



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

CEAOB 2022-034
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CEAOB Work Programme 2023

I. Introduction

In June 2021 the CEAOB plenary approved a revised mission statement which is accompanied by both an explanatory note and a description of core strategies:

The mission

The CEAOB fosters convergence of practice by European audit regulators and the improvement of audit quality in Europe in order to further trust in informative, reliable, and independent audit reports

II. Core strategies

The essence of CEAOB's mission is to foster convergence of practice by European audit regulators and the improvement of audit quality in Europe in order to further trust in informative, reliable, and independent audit reports.

In order to fulfil this mission, the CEAOB supports the development of expertise in its members, it fosters sharing of experience and expertise, and it contributes to EU policy matters involving audit firms and audit quality.

The CEAOB has adopted four core strategies to fulfil this mission:

1. **Harmonising regulatory approaches**
2. **Sharing expertise and experience**
3. **Contributing to EU policy on the future of statutory audit and other assurance**
4. **Contributing to policy making via regular dialogue with international standard setters**

The Work programme of the CEAOB and the Work plans of its Sub-groups have been aligned with this description of the CEAOB's core strategies.

III. Harmonising regulatory approaches

Developing a common understanding and common responses related to audit regulation and audit standards is at the heart of the CEAOB's mission. It forms the basis upon which members of the CEAOB can build harmonised approaches and promote best practices.

In addition to the above, given the interconnectivity of economies worldwide and the global operations of audit networks and their clients, high quality audit is needed globally. It is

therefore important that audit regulators work together in order to assess the quality of statutory audits performed outside the EU. Cooperation with third-country audit regulators is dependent on decisions from the European Commission on the equivalence and adequacy of third-country audit regulatory frameworks. The CEAOB will contribute to a sound cooperation between European and third country audit regulators by performing technical analyses of foreign regulatory frameworks upon request of the Commission and by its follow-up of developments in the regulatory frameworks for which equivalence and adequacy decisions are in place.

In order to achieve harmonisation of regulatory approaches, the CEAOB members and observers are invited to actively participate in the sub-groups and work streams where practice is compared to the applicable regulatory framework. This encompasses the following areas:

- a. The EU Audit Regulation and Directive (ARD)
- b. Auditing standards and ethical and independence rules
- c. Cooperation with third country regulators
- d. Third country auditors
- e. Other

a. The EU Audit Regulation and Directive (ARD)

The CEAOB has set up an internal forum (an online platform) and a Review Team the aim of which is to discuss issues emerging from the application of the EU regulatory framework and identify whether there is a need to provide guidance/clarification. The CEAOB will continue to explore opportunities for providing guidance regarding its understanding of the legal framework and the role of audit 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.

b. Auditing standards and ethical and independence rules

The CEAOB organises the development of common understanding and responses related to standards and facilitates the promotion of best practices which contribute to harmonising audit quality. Members discuss relevant standards related issues regarding the application of EU regulations and directives that deal with audit matters. The results of inspections are discussed among members from different analysis perspectives, and Common Audit Inspection Methodologies (CAIM) are developed. It also discusses the impact of differences identified between ISAs and EU or national provisions applicable in the Member States.

c. Cooperation with third country regulators

The CEAOB promotes common understanding and responses related to the European regime on equivalence and adequacy of third-country audit regulatory frameworks. It fosters consistency in the way members of the CEAOB cooperate with regulators outside the EU.

d. Third country auditors

The CEAOB fosters joint understanding of the third country auditor registration process.

e. Other

The CEAOB contributes to further harmonising regulatory approaches by providing transparency about its work and cooperation (e.g., by the publication of CAIM and infographics). The CEAOB may also issue one-off communications on emerging issues or issues that its members see as critical to audit quality. Such communication could take the form of technical alerts as had been done in 2020 in the context of the Covid-19 pandemic.

IV. Sharing expertise and experience

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. The overall objective is to support the development of expertise in the CEAOB members and achieve a high degree of convergence regarding the work of the audit regulators.

