



## 7th plenary meeting of the Committee of European Auditing Oversight Bodies (CEAOB)

Centre Albert Borschette (Room 4B)

Brussels, 14 June 2018

### Summary of operational conclusions

Chair: Ralf BOSE, Chief Executive Director, Germany's Audit Oversight Body (AOB)

Vice-Chair: Dorota ZALIWSKA, Head of Unit 'Audit and Credit Rating Agencies', DG FISMA replacing Director of Investment and Company Reporting, DG FISMA

#### 1. Adoption of the agenda

**Decision:** The agenda was adopted without changes.

#### 2. Adoption of the minutes and the summary of operational conclusions of the previous meeting

**Decision:** The minutes and the summary of operational conclusions of the previous meeting held on 27 February 2018 were approved.

#### 3. Chair's introductory remarks

The Chair briefly updated the CEOB members on the developments since the last CEOB plenary meeting. One Consultative Group meeting was held in April and one call of the sub-group Chairs was held in May. Main topics of discussions covered possible areas of interaction between the sub-groups, development of short guidelines regarding the use of CEOB's visual identity and preparatory work for the plenary meeting. The report on the 2016 CEOB Enforcement Questionnaire was approved via written procedure and published on the CEOB webpage.

#### 4. Vice-Chair's introductory remarks

The Vice-Chair updated the members about the state of play and next steps of the reform process of the standard setting governance that was launched by the Monitoring Group last year.

The Vice-Chair informed the members about the following new initiatives of the Commission: (i) the proposal of a directive on whistleblowing and its relevance for the Audit Directive and (ii) three proposals on taxonomy, disclosure requirements of environmental, social and governance factors and new benchmarks to help investors compare the carbon footprint of their investments in the framework of the Commission's Action Plan on Sustainable Finance. The Vice-Chair also reminded the members about the on-going public consultation on the "Fitness Check on the EU framework for public reporting by companies" and invited them and other relevant authorities in their countries to take part in this consultation. The members were equally informed about the guidelines recently issued by the European Data Protection Board on the new GDPR requirements and, more specifically, on the use of public interest derogation for transfers of personal data among international supervisors.

## 5. Main business

### 5.1. First thoughts on the 2019 Work Programme

Pursuant to Rule 3 (5) of the Rules of Procedure, the CEAOB is required to adopt an annual work programme including work plans for its sub-groups. These work plans are adopted in the last plenary of the year (in 2018 the last plenary will take place on 24 October). The Chair presented some suggestions received from the CEAOB members in view of the drafting of the 2019 Work Programme; next steps of the process were discussed as well.

### 5.2. Adoption of CAIM methodology

The CAIM methodology was originally developed and endorsed by the EAIG, and continues to be applied by the CEAOB members. Since the EAIG has since been integrated into the CEAOB Inspection sub-group, the plenary was asked to formally adopt the related documents as CEAOB documents.

**Decision:** The CAIM methodology was adopted and will be published on the CEAOB webpage.

### 5.3. Overview of the implemented options contained in the ARD-presentation by EC

The Commission representative presented an overview of the implementation by the Member States of the derogations (options) provided for in the Audit Regulation. The data included in the presentation was based primarily on the information received from the Member States via the Audit Regulatory Committee as well as from other sources if the information from a given Member State was missing. The CEAOB members were asked to come back to the Commission if they noticed any mistakes in the presented information.

## 6. Sub-groups

### 6.1. Reports of the sub-group Chairs

The sub-group Chairs presented the activities of their respective sub-groups since the previous plenary meeting held on 27 February 2018.

The Chair of the **International Adequacy and Equivalence** sub-group presented the outcome of a survey regarding the relevance of third countries under transitional regime and the next steps on their assessments.

The Chair of the **Inspections** sub-group reported on the sub-group's latest meeting in Porto on 4 and 5 June and on the activities of the sub-group's task forces. The Financial Services task force will have a conference call in July and the IT task force will have a first meeting in July in Paris. The Smaller Regulators task force is planning a training session on inspections in October.

The Chair of the **Enforcement** sub-group stated that the report consolidating the replies to the 2016 enforcement questionnaire was approved and published on the CEAOB webpage on 1 June. The sub-group continues to share information on the best practice in the area of enforcement.

The Chair of the **Market Monitoring** sub-group reported on the work done on the audit committee questionnaire and the indicators to be used by the EU Member States for gathering data in the last quarter of 2018 and first quarter of 2019.

The Chair of the **International Auditing Standards** sub-group reported about the on-going work on the analysis of differences between the ISAs, the ARD provisions and the national provisions in the EU Member States as well as the work done in the framework of the dialogue with the standard setters.

## **6.2. Adoption of the audit committee questionnaire and related guidelines in preparation for the next market monitoring report**

The questionnaire was developed to help the national competent authorities to understand how audit committees in their respective jurisdictions work and to fulfil their reporting obligations under Art. 27 of the Audit Regulation. The questionnaire is accompanied by guidelines on how to fill in the questionnaire that may be used by both audit committees and national authorities.

**Decision:** The audit committee questionnaire and related guidelines were adopted.

## **6.3. Update on Task force on fees cap**

The task force's representative presented a draft paper on fee cap. CEAOB members were requested to provide written comments on this draft. A consolidated version of the paper that will take these comments into account will be submitted for the adoption by the plenary at a later stage.

## **6.4. Update on Educational qualifications task force**

The Chair encouraged the members to join the task force and to volunteer to take the lead on the project.

## **7. Stakeholder outreach**

### **7.1. Presentation by the ICAEW on the Quality Assurance Network (QAN) followed by internal discussion**

Representatives of the ICAEW and the Chamber of the Financial Auditors of Romania presented the QAN project, the objective of which is to improve and promote quality of non-PIE audits.

### **7.2. Presentation by Prof. Annette Köhler (University of Duisburg-Essen), followed by internal discussion**

Prof. Annette Köhler holds a chair of accounting and auditing at the University of Duisburg-Essen. She is a Secretary General of the European Auditing Research Network (EARNet), a member of several supervisory bodies and audit committees of German and Swiss banks and listed companies, and a former member of the IAASB.

Prof. Köhler made a presentation on the multiple expectation gaps in terms of audit quality and presented challenges faced by audit committees after the audit reform. She also shared the results of a study on audit fees and her reflections on the impact of the new requirements on key audit matters.

**7.3. Update on preparation for this year's CEAOB-ESRB meeting with auditors of G-SIFIs**

The Chair provided an update on the planning of this year's CEAOB-ESRB meeting with auditors of G-SIFIs that will take place on 14 and 15 November at the premises of the ECB in Frankfurt.

**8. Member reporting (DK, FR, LT, RO)**

The purpose of the members' presentations is to present the main characteristics of their oversight systems, the way how they carry out their work and what kind of challenges they face, with an overall objective to encourage information sharing and dialogue between competent authorities.

This time the presentations were given by Denmark, France, Lithuania and Romania.

**9. Adoption of a short summary for publication on the webpage**

Several members suggested some changes and additions to the summary document. The updated version of the document will be re-circulated to the members and published.

**10. Any other business**

The date for the next CEAOB plenary meeting is 24 October 2018.