



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

CEAOB

Work Programme

2019

CEAOB 2018-021
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I. Introduction

As the CEOB moves on from the establishment phase, its focus in 2019 will shift towards an intensified exchange of information and experience among the members as well as towards more external output. The 2019 work programme is built on four pillar objectives. The different work streams will support these four objectives. The work programme takes into account that the majority of work streams and tasks have ongoing activities and have to be carried forward into future years. Therefore, longer term considerations have been included. This will also be reflected in the individual sub-groups Work Plans. In addition, the economic and political environment in which the CEOB is operating has been factored into its work more prominently.

II. Objectives

The overall objective of the CEOB's work is to consistently support audit quality and consequently to keep and increase confidence and trust of investors and the broader public in financial reporting in the European Union. The auditor supervision on a national level and the audit firms' operations on an EU and global level needs to be addressed by providing a practical, consistent and comprehensive platform for cooperation of audit regulators under the CEOB framework. To ensure this, the activities of the CEOB have been designed to reflect our four objectives:

1. **Cooperation:** Active participation of all CEOB members and observers ensures that the cooperation within the CEOB is based on intensive sharing of experience, knowledge and information as well as other forms of internal cooperation. The development of common understanding, methodologies and practices throughout the various oversight activities will increase its impact on audit quality.
2. **Communication:** The CEOB and its members are acting in the public interest, thus the transparency of the CEOB's work and the dialogue and cooperation with external parties is a key aspect of its activities. This is crucial for the public perception of audit regulators work and their impact on the audit market. External communication and interaction with a broad range of stakeholders will increase awareness on the importance of high quality audits and will facilitate the stakeholders' commitment to this goal, especially in its engagement with Audit committees.
3. **Interconnectivity:** Given the interconnectivity of economies worldwide and the global operations of audit networks as well as of their clients, it is of the utmost importance that audit regulators are cooperating at the same level. In order to ensure a high standard of statutory audit not only in the EU but also globally, the CEOB will contribute to a sound cooperation between European and third country audit regulators.
4. **Monitoring:** The work of the CEOB takes place in a challenging political and economic environment and more specifically in a changing and complex audit environment. The specific risks and changes of the audit and financial markets in Europe need to be continually assessed and taken into consideration in the CEOB's work. Analysis of the environment and identification of possible risks is crucial to anticipate developments and to react adequately and effectively in view of the protection of the public interest in the long term.

1. Cooperation

Active participation of all CEAOB members and observers ensures that the cooperation within the CEAOB is based on intensive sharing of experience, knowledge and information as well as other forms of internal cooperation. The development of common understanding, methodologies and practices throughout the various oversight activities will increase its impact on audit quality.

By facilitating the exchange of information, experience, expertise and best practices amongst European auditor oversight bodies, a solid basis for cooperation and consistency is established. This cooperation takes place mainly in the following areas:

- a. Implementation of the Audit Regulation and Directive (ARD)
 - i. Sharing experience and best practice regarding the transposition and implementation of the ARD.
 - ii. Providing advice to the Commission and members upon request regarding the implementation and interpretation of the ARD with the aim to reach a common approach wherever possible, in particular regarding provisions with cross-border effects. For this purpose it is planned to use and further develop arrangements to ensure that questions of CEAOB members related to the implementation of the Regulation and Directive are dealt with quickly and in a consistent manner, including the use of the internal forum on the Wiki platform and the assistance of the internal Review Team.
 - iii. Developing guidelines and thought papers for its members regarding auditor oversight and the application of the legal framework.
- b. Inspection-related activities
 - i. Continuing to share and discuss inspection findings through analysis of the inspection findings database
 - ii. Sharing inspection findings and practices regarding Financial Services, IT and smaller regulators in the relevant Task Forces
 - iii. Continuing to develop the Common Audit Inspection Methodology (CAIM) and share individual inspection approaches
 - iv. Reviewing the use of data analytics and off-shoring by the firms
 - v. Sharing experiences regarding coordinated quality assurance reviews between members and of joint inspections with third countries.
 - vi. Exploring training needs for inspectors and the means of increased interaction among members.
- c. Enforcement-related activities
 - i. Conduct surveys regarding specific issues in the area of enforcement, including administrative measures and sanctions as

well as the state of the administrative and disciplinary regimes in the member states

- ii. Improve the understanding of the investigation and sanctioning regimes in EU member states through regular exchanges and case studies.
- d. Standard-related activities
- i. Discuss relevant standards related issues regarding the application of EU regulations and directives on auditing matters
 - ii. Discuss impact of differences identified between ISAs and EU or national provisions applicable in the EU
 - iii. Analyse the CEAOB database inspection findings pointing to deficiencies in auditing standards used
 - iv. Examine the Monitoring Group's proposals on reform of the process for elaboration of International Standards on Auditing
- e. Provision of a framework for discussing wider issues beyond the scope of individual sub-groups and facilitate the work between the sub-groups
- f. Identify and analyze trends, potential risks and vulnerabilities relevant to auditor oversight

2. Communication

The CEAOB and its members are acting in the public interest, thus the transparency of the CEAOB's work and the dialogue and cooperation with external parties is a key aspect of its activities. This is crucial for the public perception of audit regulators work and their impact on the audit market. External communication and interaction with a broad range of stakeholders will increase awareness on the importance of high quality audits and will facilitate the stakeholders' commitment to this goal, especially in its engagement with Audit committees.

