



**IBF SUBMISSION TO CENTRAL BANK OF IRELAND ON  
CONSULTATION PAPER 56: PROTOCOL BETWEEN THE CENTRAL BANK OF IRELAND AND  
THE AUDITORS OF REGULATED FINANCIAL SERVICE PROVIDERS  
'THE AUDITOR PROTOCOL'**

The Irish Banking Federation (IBF) welcomes the opportunity to respond to this Central Bank of Ireland (CBI) consultation and to offer practical views on how the consultation process with auditors might operate.

We recognise that greater engagement between supervisors of financial institutions and their auditors is an evolving process internationally and so we welcome the proposal to have an annual review of the Protocol.

### **General Observations**

Expectations of what an Auditor Protocol may achieve need to be tempered by an appreciation of the current legal and regulatory framework. This is primarily because the statutory duty of auditors in Ireland is limited.

Confidentiality among all parties, Central Bank, Auditors and relevant bank personnel is critical, especially given the nature of the topics for discussion.

Although auditors and the CBI will be operating to the highest professional standards, some IBF member banks have concerns about the legal basis for the sharing of information between the two parties. To ensure certainty in this area, it would be preferable, therefore, if the CBI would make available legal wording that can be inserted in banks' letters of engagement with auditors, to allow such information sharing (Appendix 1, Paragraph 7). Otherwise, if this is left up to the individual banks, it may involve many different approaches and varying legal opinions sought and received by many banks.

Whilst we welcome the bilateral meetings between the auditors and the Central Bank, we are concerned that there does not appear to be any mechanism for the Chief Executive or Chief Risk Officer of the financial institution to be briefed on the content of the meetings or to be given the opportunity to respond to issues raised. Will the contents of such meetings be covered in the External Auditors' Management Letter, and if not, how will the board and / or management be made aware of matters of continuing concern?

### **Clarifications**

To ensure effective operation of the Protocol, clarity of understanding by all parties will be important. Some additional explanations would be helpful in achieving this clarity.



Financial service providers / firms are to advise the CBI of the contact details of the relevant audit partner and advise the auditor of the lead CBI examiner (Appendix 1, Paragraph 4). Clarity on the proposed timescale would be appreciated for such initial communication by banks. In addition, what notification notice is required should either party, audit partner or lead examiner, change?

There is currently neither a clear definition of how auditors determine “significant judgement” under Appendix 1, Paragraph 13.iii, nor an explanation of the types of areas that would fall within the scope of such judgements. Further clarification of the CBI view would be appreciated here to ensure clarity of understanding and so that a similar interpretation is applied across all audit firms for all financial institutions.

The IBF is available to elaborate on any of these points if wished.

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