



COMMITTEE OF  
EUROPEAN  
AUDITING  
OVERSIGHT  
BODIES

CEAOB 2022-028  
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## CEAOB International Equivalence and Adequacy

### Sub-group

### Work-Plan 2023 and Outlook 2024

## **1. Introduction**

In order to further trust in informative, reliable, and independent audit reports, the CEAOB fosters the improvement of audit quality in Europe. To fulfil this mission, the International Equivalence and Adequacy sub-group contributes to EU policy on statutory audit and other assurance by focusing on mechanisms on how to cooperate between European and third-country audit regulators and promoting audit quality and high standards of statutory audit in third countries. The sub-group also supports the development of expertise in its members, and it fosters sharing of experience, expertise and best practices in the area of international cooperation as well as consistency in the implementation of the requirements to third-country audit entities.

This work plan sets out the key priorities and activities for the current period to the end of 2023 as well as the longer term as the activities of the sub-group span a number of years.

## **2. Objectives**

Through its ongoing work, the sub-group facilitates the aims of the CEAOB's mission and contributes to meeting the following CEAOB's core strategies

1. **Harmonising regulatory approaches:** The sub-group promotes common understanding and responses related to the European regime on equivalence and adequacy of third-country audit regulatory frameworks.
2. **Sharing expertise and experience:** The sub-group discusses regulatory approaches in areas such as third-country auditors' registration, cooperation and exchange of information with third countries and where possible, encourages best practices.
3. **Contributing to EU policy on statutory audit and other assurance:** The sub-group provides with equivalence and adequacy technical assessments of third-country legal and regulatory frameworks. Equivalence and adequacy facilitates cooperation with third-country regulators up to high audit regulatory standards. In this regard, the sub-group also follows-up audit regulatory developments in third countries and assess whether there is an impact on already adopted equivalence and adequacy decisions

### **3. Longer term outlook**

Given the interconnectivity of economies worldwide and the global operations of audit networks, the primary focus of the sub-group is to ensure sound cooperation between European and third country audit regulators through the equivalence and adequacy technical assessments of third country audit regulatory frameworks. To this end, the sub-group will perform, as necessary, the revision of previously adopted equivalence decisions and where relevant, prepare new equivalence and adequacy technical assessments. The sub-group will also continually explore ways to support CEAOB members in their interactions with third country audit oversight authorities.

The sub-group will also evaluate and if necessary, prepare for strategic changes as regards the revision of the audit directive and regulation and the corporate sustainability reporting directive and its impact on the third country audit regime.

### **4. Summary**

The sub-group has identified a list of desirable activities to be performed during 2023-2024. However, due to the lack of resources, the sub-group has established a prioritisation of the different work streams. Priority is provided with the number in brackets at the end of each work stream:

#### **1. Harmonising regulatory approaches**

- The sub-group will work on how to best 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. (6)
- The sub-group will discuss on the current third-country audit legal framework, in particular, articles 45 and 46, its ambiguities and limitations, and will assess potential improvements of audit directive and regulation on equivalence and adequacy matters (7).
- The sub-group will assess the impact of the Corporate Reporting Sustainability Directive (CSRD) in the audit equivalence and adequacy regime (8).

#### **2. Sharing expertise and experience**

- The sub-group will assess the cost and benefits of establishing a European common data base regarding third-country audit entities registered within the EU. (4)
- The sub-group will analyse members' practices in the registration as well as on the process of updating the registration information for third-country auditors with the aim of identifying best practices in the registration and update of the information processes. (5)

- The sub-group will analyse members' practices in the supervision of third-country auditors with the aim of identifying common areas of concern and best practices. (10)
- The sub-group will interact with other subgroups as necessary. In particular, with the Inspection and Enforcement sub-groups (12).

**3. Contributing to EU policy on statutory audit and other assurance:**

- The sub-group will monitor developments on third-country audit regulatory frameworks as well as assess possible impacts on previous equivalence and adequacy decisions (3).
- The sub-group will follow-up on the impact of the United Kingdom being a third country from the audit oversight perspective. The sub-group will follow-up on possible legislative initiatives in the UK and will assess the need to take appropriate measures in relation to EU competent authorities tasked with audit regulation as well as at the CEAOB level. (1)
- The sub-group will also assess the impact 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. The sub-group will, where necessary, revise the underlying equivalence assessments to evaluate whether the equivalence decisions would need to be amended. (2)
- Based on priorities defined by the IEA SG, the sub-group will continue assessing and/or revising those equivalence assessments of third-country audit legal frameworks which were adopted based on the 2006 EU Audit regulatory framework. (9)
- The sub-group will set up and/or continue the dialogue with those third countries that have expressed an interest to be included in the equivalence and adequacy assessment programme. (11)

Further detail on the timing for each project is provided in the table below. The timing below is tentative dependent on priorities and allocation of resources by the CEAOB.

	<b>Q4 2021</b>	<b>2022 1H</b>	<b>2022 2H</b>	<b>2023</b>
<b>Set up</b>				
Finalise work plan for presentation to CEAOB				
<b>Harmonising regulatory approaches</b>				
Scoping the content of the guidelines on cooperation agreements and exchange of information with third-country competent authorities.				
Discussing topics on the current EU third-country audit legal framework and potential improvements				
Evaluating the impact of the CSRD in the audit third-country regime				
<b>Sharing expertise and experiences</b>				
Establishing of a common data base for third-country auditors registered in the EU.				
Assessing registration practices and information disclose in relation to third countries auditors				
Assessing supervisory practices in relation to third countries auditors				
<b>Contributing to EU policy on statutory audit and other assurance</b>				
Monitoring developments on third-country audit regulatory frameworks.				
Following-up regulatory developments in the UK and assess possible impacts on the EU audit regulatory framework and market.				
Assessing the impact of the UK being a third country for those equivalence decisions relying in the UK audit oversight system				
Assessing the need for revising the third-country equivalence assessments based on predetermined priorities				
<b>Interaction with other sub-groups</b>				
Dialogue with CEAOB Inspection and Enforcement sub-group				
<b>Other matters</b>				
Input into annual CEAOB report				