

4 April 2011

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

Tower 42
25 Old Broad Street
London EC2N 1HQ
United Kingdom
t + 44 (0) 20 7382 1770
f + 44 (0) 20 7382 1771
www.eba.europa.eu

Dear Madam or Sir

Proposed IAASB Strategy and Work Programme for 2012-2014

The European Banking Authority (EBA), which has come into being as of 1 January 2011, welcomes the opportunity to comment on the above proposals. The EBA has a strong interest in promoting sound and high quality audit practices supporting high quality corporate reporting which is a crucial element of market confidence and discipline. Hence the EBA also supports the IAASB's perspective on audit quality.

The comments below only take into account the specific perspective of banking supervisors and are limited to the questions raised regarding the strategy and work plan.

Question 15 a: Do the IAASB's three areas of strategic focus noted in paragraphs 7–11 remain appropriate?

The EBA considers it to be appropriate for the IAASB to focus on the three areas as laid out in the consultation paper:

- (a) Developing (and revising) standards (and pronouncements); with focus on, amongst others, standards that facilitate the effective operation of the world's capital markets, those that address demand for other assurance services, and those that address the needs of SMEs and SMPs;
- (b) Monitoring and facilitating adoption of those standards; and
- (c) Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.

Question 15 b: Does the list of anticipated projects likely to commence in 2012–2014 (Column B) adequately address issues currently facing the accounting and auditing professions?

With regard to the list of projects likely to commence in 2012-14, the EBA supports the priority of responding to findings of the ISA implementation monitoring project

in consultation with the IAASB CAG (Project B.1). The sound and consistent implementation of the clarified ISAs will enhance the confidence of banking supervisors in the audited financial statements. Therefore, we support the project's focus on, amongst other aspects, identifying and dealing with any areas where there may be inconsistent application of ISAs.

As credit institutions and investment firms may use assurance reports on service organisations (e.g. in the context of outsourcing activities), the EBA also sees merit in obtaining feedback from service organisations, service auditors, user entities, user auditors and others on their experiences with the implementation of ISAE 3402, Assurance Reports on Controls at a Service Organization (Project B.5).

The following projects noted for 2012-14 would not have a high priority from a banking supervisory view, though, if resources are available, Project B.2 would have a higher priority than B.3 and B.6:

B.2 Revise ISRS 4400, Engagements to Perform Agreed-upon Procedures Regarding Financial Information.

B.3 Determine whether to revise or withdraw ISAE 3400, The Examination of Prospective Financial Information.

B.6 Develop a publication explaining the benefits of adopting the ISAs, and consider whether other publications should be developed to further promote adoption and implementation of the IAASB's standards.

Question 15 c: The IAASB invites comments with respect to the additional projects (Column C).

With regard to additional possible projects for 2012-14 and considering the consequences of the financial crisis and the increased focus on the work of auditors of financial institutions and their relationship with supervisors (e.g. as part of the EU Green Paper), the EBA believes work on IAPS 1004 and IAPS 1006 (Project C.1) should be a high priority.

The EBA has recently updated its Guidebook on internal governance which, amongst other aspects, aims to enhance the oversight of the management body in its supervisory function and to strengthen the internal control framework in financial institutions. The Guidebook is based on Article 22 of directive 2006/48/EG and specifies the requirements regarding corporate structure, management body, risk management, internal control, transparency, systems and business continuity. The EBA therefore would see some merit in developing a new ISAE addressing assurance on corporate governance statements (C.5) and internal control (Project C.6). However, it may be challenging to develop an international standard given the way governance structures (Project C.5) can vary between jurisdictions as company laws are not harmonised (e.g. 1-tier and 2-tier board structures) and between different types of enterprise. The latter also applies to the control framework, as different types of business require different internal control frameworks. For credit institutions and investment firms, the implementation of

sound internal governance arrangement, including a sound internal control framework, is crucial.

Question 15 d: Are there additional actions or projects that respondents believe should be addressed, and, if so, how these should be prioritized in relation to the projects identified in Columns B and C?

Given the IASB is in the process of promulgating new accounting standards on areas such as loan loss provisioning and hedge accounting where the IASB is taking a more principles-based approach, it is likely there will be further challenges in the audit of these areas and the IAASB should consider whether there is a need for more audit guidance. This is referred to under current projects (A.5), but we would like to emphasise that this topic would have a high priority for us, as a high quality audit of these areas of financial reporting standards is a key issue for banking supervisors.

In general, we believe the IAASB agenda should remain flexible enough to react promptly to any need for revision of or additional audit/assurance guidance and standards.

If you have any questions regarding our comments, please feel free to contact Mr. Elbaum (+33.1.4292.5801) in his capacity as Chairman of the EBA Expert Group in charge of monitoring developments in the accounting and auditing area or Ms. Sucher (+44 20 7066 5644) in her capacity as Chairperson of the technical group that coordinated the response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrea Enria', written in a cursive style.

Andrea Enria
Chair, European Banking Authority