



## CEAOB INTERNATIONAL EQUIVALENCE AND ADEQUACY SUB-GROUP

### Work Plan 2018/2019

The recurring activities of the International Equivalence and Adequacy sub-group are made up of:

- Identification and setting up dialogue with and performance of equivalence/adequacy assessments of potential third-country audit oversight authorities;
- Reassessment of the third countries assessed equivalent to Directive 2006/43;
- Exchanges with other CEAOB sub-groups where appropriate; and,
- Contribution to the CEAOB annual report.

The sub-group will work on the following specific activities:

- Finalising the assessment of third countries under the equivalence and adequacy transitional regime;
- Assessing the impact of the UK's withdrawal and identifying possible preparatory actions;
- Monitoring the implementation of the General Data Protection Regulation; and,
- Scoping out the content of guidelines on cooperation agreements and exchange of information with third-country competent authorities.

Further detail on the timing for each project is provided in the table below and on the scope of the project in the sections beneath. Depending on the resources and information available, the sub-group will discuss the priorities for third-country equivalence and adequacy assessments to begin in the first half of 2019.

	2018 Q4	2019 1H	2019 2H	2020
Finalise the 2019 work plan for presentation to the CEAOB.				
<b>Equivalence assessments</b>				
Finalize assessments of the third-countries under the transitional period for equivalence.				
Reassess the third-countries assessed as equivalent in light of the equivalence criteria under the 2014 EU Audit framework.				
Assess the impact of the UK's withdrawal and identify possible preparatory actions.				
Identify and set up dialogue with relevant third-country audit oversight authorities.				

	2018 Q4	2019 1H	2019 2H	2020
<b>Adequacy assessments</b>				
Finalise assessment of the third countries under the transitional period for adequacy.				
Identify and set up dialogue with relevant third-country audit oversight authorities.				
<b>Implementation of the legal framework</b>				
Monitor the implementation of the General Data Protection Regulation.				
Scope out the content of guidelines on cooperation agreements and exchange of information with third-country competent authorities.				
<b>Interaction with other sub-groups</b>				
Dialogue with CEAOB Inspection and Enforcement sub-groups				
<b>Other matters</b>				
Provide input into the CEAOB annual report				

### Equivalence assessments

The sub-group will continue performing the assessment of those third countries under the transitional period running until 31 July 2019: Bermuda, Egypt, Russia and Cayman Islands<sup>1</sup>. The conclusions of these assessments will be reported to the CEAOB with a view to providing a technical advice to the European Commission on those third countries. The sub-group will maintain an ongoing dialogue with third countries that will need to be assessed at a later stage (the US<sup>2</sup> by end 2021 at the latest).

The revised framework for equivalence assessments, incorporating the relevant changes of the 2014 EU Audit Reform, was adopted by the CEAOB in 2018. Therefore, the sub-group will launch a revision of the equivalence assessments of third-country audit legal frameworks adopted on the basis of the 2006 EU Audit framework. The sub-group will prioritise the work in view of the relevance of the third countries to EU markets as well as in consideration of available resources.

On 30 March 2019, the United Kingdom will leave the EU. The sub-group will assess the possible impact of the UK as a non-EU Member State and identify possible preparatory actions to avoid disruptions for the UK's withdrawal. The sub-group will present the outcome of the assessment as well as possible preparatory actions to the CEAOB and will liaise with the EC to determine if any actions are required.

In addition, the sub-group will continue working on identifying other relevant third countries that may be included under the equivalence regime and start establishing dialogue with those that have already expressed an interest to be included in the equivalence assessment

<sup>1</sup> European Commission implementing Decision 2016/1223 on the equivalence of certain third countries public oversight, quality assurance, investigations and penalty systems for auditors and audit entities.

<sup>2</sup> European Commission implementing Decision 2016/1155 on the equivalence of the public oversight, quality assurance, investigations and penalty systems for auditors and audit entities of the United States of America.

programme. Due to limited resources, the sub-group will establish priorities for performing equivalence assessments of those third countries.

### **Adequacy assessments**

The sub-group will continue performing the assessment of those third countries that are in a transitional period until 31 July 2019: South Africa and Indonesia<sup>3</sup>. The conclusions of the assessment will be reported to the CEAOB with a view to providing a technical advice to the European Commission on those third countries. The sub-group will maintain an ongoing dialogue with third countries that will need to be reassessed at a later stage (the US<sup>4</sup> by end 2021 at the latest).

In addition, the sub-group will continue working on identifying relevant third countries to be included under the adequacy regime and start establishing dialogue with those that have already expressed an interest to be included in the adequacy assessment programme. Due to limited resources, the sub-group will establish priorities for performing adequacy assessments of those third countries.

### **Implementation of the legal framework**

#### *Monitoring the implementation of the General Data Protection Regulation*

Article 47(1)(e) of the Audit Directive requires that international transfers of personal data between EU authorities and non-EU authorities are to be carried out in accordance with the EU Data Protection legal framework. The sub-group will follow-up on the implementation of the new EU General Data Protection Regulation (GDPR)<sup>5</sup> and monitor the possible impact on the data protection agreements signed with third-country competent authorities.

#### *Scoping out information for guidelines on the content of cooperation agreements and exchange of information with third-country competent authorities*

Article 36 of the Audit Regulation states that, competent authorities may conclude cooperation agreements on exchange of information with third-country competent authorities for the performance of the audit supervisory tasks under the Audit Regulation. The sub-group will continue the process to examine and identify possible information that may be exchanged and explore how guidance may be provided to support members in negotiations towards their cooperation agreements with third countries.

### **Interaction with other sub-groups**

The sub-group will liaise with the Inspections and Enforcement sub-groups to discuss developments with the US PCAOB, as well as other third-country auditor oversight authorities in the equivalence and adequacy areas and third-country auditors registered under Article 45 of the Audit Directive.

### **Input into CEAOB annual report**

The activities of the sub-group will be summarised for input into the CEAOB annual report for 2018.

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<sup>3</sup> European Commission implementing Decision 2016/1010 on the adequacy of the competent authorities of certain third countries and territories.

<sup>4</sup> European Commission implementing Decision 2016/1156 on the adequacy of the competent authorities of the United States of America.

<sup>5</sup> Entry into force 25 May 2018.