effectiveness of the regulation of external audits, particularly those of financial institutions.

The recent global financial crisis has demonstrated the importance of addressing these issues. Work to improve audit practices and standards is ongoing, with some regulators and auditing standard setters having issued finalised guidance on certain audit issues, and proposals in some other jurisdictions are subject to public consultation. In view of the global nature of markets, financial institutions and audit firms, greater international consistency in external audit practices and requirements will be important while continuing to promote their high quality.

In particular, the FSB encourages further work in the following areas:

1. Improving the information that external audits provide to prudential supervisors and regulators of financial institutions, including systemically important financial institutions (SIFIs). As part of this effort, the FSB will provide input to the Basel Committee's ongoing revision of its external audit policy papers and as it develops new robust external audit guidance, to be proposed by end-2012, and to the International Association of Insurance Supervisors as it updates and enhances its policies with respect to external audits of insurance companies.

2. Reinforcing the effectiveness of audit regulation, particularly for external audits of financial institutions, to improve audit quality. The FSB is requesting the International Forum of Independent Audit Regulators (IFIAR) to report on (i) challenges and problems that its members have identified in their inspection programmes relating to external audits of financial institutions, including audits of SIFIs; (ii) responses by IFIAR members to those issues, including follow-up with external audit firms; and (iii) member recommendations concerning steps that could be taken by audit regulators and auditors to further strengthen external audits of financial institutions.

The FSB also recognises the importance of other work underway to improve audit practices and standards and:

- encourages the continued efforts of the International Audit and Assurance Standards Board (IAASB), internationally, and other audit standard setters in their national contexts to improve the standards on information that external audits provide to investors and

other financial report users. The approaches set forth in various consultative documents differ across jurisdictions, and it will be important to seek high quality standards that enhance audit practices, and to the extent possible, improved international consistency. IOSCO has agreed to monitor developments in this area and provide updates to the FSB on progress.

- asks IOSCO to report to the FSB on authorities' experiences with the considerations in IOSCO's 2008 report on audit contingency planning.
- asks FSB members and other key bodies such as the IAASB, to provide input to the World Bank's review of how to enhance its Accounting and Auditing Reports on Standards and Codes (ROSCs).

Promoting high quality international accounting and auditing standards and practices is an important aspect of the FSB's activities. The FSB will continue to support dialogue between audit standards setters and regulators, investors, market regulators, prudential authorities, financial institutions and audit firms on improving the quality of external audit and its contribution to financial stability.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 is chaired by Mark Carney, Governor of the Bank of Canada. Its 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.financialstabilityboard.org