



CEAOB Work Programme

2022

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DRAFT

I. Introduction

Since its 2019 Work Programme the CEAOB decided to build on four mission-based objectives, with the different work streams supporting these four objectives. However in June 2021 the 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

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 core strategies

- Harmonising regulatory approaches
- Sharing expertise and experience
- Contributing to EU policy on the future of statutory audit and other assurance
- Contributing to policy making via regular dialogue with international standards setters

The work programme of the CEAOB and the work plans of its Sub-groups will have to be aligned with this revised description of the CEAOB's objectives and the newly defined core strategies. However, the work programme of the CEAOB takes into account that the majority of work streams and tasks have ongoing activities and have to be carried forward into future years. As a consequence, some more time will be necessary to fully align the work programme and the work plans with the newly defined core strategies and the 2022 draft work programme remains to be built around the four mission-based objectives.

The European Commission has made it public that it intends to assess thoroughly the ecosystem around corporate reporting, with the goal to improve its three pillars e.g. corporate governance, audit, and supervision and enforcement. It has planned to launch a public consultation with the aim to receive input from its stakeholders which will be used in developing a legislative proposal.

II. Objectives

The essence of CEAOB's mission is to consistently support audit quality and consequently to keep and increase confidence and trust of investors and the broader public in statutory financial reporting published in the European Union. Auditor supervision on a national level requires taking into consideration the high level of integration of local firms into the global network to which some of them belong. The CEAOB framework aims at providing a practical, consistent and comprehensive platform for cooperation between EU audit regulators with a view to achieving a high degree of convergence at EU level. To ensure this, the activities of the CEAOB have been designed to reflect our four objectives:

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

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. The overall objective is, of course, to achieve a high degree of convergence regarding the work of the audit regulators. This cooperation takes place mainly in the following areas:

- a. Application of the Audit Regulation and Directive (ARD)
 - i. Sharing experience and best practice regarding the application of the ARD.
 - ii. Providing advice to the Commission and members upon request regarding the application 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 application of the ARD 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. In 2022, an ad-hoc workflow is to be set up to inform the Commission about improvements in the ARD which would, from the perspective of the CEAOB, be beneficial to the ecosystem around corporate reporting.
 - 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, as well as inspection approaches, obtained through various ways, including the analysis of the inspection findings database.
 - ii. Sharing inspection findings and practices regarding Financial Services, and IT in the relevant Task Forces.
 - iii. Continuing to develop the Common Audit Inspection Methodology (CAIM), share individual inspection approaches and/or innovative approaches to performing inspections.
 - iv. Reviewing the use of data analytics and level of off shoring by the Big 4 audit 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. Further improve the understanding of the investigation and sanctioning regimes in EU member states through regular exchanges and case studies.
 - iii. Exploring training needs for enforcers and the means of increased interaction among members, e.g. by sharing experiences resulting from enforcement decisions and by exploring secondment opportunities.
- d. Standard-related activities
 - i. Discuss relevant standards related issues regarding the application of EU regulations and directives on audit matters.
 - ii. Discuss the impact of differences identified between ISAs and EU or national provisions applicable in the member states.
 - iii. Discuss developments in current IAASB projects and determine whether and when the CEAOB should engage on selected issues.
 - iv. Analyse the CEAOB database inspection findings pointing to deficiencies in auditing standards used.
- e. Provision of a framework for discussing wider issues beyond the scope of individual sub-groups and facilitate the work between the sub-groups
 - i. Sharing information about one-to-one meetings with local audit firms where information gathered might be of interest to other members of the CEAOB.
 - ii. Sharing information gathered from third parties (media, whistle-blower, etc.) on suspected fraud and conflicts of interest or deficiencies which could have an impact on a public interest entity audit performed in the EU.
 - iii. Sharing information gathered via several means on materiality applied in audits.
- f. Explore the role of national competent authorities regarding access to the profession (i.e. educational qualifications)

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: In 2019, the CEAOB has developed internal guidance for its stakeholder outreach to ensure that the stakeholder contacts are of maximum benefit to the members and stakeholders alike. It 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. In 2022, the CEAOB will continue to explore the setting up of a dedicated Stakeholders Group. 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 2022:
 - 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.
- b. In the context of the Commission having planned a thorough assessment of the ecosystem around corporate reporting, the CEAOB will discuss improvements to the existing European regulatory framework with a view to provide advice to the Commission.
- c. In the context of the EU being in the process of setting up a corporate sustainability reporting requirement for some companies, in 2022, the CEAOB will assess the implications of this project in terms of control of such reporting by independent third parties, and if deemed appropriate will provide advice to the Commission.
- d. Publication of technical alerts: in 2020, the CEAOB published a technical alert dealing with the consequences of Covid-19 on the work of auditors

related to the 2019 annual financial statements. Building on this experience, the CEAOB will have a proactive communication with regards to emerging issues or issues that its members see as critical to audit quality.

