

## **Updates from Observers**

Representatives of IFIAR's official Observers provided updates on key developments and ongoing initiatives in their organizations. The **Basel Committee on Banking Supervision** (BCBS) representative, Mr. Nic van der Ende, summarized guidance to supervisors on external audits of banks, published in March 2014 (see <http://www.bis.org/publ/bcbs280.htm>). The BCBS informed the IAASB that it sees the need for improvements to the international standards on auditing. Banks' audit committees are an audience of the final guidance, which the BCBS sees as dove-tailing well with recent audit reforms approved in the European Union (EU). The **European Commission** representative, Ms. Nathalie Berger, summarized key elements of the EU's audit reform package, approved by the European Parliament in early April. Highlights include mandatory rotation of audit firms; a 'black list' of services that auditors may not provide to audit clients that are considered 'public interest entities'; a cap on audit-related services provided to audit clients over a three-year period; shareholder rights regarding auditor appointments/dismissal; the auditor's dialogue with the audited entity's supervisor; an expanded audit report and an additional report to the audit committee; and a strengthened role of the audit committee. Representing the **Financial Stability Board** (FSB), Mr. Richard Thorpe provided an update on a project begun in 2012 on external audit. The project involves dialogue with IFIAR on its survey of inspection findings, discussion with the audit firms on measures taken to improve audit performance, and consideration, in discussion with the BCBS, regarding communication between auditors and supervisors. The FSB also engages with the firms regarding enhanced risk disclosures and on a FSB project considering long-term investment. Ms. Julie Erhardt, Chair of **IOSCO's** Committee on Issuer Accounting, Audit and Disclosure (C1), discussed audit firm transparency reporting and provided an update with respect to C1's monitoring of, and response to, the consultation papers on strategy for both the IAASB and IESBA. C1's main areas of focus regarding the IAASB's strategy include sufficient, appropriate audit evidence, professional skepticism, and work of other auditors / group audits. The main focus regarding the IESBA's strategy include enforceability of the Ethics Code, clarity of what's expected in a standard, and the threats and safeguards approach. Finally, **Public Interest Oversight Board** (PIOB) Chairman Eddy Wymeersch described the PIOB's structure and approach to oversight, including observation – and, where needed, correction – of the balance between views expressed in standard-setting by representatives of the audit profession and other stakeholders; observation of meetings of committees nominating standard-setting board members; and tracking the disposition of Monitoring Group members' comments submitted in the standard-setting process.

The session included discussion between IFIAR Members and Observers on the Observer organizations' initiatives. IFIAR representatives expressed to Observers the

IFIAR Plenary Meeting April 7-9, 2014, Washington  
Breakout Session Summary: Updates from Observers

importance of IFIAR's relationship and dialogue with Observer organizations and IFIAR's keen interest in continuing and building upon such coordination.