

Third plenary meeting of the Committee of European Auditing Oversight Bodies (CEAOB)
Summary of operational conclusions
Centre Albert Borschette (Room 4D)
Brussels, 22 March 2017

Chair: Ralf BOSE, Chief Executive Director, Germany's Audit Oversight Body (AOB)

Vice-Chair: Nathalie DE BASALDUA, Acting Director Investment and Company Reporting, DG FISMA,
represented by Dorota ZALIWSKA, Head of Unit Audit and Credit rating agencies, DG FISMA

1. Adoption of the agenda

The meeting started at 9:35.

Decision: The agenda was adopted without comments.

2. Adoption of the minutes and the summary of operational conclusions of the previous meeting

Decision: The minutes and the summary of operational conclusions of the previous meeting held on 25 November 2016 were approved.

3. Chair's introductory remarks

The Chair expressed his satisfaction with the progress made since the last plenary meeting regarding the different workstreams of the CEOB.

He reported back from the meeting of the consultative group held in Luxembourg on 24 January 2017 and referred to the preparation of the joint meeting of CEOB, ESRB and auditors of G-SIFIs representatives pursuant to Article 12 of the Audit Regulation.

4. Vice-Chair's introductory remarks

The Vice-Chair representative expressed her appreciation for the work of the CEOB and thanked for the good cooperation.

She referred to the White Paper on the Future of Europe that had been published by the Commission in this context. She made the committee aware of the recent publication of the Commission staff working document on EU equivalence decisions in financial services policy and of the public consultation on the operations of the European Supervisory Authorities (ESAs). The consultation is open for contributions until 16 May. The Vice-Chair representative and the Chair encouraged the CEOB members to participate.

5. Main business

5.1. Reports from the sub-group Chairs

The Chair of the **International equivalence and adequacy sub-group** informed that sub-group will do a mapping exercise to identify priorities and relevant third countries. In this context, the sub-group Chair mentioned that the Commission had had a meeting with Chinese representatives who expressed their wish to be granted adequacy as soon as possible.

The Chair of the **International Auditing Standards sub-group** reported back on the sub-group's work regarding the panorama on the use of IAASB pronouncements. The sub-group Chair also informed about the exchanges regarding the implementation of Article 10 of the Audit Regulation on audit reporting.

On a question by a member the CEOB Chair clarified that the procedure for approval of comment letters would have to be decided at the CEOB level and that he is going to submit this question for discussion to the consultative group.

The **Inspection sub-group** coordinators reported back on the last meeting in Cyprus on 7 November 2016 and the activities of the working groups that have been set up, i.e. the Financial Services Group and the CAIM group (Common audit inspection methodology).

The sub-group coordinators informed that the authorities from Luxembourg and Cyprus had joined the Organising committee. It is now composed of the following authorities: FRC (UK), H3C (FR), AOB (DE), AFM (NL), CSSF (LU), CYPAOB (CY). The next sub-group meeting will be held in Prague on 7/8 June 2017. Three firms have been invited to this meeting: Deloitte, BDO, and Grant Thornton.

The Chair of the **Market Monitoring sub-group** informed on their monthly conference calls in which they had discussed challenges related to the data collection for the first market monitoring report. The sub-group is in the progress of developing a questionnaire for audit committees, discussed the issue of identification of PIEs listed outside the EU and carried out a survey on the implementation of Article 16.3 of the Audit Regulation. The sub-group Chair gave a detailed presentation on the requirements of Article 16.3 of the Audit Regulation based on the results of the survey the MM sub-group had carried out.

5.2. Update on the colleges of competent authorities

The CEOB Chair informed that, pursuant to the decision taken at the last plenary meeting, the colleges for the four big networks had been established as of 15 January 2017. The following facilitators had been appointed: a representative of the FRC (UK) for Deloitte, a representative of H3C (FR) for EY, a representative of AFM (NL) for KPMG and a representative of AOB (DE) for PwC. The Chair reminded that the colleges operate outside the framework of the CEOB. The written coordination arrangements have been finalised. The Chair recalled that these had to be transmitted to the CEOB.

5.3. Update on Collaborative Platform of the CEOB

The Commission services presented the newly set-up collaborative platform, in particular its structure and tools. The next step is the registration of the users.

5.4. Update on the initiative regarding member reporting

The Chair introduced the initiative on member reporting. The aim would be to have four very concise presentations by member organisations per plenary meeting. The presentations should focus on changes in the set-up of the authorities and challenges encountered. Background information, details, facts and statistics should be made available in a written annex.