This communication will take place mainly through the following means:

- a. Communication with external stakeholders: The CEAOB will continue to seek dialogue with relevant external parties based on its stakeholder outreach and communications strategy and additional internal discussions. When selecting specific stakeholders to engage with, the CEAOB will look for a good mix of persons and organisations from various backgrounds to ensure that the exchange will lead to a comprehensive reflection of stakeholder needs and considerations. In that spirit, the CEAOB will strive to seek a dialogue mainly, but not exclusively, with the following stakeholder groups in 2019:
 - Groups and associations representing Audit Committees, Audit Committee Chairs and investors
 - Auditors, Audit firms (including the largest EU networks) as well as professional bodies and related organisations
 - International Forum of Independent Audit Regulators (IFIAR)
 - Auditing and Ethical Standard Setters
 - Banking/insurance regulators and other related organisations
 - Representatives from academia
- b. Publication of guidelines and thought papers: CEAOB will continue to explore opportunities for providing guidance regarding its understanding of the legal framework and the role of auditor oversight bodies. Taking into consideration which topics are most likely to have an impact on the audit environment in terms of a consistent understanding and application of the ARD, the CEAOB will publish non-binding guidelines or opinions on specific topics, where appropriate.
- c. By seeking opportunities whenever possible to be transparent regarding the conclusions it draws from its work and cooperation (e.g. by issuing comment letters, analyzing the inspection findings data base).
- d. By liaising with standards setters and providing comments on relevant projects under the lead of the International Auditing Standards sub-group.

- e. Through the annual joint meeting with the ESRB and auditors of G-SIFIs as required by the EU Audit Regulation.
- f. Through communication with audit firms and discussion of their audit quality initiatives.
- g. By interacting with the colleges of competent authorities regarding specific audit firm networks which are established pursuant to Art. 32 of the Audit Regulation.
- h. Issue aggregated information regarding administrative measures and sanctions pursuant to Art. 30f (1) of the Audit Directive.

3. Interconnectivity

Given the interconnectivity of economies worldwide and the global operations of audit networks as well as of their clients, it is of the utmost importance that audit regulators are cooperating at the same level. In order to ensure a high standard of statutory audit not only in the EU but also globally, the CEAOB will contribute to a sound cooperation between European and third country audit regulators.

Regarding this level of cooperation, the CEAOB intends to

- a. Take the next steps following the analysis of the impact of the new EU audit regulatory framework on the equivalence and adequacy assessments, including technical assessments based on predetermined priorities. These priorities will be established in consultation with the EU Commission.
- b. Explore ways how to provide guidance to the members to support them in their bilateral interactions with third countries, including guidelines on cooperation agreements and exchange of information as well as aspects surrounding the implementation of the General Data Protection Regulation (GDPR).
- c. Have a particular focus on the developments surrounding the UK leaving the EU ("Brexit") and the implications for the national competent authorities tasked with audit regulation and the CEAOB.
- d. Coordinate on interactions with third country regulators, e.g. in the area of inspections.

4. Monitoring

The work of the CEAOB takes place in a challenging political and economic environment and more specifically in a changing and complex audit environment. The specific risks and changes of the audit and financial markets in Europe need to be continually assessed and taken into consideration in the CEAOB's work. Analysis of the environment and identification of possible risks will be crucial to anticipate developments and to react adequately and effectively in view of the protection of the public interest in the long term.

In this area, the CEAOB's main role will be to

- a. Monitor audit markets and audit quality by collecting data in member states,
- b. Support cooperation, in particular the sharing of experience, amongst national competent authorities regarding the monitoring of developments in the national audit markets including the risks arising from high incidences of audit quality deficiencies and the discussion of mitigating measures,
- c. Share and discuss other shortcomings and adverse developments in the audit market, in particular if these events are potentially of an EU dimension.

III. Longer term Outlook

One of the most important and constant work streams of the CEOB is the exchange of information, expertise and best practices for the implementation of the ARD which takes place both on plenary and sub-group level. However, as the work of the CEOB progresses after its establishment phase with the increasing experience of the members, the focus will shift more towards the CEOB's external impact. Similarly, the common understanding on crucial topics related to auditor oversight in the EU is bound to increase. The CEOB will therefore strive to exert more influence wherever possible.

