



CEAOB INSPECTION SUB-GROUP

Work Plan 2019

Having regard to the Inspections sub-group mandate in the Terms of Reference, the following Work Plan sets out the priorities and activities for the period to the end of 2020. This is later than the period of 2019 stated in the CEAOB work programme, because this way a full cycle of meetings with the audit firms can be planned. Any activity of the sub-group beyond the period covered by the 2019 CEAOB Work Programme may be subject to revision after the adoption of the 2020 CEAOB Work Programme. The table below sets out the proposed timings of each activity between 2018 and 2020. Further detail on each activity is provided below the table.

	November 2018 (Vienna)	June 2019	Oct/N ov 2019	May/Jun e 2020	Oct/N ov 2020
Development of co-operation and consistency among the members					
Update work plan					
Sharing and discussing inspection findings through analysis of the Findings Database					
Consistency of inspection methodology: CAIM file review programme development					
Update from Financial services task-force					
Update from smaller regulator inspectors task-force					
Update from IT task-force					
Update on interactions with PCAOB and third countries and coordinated quality assurance reviews between members					
Data analytics and off-shoring update					
Discussion of audit quality Initiatives by the firms, including root cause analysis					
Sharing of inspection approaches					
Consideration of training needs of ISG members					
Increased interaction of ISG members, including through improved technology					

Communication with audit firms					
Dialogue with Big-4 firms	PwC	Deloitte	EY	KPMG	PwC
Dialogue with the other firms		BDO		GT	
Interaction with other sub-groups					
Dialogue with standards sub-group					
Joint meeting with IAASB/ IESBA					
Dialogue with market monitoring and other sub-groups					
Co-ordination with Colleges					
Update from Colleges					
Other matters					
Input into annual CEOB report					
Consideration of publication of surveys and database findings					

Development of cooperation and consistency among the members

Sharing and discussing inspection findings through analysis of the Findings Database

The Findings Database is an important aspect of the facility to exchange information between sub-group members and enables the identification of inspection findings by firm, for use by the sub-group and Colleges and discussion with the firms. It also enables review of potential root causes of the findings, which can assist in the discussions with the Standard Setters. Subjects to be considered for analysis and discussion include areas of common inspection findings. Access to the database is subject to maintaining confidentiality requirements, which are considered in the Appendix. Consideration will be given as to whether any themes or trends arising from the analysis of the Findings Database could merit communication to the market monitoring sub-group, a separate discussion at the CEOB plenary and/or or could be published by the CEOB.

Consistency of inspection methodology (CAIM)

The Common Audit Inspection Methodology (CAIM) initiative has the aim of further improving the consistency of inspection practices. It is coordinated by the CAIM task-force, as set out in the Terms of Reference. Priorities will include updating the existing programmes and developing new work programmes and thought papers on specific firm-wide areas that are not covered by the actual standards (e.g. root cause analysis, audit quality indicators and culture). A more detailed work programme will be developed by the CAIM task-force.

Sharing inspection findings and practices relating to audits of Financial Services entities

The sub-group has a group of experts for the inspections of bank and other financial institution audits (“FS task force”), as set out in the Terms of Reference. The task-force facilitates the exchange of practices and findings amongst European audit regulators in relation to the audits of financial institutions and will provide a platform to engage with the European banking and insurance regulators (EBA, EIOPA and ESMA in Financial Services matters).

Consideration will continue to be given as to the involvement of the FS task force in meetings with the European Systemic Risk Board (ESRB) on the subject of globally systemically important financial institution (GSIFIs) (in accordance with article 12 of the Regulation).

Priorities will include the preparation of the second meeting with the ESRB, two thematic reviews concerning the topics of Key Audit Matters and Loan Loss Provisions (experts vs. specialists), as well as organizing and holding banking and insurance training for the smaller regulator task force.

Smaller regulators inspectors task-force activities

Representatives from this task-force will co-ordinate their activities, as set out in the Terms of Reference, and will update the members on them in the year. Priorities will include the continued development of a specialist database, facilitation of secondment opportunities to and from ISG members and facilitation of co-ordinated training.