Decision: The CEOB decided to start with the member reporting as outlined in the supporting paper without creating and publishing member profiles.

5.5. Adoption of the Work plan and the Terms of Reference of the Enforcement sub-group

The Chair gave the floor to the sub-group Chair to introduce the work plan and the terms of reference that had been prepared by the Enforcement sub-group. The sub-group Chair explained that for 2017 the

sub-group would focus on the legal requirements regarding the collection of statistics and the setting up of a reporting mechanism for temporary prohibitions pursuant to Article 30.7.f of the Audit Directive.

Decision: The CEAOB adopted the work plan and the terms of reference of the Enforcement sub-group.

5.6. Adoption of the CEAOB Confidentiality Procedure (Rule 16(3) of the Rules of Procedure)

The Chair introduced the Confidentiality Procedure as set out in the supporting document. He stressed that this procedure should not duplicate the legal requirements and that it is in the discretion of each authority to share confidential information. He pointed out that the procedure took into account the specific provisions of the sub-groups' terms of references regarding the use of the database.

Some members suggested clarifications regarding the access to the database, levels of confidentiality and the principle of 'originator control'.

Decision: The committee decided to postpone the adoption of the confidentiality procedure to the next plenary meeting. The Chair encouraged the representatives of two member authorities to work together on a revised proposal to be presented to the next plenary.

5.7. Adoption of the CEAOB Annual Report for 2016

Decision: The CEAOB adopted its Annual Report for 2016 with minor changes.

5.8. Update on process regarding the promotion of the consistent application of the ARD (status quo)

The Chair invited the participants to consider the procedure regarding the promotion of consistent application of the audit reform that had been developed by two members.

Several member authorities stressed the importance of reaching consensual positions on questions of consistent application and on communicating these results to third parties. The Chair recalled that, pursuant to the decision at the last plenary meeting, this procedure is meant to be an internal service for member authorities. The Review team will not take decisions but will rather identify common solutions.

Decision: The CEAOB agreed to start the process on the promotion of consistent application of the ARD as outlined in the paper and to have a report on the functioning at the next plenary meeting.

6. Stakeholder Outreach

6.1. Presentation by a representative of the organizer of a network of audit committee chairs followed by internal discussion

On invitation by the Chair, a representative of the organiser of a network of audit committee chairs held a presentation on the objectives and activities of this network. He stressed the importance of having a dialogue between audit oversight bodies and audit committees as essential stakeholders for ensuring audit quality. Regarding questions on recent topics discussed in this network the speaker mentioned the fragmentation of national oversight, the upcoming market monitoring report and the role of the CEAOB in cooperating with the audit committees.

6.2. Discussion of invitations to stakeholders for future meetings

The Chair reported on his participation in the board meeting of ECODA (European Confederation of Directors Associations). He proposed to contact two organisations for future guest speakers and

encouraged the members not only to make further suggestions for invitations but also to contribute content wise to the organisation of these meetings.

Action: The Chair will invite the proposed stakeholders as guest speakers to the next meetings.

6.3. Report on the envisaged joint meeting of ESRB, CEOB and G-SIFI auditors according to Art. 12 of EU Regulation

The Chair informed the committee on the legal obligation to organise a meeting of ESRB, CEOB and G SIFI auditors pursuant to Article 12 of the Audit Regulation. Preparatory contacts had already taken place between the relevant task force of the Financial Services group, the European Commission and the ESRB.

7. Presentation of a database in the area of auditing

On invitation by the Chair, an external speaker presented a database containing data potentially relevant for auditor oversight purposes. The data concerns PIEs (public interest entities) and covers mainly transparency reports, auditor engagements, auditor fees and subsidiaries. The data is mostly coming from public sources. Members asked questions on data quality and up-to-dateness of the database.

8. Adoption of short summary for publication on the website

Decision: The CEOB agreed to the publication of the short summary, including some amendments suggested during the meeting.

9. Any other business

- The Vice-Chair representative gave a short update on the drawing-up of the first market monitoring report. She thanked the members for their cooperation and informed that the report should be finalised before summer.
- One member asked the Secretariat about the possibility to prepare a logo and a template for the CEOB. The Secretariat will examine the request and possible solutions.
- The Swedish authority announced that the name of their authority changes as of 1 April from Revisorsnämnden to Revisorsinspektionen.
- The Chair announced the dates of the next CEOB plenary meetings in 2017: 1 June, 13 November.

The meeting closed at 16:20.