



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

CEAOB 2023-031
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CEAOB Work Programme 2024

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

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 services
- 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 have been aligned with this description of the CEAOB's core strategies.

While much of the work of the CEAOB are ongoing workstreams and projects that tie over the year-end, these are the focus areas the CEAOB will strive to make progress in 2024:

II. Harmonising regulatory approaches

Developing a common understanding and aligned reactions 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 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 take these topics and consider them for non-binding guidelines or opinions..

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 will further explore ways how to foster joint understanding of the third country auditor registration process after an information gathering exercise that identified differences between the registration processes and oversight regimes vis-à-vis third country auditors

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.

Taking into consideration the importance of contributing to a harmonised and consistent application of assurance practices related to sustainability assurance starting on 1 January 2024, the CEAOB will publish non-binding guidelines or opinions on specific topics, where appropriate.

III. 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. They will also interact and cooperate with other CEAOB sub-groups in order to share and analyse information on regulation and auditor oversight.

c. Training needs

The Training task force will explore training needs for members' teams and ways to improve interactions among members, e.g., by sharing experiences and by organising dedicated trainings with external providers.

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, and in return, enables the CEAOB to inform these regulators about the practices and trends that it observes among auditors, particularly those of so-called systemic entities and of financial institutions based in EU countries.

e. Cooperation with third-country regulators

Members will continue to share experiences regarding joint inspections 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). In line with its newly adopted view towards admitting specific third country regulators as observers where appropriate, the CEAOB, through its Observership TF, will develop internal guidelines for a consistent approach to granting observership, and take resource matters into consideration while doing so.

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 their use of new technologies and their level of off-shoring. The CEAOB will further discuss with them their audit quality initiatives.

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.

IV. 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 dedicated a TF specifically to gather, process and condense the combined experience of 27 member states with the current audit framework into specific points of action that it feels are crucial for a future potential revision of the regulatory framework. These proposals, aimed at improving the current EU audit framework, were shared with the European Commission in 2023. In 2024, the European Parliament and then the European Commission will be up for renewal, and the EU audit framework may be subject to scrutiny again. On the strength of its members' expertise in audit oversight and the knowledge that the CEAOB has acquired of audit practice in the EU, the CEAOB will continue to support the developments in the audit of financial information or sustainability, and will stand ready to propose further improvements to the current regulatory framework dealing with these two subjects to political decision-makers on its own initiative.

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)

The existing ARD TF will continue its work as outlined above and stand ready to further develop the ideas and proposals submitted to the EU Commission in 2023.

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

EFRAG granted the CEAOB two observer seats at its Sustainability Reporting Board and Technical Expert Group. In 2024 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 2024:

- 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.

V. 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). Such dialogue might be even more important in the future given the ED 5000 project which may serve as the basis for an EU adopted assurance standard on sustainability reporting. 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 four 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 auditing standards deficiencies.

VI. 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 grow further. This may mean new missions and new responsibilities for the CEAOB and its members. The CEAOB will therefore need to be aware of new regulatory developments.

A longer-term planning which goes beyond 2024, could include the following topics and work streams:

- Discuss the link between enforcement and audit quality
- Explore ways to support CEAOB members in their interactions with third country audit oversight authorities and foster cooperation
- Prepare for strategic changes as regards the revision of the audit Directive and Regulation that may be envisaged after the current period
- As needed and depending on EU legal initiatives, analyse areas where auditors take up new roles (besides sustainability reporting) and the consequences for regulatory approaches
- Further facilitate the convergence in implementation of the Corporate Sustainability Reporting Directive provisions which have modified the Accounting and the Auditing Directives and Regulation and provide advice on the additional role auditors, or where appropriate, other Independent Assurance Services Providers will play in sustainability reporting assurance
- Evaluate the changes stemming from the Corporate Sustainability Reporting Directive and the potential impact on third country oversight regimes
- Further improve the CEAOB's communication
- Explore new areas of cooperation

VII. Summary

| Planned activities | Output | Lead |
|--|---|----------------|
| <u>1. Harmonising regulatory approaches</u> | | |
| | Publish guidelines | CEAOB |
| <i>Enforcement-related activities</i> | Draft and finalise the 2024 Questionnaire on Enforcement | Enforcement SG |
| | Distribute the 2024 Questionnaire on Enforcement to the members of the CEOB | Enforcement SG |
| | Consolidate responses and issue a CEOB Enforcement report pursuant to Article 30 f (1) of the Audit Directive | Enforcement SG |
| <i>Inspection-related activities</i> | Share and discuss inspection findings through the analysis of the Findings Database | Inspection SG |
| | Improve consistency of the 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> | 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. In particular, its articulation with the cooperative and working arrangements under Articles 46 and 47 of the Audit Directive | IE&A SG |
| | Discuss 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 | IE&A SG |
| | Assess the impact of the amendments introduced by the Corporate Reporting Sustainability Directive (CSRD) in the equivalence and adequacy regime | IE&A SG |

