



CEAOB International Auditing Standards Sub-group

Terms of Reference

Introduction

This document supplements the CEAOB Rules of Procedure, which state that the sub-groups shall operate according to their own terms of reference, which shall be in line with the CEAOB Rules of Procedure and subject to the CEAOB's approval. The document has been drafted by the CEAOB International Auditing Standards sub-group (hereafter "the sub-group") and adopted by the CEAOB plenary meeting on 27 November 2019.

1. Legal basis

To carry out the tasks referred to in point (a) and point (d) of Article 30(7) of the Regulation 537/2014.

2. Mandate

The purpose of the sub-group is to further enhance cooperation and consistency in audit oversight in the European Union regarding the adoption and use of standards on professional ethics, internal quality control of audit firms and auditing¹ and to contribute to technical examination of international auditing standards², including the processes for their elaboration, with a view to their adoption.

3. Composition

The composition of the sub-group is published on the CEAOB website.

Chair

The Chair of the sub-group is a representative of one of the competent authorities, appointed by the members of the CEAOB for a fixed term of four years with the option of re-appointment of up to another four years. Exceptionally, the Chair may be removed by a decision of the members of the CEAOB.

Members

All organisations that are represented by a member at the CEAOB, are entitled to be a member of the sub-group, including ESMA. Members may appoint a representative of their organisation to participate in the sub-group according to their level of expertise.

Observers

¹ ref. art 32.4-b Directive 2006/43/EC

² ref. art 26.2 Directive 2006/43/EC

EBA and EIOPA are invited to participate in the sub-group meetings as observers. European Economic Area (EEA) authorities' representatives may be invited to participate as observers, subject to the approval of the CEAOB members.

CEAOB Chair and Vice Chair

The CEAOB Chair and Vice-Chair (or appropriate Vice-Chair representative from the European Commission) will be invited to join each meeting and to contribute to the work of the sub-group.

4. Working arrangements

In light of the above, the members of the sub-group hereby agree to the following terms:

Coordination and organisation

The Chair will organise the meetings, chair the meetings, prepare agenda and minutes, coordinate the work and prepare an annual work plan.

Members of the sub-group may suggest topics for the agenda, for the Chair to consider their inclusion where possible.

Standards sub-group meetings

Meetings will be organised by conference calls on a regular basis. Depending on the needs, one call every two months or more will be organised. At least one annual in-person meeting of the sub-group will be organised, connected, if practicable, to an Inspection sub-group meeting, hosted voluntarily by a member of the CEAOB.

Confidentiality

The confidentiality rules applicable within the CEAOB are also applicable within this sub-group (including those referred to in Rule 16 of the CEAOB's Rules of Procedure).

Use of database information

The sub-group will use the information of the Inspection findings database for the fulfilment of its mandate. In rare circumstances where individual- or country- or firm-specific findings need to be discussed, only participants appointed by the members of the sub-group that are also members of the Inspection sub-group will be entitled to participate in the discussion.

The confidentiality rules applicable to the Inspection sub-group and to the findings database are also applicable to members of the Standards sub-group when the Standards sub-group uses the database information. Those rules are copied in the appendix.

Decision making arrangements

The Chair shall aim to seek consensus on all topics put forward for approval to the members of the sub-group. If matters for approval cannot be decided by consensus, decisions shall be taken by vote during sub-group meetings, by a simple majority of the sub-group members with voting rights in the CEAOB. Each of those members of the sub-group has one vote.

ESMA, the CEAOB Chair, the CEAOB Vice-Chair and the observers do not have voting rights.

Decisions may also be taken by written procedure. Rule 12 of the CEAOB's Rules of Procedure shall apply *mutatis mutandis*.

Reporting to CEAOB

The Chair will report on the sub-group's activities on a regular basis.

Communications with other CEAOB sub-groups

Certain matters discussed by the sub-group may be of interest to other CEAOB sub-groups. It is in particular anticipated that the Inspection sub-group will be interested in contributing to the analysis of the findings database and whether the potential root causes relate to deficiencies in the standards. The Chair of the Standards sub-group will work with the Chair of the Inspection sub-group and any other relevant sub-groups in this respect.

External communications

Any external communication or document to be published requires approval of the CEAOB membership in compliance with Rule 11. Sub-group communications without any CEAOB or sub-group view or position, such as press notices, can be published by approval of the sub-group. Documents to be published will be sent to the CEAOB Secretariat for inclusion on the CEAOB website.

Appendix

Additional confidentiality arrangements relating to the Findings Database

Confidentiality arrangements

The Database will not contain any names of audited entities or individuals. The Database will therefore not contain any personal data as defined in Article 2 a) of the Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data³.

The Database will contain case sensitive, confidential information about the performance and audit quality of individual audit firms and networks in the participating jurisdictions. All data are therefore information privileged and therefore have to be kept confidential.