In terms of a longer term planning which goes beyond 2019, the following topics and work streams are envisaged to have a growing impact on audit quality and may therefore become more prominent aspects in the work of the CEOB:

- Further exploration of developments in the audit market and the environment in which auditors operate, including potential influences on audit quality.
- Intensification of stakeholder engagement to explore and understand better their expectations and concerns and increase cooperation within the auditor oversight sphere
- Further improvements in external communication of the CEOB (for example by the use of the website and/or social media, where appropriate)
- Exploration of new areas of cooperation (for example educational qualifications, strategies on oversight of professional bodies)
- Analysis of the impact of new audit tools and technologies on audit quality and auditor oversight as well as cyber security risks.

IV. Summary

Planned activities	Output	Lead
<u>1. Cooperation</u>		
<i>Implementation of the ARD</i>	Sharing experience and best practice regarding the transposition and the implementation of the ARD	CEAOB
	Providing advice to the EU Commission and members upon request, including via the Wiki	CEAOB
	Developing guidelines and thought papers for its members	CEAOB
<i>Inspection-related activities</i>	Sharing, discussing and analyzing inspection findings (through database)	Inspection SG
	Further develop CAIM	Inspection SG
	Exploring consequences of means such as data analytics and off-shoring on audit quality	Inspection SG
	Identify specific issues of inspections of financial services, IT and smaller regulators	Inspection SG
	Sharing experiences regarding coordinated quality assurance reviews between members	Inspection SG
	Exploring training needs for inspectors and means of increased interaction among members	Inspection SG
<i>Enforcement-related activities</i>	Conduct surveys regarding specific issues, including administrative measures and sanctions as well as the administrative and disciplinary regimes in the member states	Enforcement SG
	Prepare the issuing of aggregated information regarding administrative measures and sanctions (see under Communication)	Enforcement SG
<i>Standard-related activities</i>	Discuss standards-related issues regarding the application of the EU framework on auditing matters	ISA SG
	Discuss impact of differences identified between ISAs and EU	ISA SG
	Use the inspection findings database to identify any findings that point to deficiencies in auditing standards	ISA SG
	Examine the Monitoring Group's proposal on the reform of the standard setting process	ISA SG
<i>Other</i>	Provide a framework for discussion of wider,	CEAOB/Sub-

	cross-cutting issues between sub-groups and facilitate their cooperation	groups
	Identify and analyze trends, risks and vulnerabilities relevant to auditor oversight	CEAOB
<u>2. Communication</u>	Communication with external stakeholders	CEAOB
	Publication of guidelines and thought papers	CEAOB
	Issue comment letters regarding the conclusion drawn from its work	CEAOB
	Liaising with standard setters	ISA SG/ Inspection SG
	Hold joint meeting with ESRB/Auditors of G-SIFs	CEAOB
	Communication with audit firms and discussion of their audit quality initiatives	Inspection SG/CEAOB
	Interacting with Colleges of competent authorities (Art. 32 of the Audit Regulation)	Inspection SG
	Issue aggregated information regarding administrative measures and sanctions pursuant to Art. 30f (1) of the Audit Directive	Enforcement SG/CEAOB
<u>3. Interconnectivity</u>	Technical assessments of third countries to determine adequacy and equivalence	E&A SG
	Explore possible guidance for members in their bilateral interactions with third countries	E&A SG
	Look at developments and consequences of “Brexit” and potential consequences for national competent authorities and the CAO	CEAOB/E&A SG
	Coordinate on interactions with third country regulators	E&A SG/Inspection SG
<u>4. Monitoring</u>	Monitor audit market and audit quality	Market Monitoring SG
	Support cooperation regarding monitoring of developments in the national audit markets	Market Monitoring SG/ CAO
	Share and discuss shortcomings and adverse developments in the audit market	Market Monitoring SG/ CAO

V. Work plans of the CEAOB sub-groups for 2019

- International equivalence and adequacy sub-group - work plan 2019:
https://ec.europa.eu/info/files/ceaob-subgroups-2019-equivalence-work-plan_en
- International auditing standards sub-group - work plan 2019:
https://ec.europa.eu/info/files/ceaob-subgroups-2019-auditing-work-plan_en
- Enforcement sub-group - work plan 2019:
https://ec.europa.eu/info/files/ceaob-subgroups-2019-enforcement-work-plan_en
- Inspections sub-group - work plan 2019:
https://ec.europa.eu/info/files/ceaob-subgroups-2019-inspections-work-plan_en
- Market monitoring sub-group - work plan 2019:
https://ec.europa.eu/info/files/ceaob-subgroups-2019-monitoring-work-plan_en