Amendment to FINMA Circular 2013/03 "Auditing"

Key points

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Key points

1. The amendment of FINMA Circular 13/3 "Auditing" aligns regulatory audits more closely to risks and provides a framework for an improved efficiency. Giving audit procedures a sharper focus on substantive issues will maintain an appropriate level of protection and improve the quality of audit findings. Regulatory audits will be adapted to the risk situation of supervised institutions and, in a forward-looking manner, to the prospective challenges that these institutions could face in the future. Changes will in particular affect banks and securities dealers as well as infrastructure providers and CISA-relevant supervised institutions.

2. FINMA will play a more instrumental role in defining audit strategy in the future, especially as concerns banks in supervisory categories 1 and 2 and selected CISA-relevant supervised institutions in category 4. In these cases, audit strategy will be defined through consultations between FINMA and audit firms.

3. Supervised institutions in categories 4 and 5 will require less frequent audits provided that they do not demonstrate high risk exposure or material weaknesses. Such institutions will no longer be subject to annual regulatory audits.

4. The standard audit strategy for institutions in categories 3 to 5 is being adapted so that, in cases of medium risk, the basic requirement for an audit procedure in the corresponding audit area would be every six years, instead of three years at the moment. It is planned that high-risk audit areas will require audit procedures every three years as opposed to annually at the moment. Where risks are rated “very high”, annual audits will continue to take place. Audit procedures in low-risk areas will not generally be required.

5. Audit firms will have additional scope for utilising the findings of internal auditors, in particular for supplementing knowledge during the risk analysis process and for coordinating audit strategies and procedures within the scope of defined audit areas and items. The restriction whereby audit firms are not authorised, in a specific audit area, to rely on the internal audit findings for two successive audit cycles will no longer apply.

6. Reporting from the perspective of the regulatory audit will place the focus on reportable irregularities and recommendations. Classifications of irregularities and recommendations according to the “high, medium, low” framework will be applied more fully across all business areas.

7. Under the audit strategy, audit firms must also submit a cost estimate for planned audit procedures.

8. Rules governing which other services are incompatible with the assignment of audit contracts will be more clearly defined. Consequently, the related FAQs will be invalidated.