- e. Publication of guidelines and thought papers: the 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.
- f. By seeking opportunities to increase transparency regarding the conclusions it draws from its work and cooperation (e.g. by analysing the inspection findings database) and in its external communication (e.g. by the use of infographics).
- g. By liaising with standards setters and providing comments on relevant projects under the lead of the International Auditing Standards sub-group.
- h. Through the annual joint meeting with the ESRB and auditors of G-SIFIs as required by the EU Audit Regulation.
- i. Through communication with audit firms and discussion of their audit quality initiatives.
- j. By interacting with the colleges of competent authorities regarding specific audit firm networks which are established pursuant to Art. 32 of the Audit Regulation.
- k. By issuing 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 and their clients, it is of the utmost importance that audit regulators cooperate at the same level. In order to ensure a high standard of statutory audit in not only 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:

- a. The CEAOB will follow-up and provide any necessary technical input to the European Commission, the Audit Regulatory Committee and the European Parliament on the technical equivalence and adequacy assessments of the audit oversight system of the United States of America.
- b. Considering the impact of Brexit, the CEAOB will follow-up the developments and, where necessary, adopt the necessary measures including the revision of those equivalence decisions relying on the UK oversight system for auditors and assess the consequences from the audit oversight perspective and on the adequacy decision.
- c. The CEAOB will also assess the impact of the UK becoming a third country on those equivalence decisions adopted for other jurisdictions relying in the UK audit oversight system. Where necessary, the CEAOB will check the underlying equivalence assessments to evaluate whether the equivalence assessments would need to be revised. Potentially a similar assessment will be made for adequacy decisions of those jurisdictions which rely on the UK audit legal framework.
- d. In light of the EU audit regulatory framework, the CEAOB will continue assessing third countries previously assessed equivalent as well as consider the assessment of new possible requests from third countries.
- e. In relation to third country auditors' registration, the CEAOB will analyse members' practices and develop best practices on registering and updating information, and potentially set up a common data base regarding third countries auditors' registration.
- f. The CEAOB will analyse members' practices in the supervision of third country auditors to identify common issues and best practices.
- g. The CEAOB will set up and/or continue the dialogue with third countries that have expressed an interest to be included in the equivalence assessment programme and/or in the adequacy assessment programme.
- h. The CEAOB will also explore how to provide guidelines on the content of the 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.

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 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, CEAOB's main priorities will be to

- a. Collect and analyse data in member states, including data on audit markets, audit quality and audit committees, in order to meet the requirement to provide support to the European Commission in the drafting of their triannual report on the audit market. The CEAOB will provide support to its members, via training for instance, with the aim to improve quality and comparability in the data collected. In 2022 a very topical issue will be for the members of the CEAOB to collect information about how audit committees fulfil their mission.
- b. Support cooperation, in particular the sharing of experience and information, 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.
- d. Identify and analyse trends, potential risks and vulnerabilities relevant to auditor oversight in order to determine if and how the CEAOB should react to them.

III. 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 on plenary and sub-group level. However, as the work of the CEAOB progresses after its establishment phase with the increasing experience of the members, the focus will shift more towards the CEAOB's external impact. Similarly, the common understanding on crucial topics related to auditor oversight in the EU is bound to increase. The CEAOB will therefore strive to exert more influence wherever possible.

The CEAOB is continuing to work on the topics included in last year's outlook. In terms of longer term planning which goes beyond 2022, 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 CEAOB:

- Further exploration of developments in the audit market and the environment in which auditors operate, including potential influences on audit quality.
- Further improvements in external communication of the CEAOB (for example by the use of the website and/or social media, where appropriate).
- Exploration of new areas of cooperation (for example 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.
- Specific developments in the audit markets may require the engagement of the CEAOB with regard to different or additional topics in future work programmes.