| Planned activities | Output | Lead |
|---|---|---------------------|
| <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 |
| | 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> | | |
| | Communicate with external stakeholders | CEAOB |
| | Publish technical alerts | CEAOB |
| | Publish thought papers | CEAOB |
| | Hold joint meetings with the FSB, the ESRB and auditors of G-SIFIs | CEAOB |
| | Share experience and best practice regarding the transposition and the application of the ARD | CEAOB |
| | Provide 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 |
| | Communicate with audit firms and discuss 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 information through a workshop or webinar (virtual or physical) | Enforcement SG |
| | Study real enforcement cases | Enforcement SG |
| | Communicate and exchange information with other sub-groups where there is a link to enforcement | Enforcement SG/ Sub-Groups |
| | Explore the possibility to implement an Enforcement database, to gather information on violations and sanctions imposed by each member state | Enforcement SG |
| | Provide input to the CEAOB annual report | Enforcement SG |
| <i>Inspection-related activities</i> | Share inspection approaches and challenges | Inspection SG |
| | Build a training plan for inspectors and coordinate its delivery (Training task-force TTF) | Inspection SG |
| | Provide an update on interactions with the PCAOB and other third-country audit regulators and on coordinated quality assurance reviews between members | Inspection SG |
| | Dialogue with the standards sub-group | Inspection SG/IAS SG |
| | Dialogue with the market monitoring sub-group | Inspection SG/MM SG |
| | Dialogue with the 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 | Inspection SG |
| | Follow-up on new quality initiatives by the firms, development of new technologies and off-shoring activities | Inspection SG |

| Planned activities | Output | Lead |
|--|--|--------------------------------------|
| | Assess the main firms/networks to monitor | Inspection SG |
| | Update from Colleges | Inspection SG |
| | Update work plan | Inspection SG |
| | Provide input to the CEAOB annual report | Inspection SG |
| | Consider publication of surveys results and database findings | Inspection SG |
| <i>International Equivalence and Adequacy activities</i> | Follow-up on the report on third country audit firms registered in the EU and their audit clients. In particular, the establishment of a European common data base for third countries audit firms registered in the EU. The sub-group will also work on the development of a set of guidelines/ best practices regarding registration processes and maintenance of national third-country audit firms registers | 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> | Contribute to the CEAOB annual report | Market Monitoring SG |
| <i>Standard-related activities</i> | Statutory audit: Discuss developments in IAASB projects and determine whether and when the CEAOB should engage on selected issues | IAS SG |

| Planned activities | Output | Lead |
|---|--|------------------------------------|
| | the need to take appropriate measures from the individual EU audit oversight bodies' and CEAOB's perspective. | |
| | Monitor the impact of the UK being a third country on those equivalence and adequacy decisions adopted for other third country jurisdictions relying on the UK audit legal and regulatory framework. | IE&A SG |
| | Follow-up developments on third-country audit regulatory frameworks as well as assess possible impacts on previous equivalence and adequacy decisions. In particular, the sub-group will monitor developments and continue a dialogue with those jurisdictions under a time-limited equivalence and/or adequacy decision | IE&A SG |
| | Based on priorities, the IE&A Sub-Group will continue assessing and/or revising the equivalence assessments of third-country audit legal frameworks under a time limitation or adopted based on the 2006 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 to be included in the equivalence and adequacy assessment programme | IE&A SG |
| <i>Market Monitoring-related activities</i> | Provide statistics about the audit sector across the EU in the 3 rd market monitoring report which will be finalised and published by the EC in early 2024 | Market Monitoring SG |
| | Cooperation with the ISG to provide an analysis to the EC on audit quality market monitoring indicators | Market Monitoring SG/Inspection SG |
| | Establish objectives, develop and refine the existing market monitoring indicators, and create new indicators relevant to the monitoring of the audit market. | Market Monitoring SG |
| | Distribute the templates to the National Competent Authorities | Market Monitoring SG |

| Planned activities | Output | Lead |
|---|--|--------------------------|
| | Receive the completed templates from the National Competent Authorities | Market Monitoring SG |
| | Start the analysis and consolidation of the data provided by the National Competent Authorities involved | Market Monitoring SG |
| | | |
| <u>4. Contributing to policy making via regular dialogue with international standard setters</u> | | |
| <i>Standard-related activities</i> | Joint ISG-IAS SG meeting with IAASB | IAS SG/ Inspection SG |
| | Joint ISG-IAS SG meeting with IESBA | IAS SG/ Inspection SG |
| | Annual meeting with PIOB leadership | IAS SG |
| | Targeted discussions with IAASB or IESBA on projects where relevant | IAS SG |

Please see below the links to the 2024 sub-groups work plans:

- *Equivalence and adequacy: [Work plan 2024](#)*
- *International auditing standards: [Work plan 2024](#)*
- *Enforcement: [Work plan 2024](#)*
- *Inspections: [Work plan 2024](#)*
- *Market monitoring: [Work plan 2024](#)*