Sharing expertise and experience is key to the members of the CEAOB and to observers. It is at the core of all their activities. The following areas are of particular relevance for this CEAOB core strategy:

- a. Inspection-related activities
- b. Enforcement-related activities
- c. Training needs
- d. Coordination and dialogue between the CEAOB sub-groups and with other regulators
- e. Cooperation with third country regulators
- f. Dialogue with the largest European networks of audit firms
- g. Other

a. Inspection-related activities

The CEAOB will contribute to further improving expertise within its members. In order to reach this goal, it will build on the inspection findings database, and on meetings of the Inspection sub-group where inspection approaches are discussed. The Financial Services Task force and IT Task Force will continue to support members in their respective fields of expertise. Members will continue to explore secondment opportunities or ways to benefit from peer support by way of expert advice. The CEAOB will support any plans from members to perform coordinated inspections of members of a same network.

b. Enforcement-related activities

The CEAOB will conduct its annual survey 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. The members of the sub-group will further improve their understanding of the investigation and

sanctioning regimes in EU Member States through regular discussions and case studies.

c. Training needs

The recently created Training task force will explore training needs for members' teams and ways to improve interactions among members, e.g., by sharing experiences and by exploring secondment opportunities.

d. Coordination and dialogue between the CEAOB sub-groups and with other regulators

The CEAOB will continue discussing wider issues that are beyond the scope of individual sub-groups and facilitate the work between the sub-groups. The continued collaboration between the Inspection sub-group and the International Auditing Standards sub-group will allow high quality interactions with the standards setters. The on-going cooperation between the Inspection sub-group and the Market Monitoring sub-group will help prepare an analysis on audit quality market monitoring indicators which will constitute an important item in the market monitoring report. Continued cooperation with European authorities and with institutions such as the Financial Stability Board and the European Systemic Risk Board informs members of the CEAOB about trends and risks which may have an impact on audit quality.

e. Cooperation with third-country regulators

The CEAOB will further explore ways how to provide guidance to the members to support them in their bilateral interactions with third-country regulators, including guidelines on cooperation agreements and exchange of information as well as aspects surrounding the application of the General Data Protection Regulation (GDPR). Members will continue to share experiences regarding joint inspections with third country regulators.

f. Dialogue with the largest European networks of audit firms

Regarding the largest networks, pursuant to Art. 32 of the Audit Regulation, the CEAOB is interacting with them via the colleges of competent authorities. The CEAOB will continue on-going work, including reviewing the use they make of data analytics and their level of off-shoring. The CEAOB will further discuss with them their audit quality initiatives. Following the invasion of Ukraine, the CEAOB will also further its discussions with the largest firms about measures put in place to comply with international sanctions taken against Russia, various organisations and natural persons. The CEAOB will also monitor any developments which could result in large divestments (or investments) in the largest firms' portfolios of activities.

g. Other

The CEAOB will support cooperation, in particular the sharing of experience and information, amongst national competent authorities regarding the monitoring of developments in the national audit markets. The Secretariat and members will share any information gathered from third parties (media, whistle-blower, etc.) which might be related to suspected fraud, conflict of interest or deficiencies which could have an impact on the audit of a public interest entity. Where significant audit quality deficiencies arise, the CEAOB will invite members to discuss root causes and

mitigating measures. The CEAOB and members will monitor and analyse trends, potential risks and vulnerabilities relevant to auditor oversight, as well as other shortcomings and adverse developments in the audit market, in order to determine if and how the CEAOB should react to these.

V. Contributing to EU policy on the future of statutory audit and other assurance

According to Article 30 of Regulation (EU) No 537/2014, the CEAOB is to advise the European Commission on issues related to the audit regulation. Since its creation in 2016, one of the most important and constant work streams of the CEAOB has been the exchange of information, expertise and best practices for the application of the existing regulatory framework. However, as time passes, it is good governance to undergo a “sanity check” to make sure that the existing regulatory framework continues to meet the needs of its various stakeholders. For this purpose, over the last couple of years the European Commission launched several studies and public consultations. The CEAOB intends to contribute to a potential revision of the regulatory framework. In view of this, a dedicated task force has been working, together with the CEAOB sub-groups, with the objective to make proposals for improving the existing regulatory framework. The CEAOB also notes that regulatory changes are about to be implemented, which eventually, as is the case with the CSRD, will require other sorts of assurance than assurance on financial reporting.