Competent authorities who are members of the sub-group have the right to use database entries only for the purposes of fulfilling the objectives of the competent authority or those of the CEAOB or its sub-groups. Unless explicitly permitted by the Originator on request, a member shall not name the countries or organisations that relate to the findings in any communication with third parties, not even in relation to a local member of the same network of audit firms.

Access to database

If a competent authority which is a CEAOB member agrees to participate in the Findings Database the expectation is that it actively provides input to the widest extent possible in the interest of reciprocity in cooperation as well as in the interest of consistency and integrity of the database and its value to the sub-group. By participating a member agrees also that other members may use their input into the database for regulatory purposes.

Whenever activities of the sub-group entail exchange of confidential information, access to such information may be restricted to members that can keep such information confidential to the extent required by the national obligation on confidentiality in the country of origin.

Only members that are able to keep the information in the Database fully confidential in accordance with these Term of Reference will have full access to the Database, i.e. they are able to see all entries and fields in the database (“Full Access”).

Members that will not be able to keep the information in the Database confidential to a level acceptable to the other members, e.g. because of national laws, will have limited access to the Database (“Limited Access”). Limited access means that the relevant user will not be able to enter/see the names of audit firms nor the network that they belong to in relation to any entry in the Database.

A competent authority which has designated a CEAOB member with voting rights and which is a member of the Inspection sub-group will be entitled to have access to the database. Any

³ Directive 95/46/EC will be replaced by Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC. The new regulation applies the same definition for personal data.

access by a sub-group or College would need to be via those members. Once an EEA member has adopted the Regulation (EU) No. 537/2014, they will also be able to sign the database confidentiality provisions and then join the database. Non sub-group members, non EEA observers, the European Commission or any third parties will not have access to the database (other than Switzerland, which will have level 3 access, as shown in the table below).

For internal documentation purposes all members/ EEA observers (referred to as “Member(s)” below) will be asked to provide a statement in order to determine their individual level of access.

The different levels of access can be summarized as follows:

Level	Scope of Access	Condition
1	Full access to all entries and fields in the Database	Full guarantee of confidentiality by the Member
2	Limited access to entries and fields in the Database; names of audit firms and their networks are not shown	No full guarantee of confidentiality by the Member
3	Access to CAIM work programmes and key contact information only	Limited access for specific countries that do not have access to the Database otherwise (i.e. Switzerland)

User access

Access to the Database will be based on individual user credentials (e.g. User-ID and password). Each Member will submit to the Administrator a list of individuals (name and email address) that should have access to the Database (“users”). The list of users shall be confirmed annually by the Member. Each user will receive individual user credentials. Users will be prompted to change their passwords on a regular basis. Depending on the assigned access level/role the Member’s users will have either full access or limited access to the Database as determined for the Member in accordance with these Terms of reference. Members shall guarantee that no individual employed by or otherwise associated with an audit firm or a professional body have access to the Database. The Members shall guarantee that the individual user credentials are stored securely by all users in their sphere of responsibility. Members shall immediately inform the Administrator if they are aware of (a) any resignation of individuals that had access to the Database or (b) any leakage or non-authorised access.

Responsibilities for input and review of database information

Each Member is responsible for the completeness, consistency, clarity and correctness of its entries into the Database. Members can save entries with a draft status, i.e. the entry can be further edited and is not visible to other Members or the Administrator. Once an entry is finalised by the Member it will be saved with a preliminary status, i.e. the entry can be further edited, is not visible to other Members, but visible to the Administrator and subject to review for approval by a representative from the college of regulators for that firm (who is also a Member of the sub-group) or from the AOB if no college of regulators exists for the firm (“approver”).

The approver will review all preliminary entries (first entries and future editing) for completeness, consistency and clarity and will consult a Member if it concludes that further clarification is necessary. The approver may either ask the Member to modify the entry or modify the entry as agreed with the Member. Once the review is finalised the Administrator will change the status of an entry to “approved”, i.e. the entry will be visible to all Members according to their respective level of access. If a Member wants to edit or delete an approved entry, the Administrator has to be informed of the respective entry number and will change the status to “draft”.

All rights in relation to entries remain with the respective Member (Originator), which includes the right to edit or delete an entry at any time. Notwithstanding the rights of the Originator, entries will be deleted on a regular basis after a certain period related to the date of the respective inspection; that period should usually not exceed 7 years.

Termination arrangements

At any time, a Member may decide to terminate its participation in the database. In addition, any failure to protect the confidentiality of information contained in the Database by a Member may lead to the immediate suspension of the Members access. The other Members will decide if and under what conditions the Member may receive access again. In case of a termination of participation or a permanent suspension of access all entries of the respective Member will be deleted with effect of the termination or permanent suspension.

At any time, the Members may decide to terminate the Findings Database. All entries in the Database will be deleted with effect of the termination of the project.