IV. Summary

Planned activities	Output	Lead
1. Cooperation		
<i>Application of the ARD</i>	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
	Developing guidelines and thought papers for its members	CEAOB
<i>Inspection-related activities</i>	Discussion on potential challenges establishing a new normal in a post-pandemic world	Inspection SG
	Follow-up of CEOB ad-hoc TF if relevant	Inspection SG
	Follow-up on CSRD developments and discussion on potential challenges	Inspection SG
	Consider any proposal coming from the EC to modify the Audit Directive and Regulation from an inspection perspective	Inspection SG
	Sharing, discussing and analysing inspection findings (through database)	Inspection SG
	Consistency of inspection methodology: CAIM development and update (CAIM TF)	Inspection SG
	Identify specific issues of inspections of financial services, IT and smaller regulators	Inspection SG
	Follow-up on development of data analytics and of off-shoring activities at Big-4 audit firms	Inspection SG
	Discussion on new audit quality initiatives by the firms	Inspection SG
	Sharing of inspection approaches	Inspection SG
<i>Enforcement-related activities</i>	Conduct an Enforcement Survey to collect Member States' information on a) statistics on administrative measures and sanctions imposed and b) on the current state of the administrative and disciplinary regimes	Enforcement SG
	Identify and create other information channels and effective mechanisms to share information on best practices	Enforcement SG

Planned activities	Output	Lead
	Explore the functioning, effectiveness and robustness of the enforcement and sanctioning systems in Member States	Enforcement SG
	Examine the enforceability of International Auditing Standards through investigations	Enforcement SG
	Study real enforcement cases	Enforcement SG
	Organise a workshop addressing central topics of enforcement	Enforcement SG
	Prepare the issuing of aggregated information regarding administrative measures and sanctions (see under Communication)	Enforcement SG
<i>Standard-related activities</i>	Discuss relevant standards related issues regarding the application of EU regulations and directives (including proposals) and assess whether the CEAOB should engage in further action	IAS SG
	Share information on members' standard setting initiatives on auditing matters and determine whether the CEAOB should engage in further action	IAS SG
	Discuss developments in IAASB projects and determine whether and when the CEAOB should engage on selected issues	IAS SG
	Get an update from IESBA on the status of their projects and determine whether and when the CEAOB should engage on selected issues	IAS SG
	Analyse inspection findings of the CEAOB data base pointing to deficiencies in standards	IAS SG
	Respond to potential requests from Plenary regarding technical assessment of ISAs	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
	Examine technical advice provided by EFRAG on European sustainability reporting standards and determine whether	IAS SG

Planned activities	Output	Lead
	to issue a CEAOB opinion prior to their adoption by the EC	
	Discuss challenges in relation to assurance on sustainability information and determine those to be addressed in an assurance standard	IAS SG
<i>Other</i>	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
	Identify and analyse trends, risks and vulnerabilities relevant to auditor oversight	CEAOB/Sub-groups
<u>2. Communication</u>	Communication with external stakeholders	CEAOB
	Publication of technical alerts	CEAOB
	Publication of guidelines and thought papers	CEAOB
	Issue comment letters regarding the conclusion drawn by the CEAOB based on the work of its members	CEAOB
	Liaising with standard setters and with the PIOB	ISA SG/ Inspection SG
	Hold joint meeting with ESRB/Auditors of G-SIFs	CEAOB
	Communication with audit firms and discussion on their audit quality initiatives	Inspection SG/CEAOB
	Interacting with Colleges of competent authorities (Art. 32 of the Audit Regulation)	Inspection SG
	Issue an annual Report of Enforcement Survey on data from year 2021 pursuant to Article 30 f (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 CEAOB	CEAOB/E&A SG

Planned activities	Output	Lead
	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/ CEAOB
	Development and 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
	Share and discuss shortcomings and adverse developments in the audit market	Market Monitoring SG/ CEAOB
	Submit recommendations to the Commission on potential changes to the audit Regulation that would promote greater consistency, relevance and timeliness when gathering market monitoring data	Market Monitoring SG/ CEAOB
	Engagement with the inspection sub-group (ISG) to provide an analysis to the Commission on audit quality market monitoring indicators using the ISG database data as the primary source of data	Market Monitoring SG / Inspection SG

[Include link to SG work plans.](#)