The following areas are of particular relevance for this CEAOB core strategy:

- a. Providing information on the implementation of the regulatory framework
- b. Providing information on the audit market in the EU
- c. Making proposals for potential improvements to the regulatory framework (ARD)
- d. Contributing to the implementation of the Corporate Sustainability Reporting Directive (CSRD)
- e. Dialogue with stakeholders

a. Providing information on the implementation of the regulatory framework

The CEAOB will provide information on the way the existing regulatory framework is implemented. In particular, in compliance with Art. 30f (1) of the Audit Directive, the CEAOB will issue aggregated information regarding administrative measures and sanctions imposed on auditors.

b. Providing information on the audit market in the EU

The CEAOB will continue to collect and analyse data from Member States, including data on audit markets, audit quality and audit committees in order to contribute to the drafting of the European Commission Market monitoring report.

c. Making proposals for potential improvements to the regulatory framework (ARD)

In 2022 the CEAOB has set up a task force which aim is to identify issues with the application of the existing regulatory framework and make proposals for potential future improvements in the regulation. While the 31st December 2022 has been set as the end-

date for this task force, if needed, the members of the CEAOB may decide to re-activate this task force.

d. Contributing to the implementation of the Corporate Sustainability Reporting Directive (CSRD)

In 2022 EFRAG granted the CEAOB two observer seats at its Sustainability Reporting Board and Technical Expert Group. In 2023 the CEAOB will pursue its involvement in this strategic project and will share its expertise in assurance matters.

e. Dialogue with stakeholders

The CEAOB will continue to seek dialogue with relevant external parties based on its stakeholder outreach and communications strategy and additional internal discussions, specifically with a view to understanding the public's expectations regarding its work. 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 2023:

- 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,
- Auditing and Ethical Standard Setters,
- Banking/insurance regulators and other related organisations,
- Representatives from academia.

VI. Contributing to policy making via regular dialogue with international standard setters

Though international auditing standards have not been adopted by the European Commission, they form the basis of many auditing standard requirements in the EU. Therefore it is important for audit regulators in the EU to maintain a regular dialogue with the International Audit and Assurance Standards Board (IAASB). Similarly, even though the European regulatory framework has its own ethical requirements, liaising with the International Ethics Standards Board for Accountants (IESBA) is necessary.

With 27 members and three observers the CEAOB is able to collect and analyse a large number of situations encountered by inspection teams and enforcers. It is therefore particularly relevant to provide feedback to the global standard-setters.

The following areas are of particular relevance for this CEAOB core strategy:

- a. Liaise with standards setters and provide comments on relevant projects under the leadership of the International Auditing Standards sub-group.
- b. Discuss developments in current IAASB projects and determine whether and when the CEAOB should engage on selected issues.

- c. Analyse the CEAOB database inspection findings pointing to deficiencies in auditing standards used.

VII. Longer term Outlook

One of the most important and constant work streams of the CEAOB is the exchange of information, expertise, and best practices for the application of the ARD that takes place both at plenary and sub-group level. However, as illustrated by the CSRD, the need for assurance on new matters is likely to further grow. This may mean new missions and new responsibilities for the CEAOB and its members. The CEAOB will therefore need to be alert to new regulatory developments.

A longer-term planning which goes beyond 2023, could include the following topics and work streams:

- Discuss the link between enforcement and audit quality
- Contribute to the development of the auditor oversight system in the EU
- Explore the functioning, effectiveness and robustness of the enforcement and sanctioning systems in Member States
- Examine the enforceability of International Auditing Standards through investigations
- Prepare for strategic changes in the audit profession as regards the revision of the Audit Directive and Regulation and the Corporate Sustainability Reporting Directive and the additional role auditors may have to play in relation
- Refine the current data gathering tools and where appropriate utilise external sources
- Further improve the CEAOB's communication
- Explore new areas of cooperation

