



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

Chairman

**Via email:** jamesgunn@ifac.org

Mr James Gunn  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6th Floor  
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United States

4 April 2014

**Consultation paper: The IAASB's Proposed Strategy for 2015-2019, and The IAASB's Proposed Work Program for 2015-2016**

Dear Mr Gunn

The Basel Committee on Banking Supervision welcomes the opportunity to comment on *The IAASB's Proposed Strategy for 2015-2019*, and *The IAASB's Proposed Work Program for 2015-2016*. We continue to have a strong interest in external audit quality and independent audits of banks. The Committee supports the IAASB's efforts to obtain feedback on its proposed strategic plan.

The Committee has previously expressed concerns about the quality of banks' audits. Our most recent efforts in this area include the revision of supervisory guidelines for external audits of banks<sup>1</sup> ("the external audit guidance") and a March 2013 letter to your organisation with suggestions for areas where International Standards on Auditing ("ISAs") and the international standard on quality control could be enhanced.<sup>2</sup> Therefore, we welcome the IAASB's proposed strategy that reflects the need to enhance certain ISAs to improve audit quality and the proposed work programme, which includes special audit considerations relating to financial institutions as one of its key priorities.

In the Committee's March 2013 letter, we noted that there may be opportunities to enhance the IAASB's existing standards on quality control and in the exercising of professional scepticism by external auditors. We are pleased that these areas are included in the IAASB's proposed work programme as its key priorities. The letter also encourages the IAASB to enhance the existing ISAs in the following areas: fair value accounting estimates, loan loss provisioning and the going concern assessment. The Committee encourages the IAASB to consider these areas in its work on special audit considerations relevant to financial institutions. The Committee notes that the IAASB is already working on the audit of disclosures.

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<sup>1</sup> BCBS 2014 *External audits of banks*, available at [www.bis.org/publ/bcbs280.pdf](http://www.bis.org/publ/bcbs280.pdf)

<sup>2</sup> The Basel Committee's letter to the IAASB of 21 March 2013 is available at [www.bis.org/bcbs/commentletters/ifac45.pdf](http://www.bis.org/bcbs/commentletters/ifac45.pdf)

The Committee's recently published external audit guidance also sets out its expectations and recommendations for what constitutes a quality audit of a bank. We trust that this guidance will contribute to the IAASB's work in developing and maintaining ISAs.

The Committee welcomes further discussions with the IAASB and would be pleased to contribute to its efforts to enhance existing auditing standards and develop new standards relevant to audits of banks. In this regard, referring to the key stakeholders list on page 28 of the IAASB's proposed strategy, the Committee believes it should be included as one of the key stakeholders for ongoing dialogues with the IAASB.

This letter has been prepared by the Committee's Accounting Experts Group, which is chaired by Mr René van Wyk, Registrar of Banks, South African Reserve Bank. If you have any questions regarding the above comments, please feel free to contact Mr van Wyk (+27 12 313 3601) or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Stefan Ingves', with a stylized, cursive script.

Stefan Ingves