IT task-force activities

Representatives from this task-force will co-ordinate their activities, as set out in the Terms of Reference, and will update the members on them in the year. Priorities will include exchanging views, inspection approaches and experiences on areas relating to IT inspections in order to ensure consistency. A more detailed work programme will be developed by the IT task-force.

Update on interactions with the PCAOB and other third countries and coordination of quality assurance reviews between members

The meetings will include regular sharing of information of joint inspections with the PCAOB, given the benefits of understanding the different approaches adopted and will be extended to include consideration of joint inspections with other third countries.

Under the Regulation and Directive, the sub-group activities should involve coordinating quality assurance reviews following a request from the competent authorities of the Member States. The sub-group will need to consider the approach to this. The meetings will include sharing experience of joint inspections and considering whether more co-ordinated reviews can be carried out between inspection teams of ISG members.

Data analytics and offshoring update

The ISG will obtain details of the use of data analytics and the level of off-shoring activity undertaken from the Big-4 audit firms in Europe. These results will be reported back to the sub-group meetings once a year.

Discussion of audit quality Initiatives by the firms

The members of the sub-group will discuss emerging initiatives by the firms that are important in enhancing audit quality, such as developments in root cause analysis, use of Audit Quality Indicators, as well as the culture of the firms to support those initiatives.

Sharing of inspection approaches

The sub-group will also focus more on inspection approaches in different jurisdictions, with presentations by different sub-group members. This could include the use of case studies on individual inspection findings, details of areas of inspection focus, whether findings are publicly reported and communications with Audit Committees by different sub-group members.

Consideration of training needs of ISG members

Consideration will be given to the training needs of ISG members and whether training sessions should be set up on a co-ordinated basis and how best to achieve this. This is largely being facilitated by the smaller regulators inspectors and FS task-forces.

Increased interaction of ISG members, including through improved technology

During 2018, “Slido” was used in the ISG meetings as a means of increasing interaction between the ISG members and with the firms. During 2019, its use will be expanded to further increase this interaction. The use of Wiki will also continue to be expanded, to increase the effectiveness of communications between ISG members.

Communications with audit firms

The sub-group will have on-going dialogue with the audit profession, with a particular focus on the largest European networks of audit firms. Discussion topics will include the networks’ initiatives in improving audit quality. The sub-group will also share findings and observations from inspections in relation to the networks using the Findings Database, in conjunction with the Colleges, subject to maintaining confidentiality of that information. The firms will be requested to follow up certain matters after each meeting attended in order to address any concerns the sub-group or relevant College has in relation to its progress in improving audit quality.

Discussions will focus on the four largest European networks of audit firms, with each of the Big-4 firms invited to attend a meeting every two years. The Colleges will be involved in the organisation of the meetings and be responsible for the presentations to the firms.

Meetings will take place with the other largest audit firms (Mazars, BDO and GT) every three years. The sub-group will also consider meeting with the other European networks that audit a significant number of PIEs in several member jurisdictions. The Organising Committee, together with other volunteering jurisdictions, will be responsible for the communications with any non Big-4 firms.

Interaction with Standards, Market Monitoring and other sub-groups

The Inspections sub-group will liaise with the Standards sub-group to discuss the Findings Database. A joint meeting with the Standards sub-group and Inspections sub-group will be held once a year to share and discuss inspection findings relevant for consideration by the Standards Setters and to meet with the IAASB and IESBA.

There will also be increased interaction with the Market Monitoring sub-group, in particular on the subject of Audit Committee Communications and consideration of how the ISG Findings Database can be used by that sub-group.

The smaller regulators task force will consider how to improve co-operating with the Enforcement sub-group.

Coordination with Colleges

Colleges have been formed for the four largest European networks of audit firms. The Colleges are responsible for preparing and facilitating the on-going dialogue with their respective firm. In addition to attendance at the sub-group meetings with the relevant firms by representatives of the sub-group, there will also be additional meetings between the College members and with the firms. Detailed work plans will be prepared for each College and the College facilitators will be asked to update the sub-group members on their activities and work plans once a year.

Input into CEAOB annual report

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

Consideration of publication of surveys and database findings

The ISG will consider publishing on the CEAOB website some of its database analysis findings and survey undertaken for members. It will also consider what documents should be published on CEAOB website such as the CAIM work programs that were put on the website in 2018.