V. Summary

Planned activities	Output	Lead
<u>1. Harmonising regulatory approaches</u>		
	Publication of guidelines	CEAOB
<i>Inspection-related activities</i>	Sharing and discussing inspection findings through analysis of the Findings Database	Inspection SG
	Consistency of inspection methodology: CAIM development and update (CAIM TF)	Inspection SG
	Update from Financial Services task-force (FSTF)	Inspection SG
	Update from IT task-force (ITTF)	Inspection SG
<i>International Equivalence and Adequacy activities</i>	Promotion of common understanding and responses related to the European regime on equivalence and adequacy of third-country audit regulatory frameworks	IE&A SG
	Explore guidelines on the content of cooperation agreements and exchange of information with third-country competent authorities under Article 36 of the Audit Regulation and its articulation with the cooperative and working arrangements under Articles 46 and 47 of the Audit Directive	IE&A SG
	Discuss on the current third country legal framework, in particular Articles 45 and 46, its ambiguities and limitations, and assess potential improvements in the Audit Directive and Regulation on equivalence and adequacy matters	IE&A SG
	Assess the impact of the Corporate Sustainability Reporting Directive (CSRD) on the equivalence and adequacy regime	IE&A SG
<i>Market Monitoring-related activities</i>	Collect and share information, expertise, and best practices among competent authorities regarding audit activities	Market Monitoring SG
<i>Standard-related activities</i>	Discuss relevant standards related issues regarding the application of EU	IAS SG

Planned activities	Output	Lead
	regulations and directives (including proposals) and assess whether the CEAOB should engage in further action	
	Share information on members' standard setting initiatives on auditing matters and determine whether the CEAOB should engage in further action	IAS SG
	Analyse inspection findings of the CEAOB data base pointing to deficiencies in standards	IAS SG
	Obtain feedback on the implementation of the Monitoring Group's reform, including on the process for elaboration of standards by IAASB and IESBA	IAS SG
<u>2. Sharing expertise and experience</u>		
	Communication with external stakeholders	CEAOB
	Publication of technical alerts	CEAOB
	Publication of thought papers	CEAOB
	Holding joint meeting with ESRB/Auditors of G-SIFIs	CEAOB
	Sharing experience and best practice regarding the transposition and the application of the ARD	CEAOB
	Providing advice to the EU Commission and members upon request, including via the Wiki	CEAOB
	Members notify each other of temporary prohibitions on an ongoing basis	CEAOB Members
	Communication with audit firms and discussion on their audit quality initiatives	CEAOB/Inspection SG
	Provide a framework for discussion of wider, cross-cutting issues between sub-groups and facilitate their cooperation	CEAOB/Sub-groups
	Regular liaison with ESAs on relevant topics of common interest	CEAOB/Sub-groups

Planned activities	Output	Lead
	Identify and analyse trends, risks, and vulnerabilities relevant to auditor oversight	CEAOB/Sub-groups
<i>Enforcement-related activities</i>	Learn and understand the enforcement and sanctioning regimes in the EU member states. Exchange of information through a workshop or webinar	Enforcement SG
	Study real enforcement cases	Enforcement SG
	Interaction with other sub-groups where there is a link to enforcement	Enforcement SG/ Sub-Groups
	Input into CEOB annual report	Enforcement SG
<i>Inspection-related activities</i>	Sharing inspection approaches and challenges	Inspection SG
	Building a training plan for inspectors and coordination of the delivery (Training task-force TTF)	Inspection SG
	Update on interactions with PCAOB and other third-country audit regulators and coordinated quality assurance reviews between members	Inspection SG
	Dialogue with standards sub-group	Inspection SG/IAS SG
	Dialogue with market monitoring sub-group	Inspection SG/MM SG
	Dialogue with enforcement sub-group	Inspection SG/Enforcement SG
	Dialogue with ESMA	Inspection SG/ESMA
	Dialogue with Big-4 audit firms	Inspection SG
	Dialogue with the other firms (BDO, Grant Thornton, Mazars)	Inspection SG
	Follow-up on new quality initiatives by the firms, development of data analytics and off-shoring activities	Inspection SG
	Assess the main firms/networks to monitor	Inspection SG
	Update from Colleges	Inspection SG
	Update work plan	Inspection SG
	Input into CEOB annual report	Inspection SG

Planned activities	Output	Lead
	Consideration of publication of surveys results and database findings	Inspection SG
<i>International Equivalence and Adequacy activities</i>	Discuss approaches in areas such as third-country registration, cooperation, and exchange of information with third countries, and where possible, encourages best practices	IE&A SG
	Assess the costs and benefits of establishing a European common data base regarding third country audit entities registered in the EU	IE&A SG
	Analyse members' practices in the registration as well as on the process of updating registration information for third country auditors to identify best practices in their registration and updating of information	IE&A SG
	Analyse members' practices in the supervision of third country auditors to identify common issues and best practices	IE&A SG
	Interaction with other sub-groups as necessary, in particular with the Inspection and Enforcement sub-groups	IE&A SG/Inspection SG/Enforcement SG
<i>Market Monitoring-related activities</i>	Focus on actual topics in the audit market	Market Monitoring SG
	Interaction and cooperation with other CEAOB sub-groups to share and analyse information on the audit market	Market Monitoring SG/ Other SG
	Contribution to CEAOB annual report	Market Monitoring SG
<i>Standard-related activities</i>	Discuss developments in IAASB projects and determine whether and when the CEAOB should engage on selected issues	IAS SG
	Discuss relevant IESBA projects and determine whether and when the CEAOB should engage on selected issues	IAS SG
	Dialogue with the Inspection sub-group	IAS SG/Inspection SG

Planned activities	Output	Lead
	Dialogue with the Enforcement sub-group	IAS SG/Enforcement SG
	Targeted liaison with ESAs where relevant	IAS SG
	Contribution to CEAOB annual report	IAS SG
<u>3. Contributing to EU policy on the future of statutory audit and other assurance</u>		
<i>Enforcement-related activities</i>	2023 Questionnaire on Enforcement (drafting and finalising the questionnaire)	Enforcement SG
	2023 Questionnaire on Enforcement (distribution of questionnaire to CEAOB members)	Enforcement SG
	Consolidate responses and issue a CEAOB Enforcement report pursuant to Article 30 f (1) of the Audit Directive	Enforcement SG
<i>International Equivalence and Adequacy activities</i>	Provides contributions on equivalence and adequacy technical assessments of third-country legal and regulatory frameworks	IE&A SG
	Follow-up on the impact of the UK being no longer a Member State from the audit oversight perspective and the equivalence and adequacy decisions. The sub-group will follow-up on possible legislative initiatives and will assess the need to take appropriate measures in relation to national competent authorities tasked with audit regulation as well as at the CEAOB level	IE&A SG
	Assessment of the UK becoming a third country on those equivalence and adequacy decisions adopted for other jurisdictions relying on the UK audit legal and regulatory framework. Where necessary, the underlying equivalence assessments will be revised	IE&A SG
	Follow-up on developments in third-country audit regulatory frameworks and	IE&A SG

Planned activities	Output	Lead
	assess possible impacts on previous equivalence and adequacy decisions	
	Based on priorities defined in previous years by the IE&A Sub-Group, the Sub-Group will continue assessing and/or revising the equivalence assessments of third-country audit legal frameworks based on the 2016 EU Audit framework	IE&A SG
	The IE&A Sub-Group will set up and/or continue the dialogue with third-countries that have expressed an interest in being included in the equivalence and adequacy assessment programme	IE&A SG
<i>Market Monitoring-related activities</i>	Provide statistics about the audit sector through the EU in a market monitoring report	Market Monitoring SG
	Work with the ISG to indicate member states that do not upload inspection data to the ISG's inspection database and to identify areas of potential systemic risk along with possible risk mitigation techniques	Market Monitoring SG/Inspection SG
	Cooperation with the ISG to provide an analysis to the EC on audit quality market monitoring indicators	Market Monitoring SG/Inspection SG
	Refinement of existing market monitoring indicators in addition to the creation of new indicators relevant to the monitoring of the audit market	Market Monitoring SG
	Submit recommendations to the EC on potential changes to the audit regulation that would promote greater consistency, relevance and timeliness when gathering market monitoring data	Market Monitoring SG
<i>Standard-related activities</i>	Statutory audit - Update technical assessment of ISAs, upon request	IAS SG
	Assurance on sustainability reporting - Discuss developments in international initiatives on assurance on sustainability reporting	IAS SG
	Discuss the content to be covered by a standard or CEA OB guidelines on	IAS SG

Planned activities	Output	Lead
	assurance on sustainability reporting, to operationalize the CSRD provisions	
<u>4. Contributing to policy making via regular dialogue with international standard setters</u>		
<i>Standard-related activities</i>	Annual meeting with IAASB leadership	IAS SG
	Annual meeting with IESBA leadership	IAS SG
	Annual meeting with PIOB leadership	IAS SG
	Targeted discussions with IAASB or IESBA on projects where relevant	IAS SG

[Include link to SG work plans](#)