



COMMITTEE OF  
EUROPEAN  
AUDITING  
OVERSIGHT  
BODIES

CEAOB 2022-003  
Adopted on 9 March 2022

# CEAOB Annual Report 2021

## I. Chair's Remarks

On behalf of my colleagues in the Committee of European Auditing Oversight Bodies (CEAOB) and with the support of the Vice-Chairman, Sven Gentner, I am pleased to present the 2021 Annual Report of the CEOB.

The CEOB is a framework for organising cooperation between its members, and contributing to harmonisation of audit oversight in the European Union (EU). The CEOB's main objectives are to consistently pursue the improvement of audit quality and consequently to keep and increase confidence and trust of investors and the broader public in financial reporting in the EU. To achieve these objectives the CEOB has been designed as a framework for practical, consistent and comprehensive cooperation among European<sup>1</sup> national audit supervisors. A very significant part of the work performed within the CEOB comes from its five sub-groups and from dedicated task forces. These sub-groups and task forces build on expert knowledge and invaluable professional experience provided by the member organisations.

In 2021, the COVID-19 pandemic has continued to result in constraints on travel which impeded all in-person meetings. All the work performed within the CEOB, its sub-groups and task forces and our relationship with our stakeholders, has been achieved thanks to remote connections.

In this very peculiar context, the CEOB's key priorities have been unchanged. The CEOB fulfilled its role in providing guidance, in supporting its members and in sharing information with other European supervisory organisations as is exemplified in the following report.

The CEOB has also contributed, to discussions regarding future regulatory developments which may have an impact on audit and audit regulation. As a consequence, in 2021 the CEOB responded to two public consultations launched by the European Commission, and it contributed to the work of EFRAG's Project Task Force on European Sustainability Reporting Standards (PTF-ESRS).

Finally, I would like to thank the members of the CEOB for their confidence and support. I take this opportunity to thank my Vice-Chair, Alain Deckers, who served during almost six years in this position and brought us his expert knowledge of the European Commission's ways of doing things and expectations, and my colleagues from the Consultative Group, Eva Rackova, Julia Rendschmidt, Martijn Duffels, Panagiotis Giannopoulos, Kevin Prendergast and Frédéric Tabak, and the Chairs of the sub-groups, Marjolein Doblado, Agathe Pignon, Pasi Horsmanheimo, Martin Kelly, and Eduardo Moral-Prieto, for their unfailing support and their hard work.

I look forward to taking up the challenges of 2022 and reporting on our results.

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<sup>1</sup> Supervisors from the European Union (EU) and from the European Economic Area (EEA).

**II. CEAOB structure and sub-groups**



**III. CEAOB’s mission and core strategies**

<b>CEAOB’s mission</b>
<p><b>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.</b></p>

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.

<b>CEAOB’s core strategies</b>
<p><b>Harmonising regulatory approaches</b></p> <p><b>Sharing expertise and experience</b></p> <p><b>Contributing to EU policy on the future of statutory audit and other assurance</b></p> <p><b>Contributing to policy making via regular dialogue with international standard setters</b></p>

**IV. CEAOB 2021 activities**

The 2021 CEAOB activities have been designed to reflect the four objectives defined and included in its 2021 work programme and its sub-groups' work plans: cooperation, communication, interconnectivity and monitoring. The section below contains a description of how they were fulfilled throughout the year.

The year 2021 has been marked by the constraints resulting from the COVID-19 pandemic. However, the CEAOB was able to fully maintain all its activities in 2021.

The CEAOB activities have been impacted by a number of external developments with potential future impact on audit and audit supervision for which the members felt that the CEAOB needed to be involved in and express its views or follow up initiatives with potential future impact on audit and audit supervision. These initiatives include consultations on the European Commission's proposal for a regulation on digital operational resilience for the financial sector ("DORA"), and on the "Targeted consultation on supervisory convergence and the single rulebook - Taking stock of the framework for supervising European capital markets, banks, insurers and pension funds", the development of corporate sustainability reporting standards at EU level, and the public consultation "Corporate reporting - improving its quality and enforcement", launched in November 2021 on the three pillars of corporate reporting. This last public consultation will inform the European Commission and contribute to future amendments to the existing regulatory framework. Once its response is produced, the CEAOB will stand ready to provide any further input that the European Commission may need.

Considering the changes which had taken place since the setting up of the CEAOB, the members decided to clarify their mission statement and to revise their list of stakeholders and communication platforms with stakeholders.

In 2021 the CEAOB also finalised a CAIM work programme on Information security and Cyber Security which is aimed at providing guidance and support to its members, and thanks to a public version, to external stakeholders.

The CEAOB has been responsive to the specific needs expressed by its members. This can be illustrated with the work done with regard to cooperation agreements with the US PCAOB put in place by two of its members. The CEAOB served as a forum to share information on cooperation agreements. Such sharing of information allowed all members interested in the matter to present their issues. This resulted in a draft cooperation agreement which can serve as a model for all members. The CEAOB also played a key role in designing a data protection agreement with the US PCAOB which responds to the requirements set by the European Data Protection Board (EDPB) and the needs of the audit oversight bodies on both sides of the Atlantic.

In the field of international cooperation, the adequacy and equivalence decisions taken by the European Commission which are currently in place will expire in July 2022. In order to provide the necessary technical analyses on the protection of data which could potentially be transferred to US regulators in the future and on whether the US regulatory framework for auditing is equivalent to that of the EU, the International Adequacy and Equivalence Sub-group undertook a comparative analysis of existing requirements. This resulted in two separate reports which were approved by the CEAOB plenary in November 2021 and shared with the European Commission.

Lastly, following the United Kingdom having left the European Union, the CEAOB liaised with the European Commission and with its members to follow developments in the relationship with the UK audit supervisor, and promote harmonisation of practices where registration of UK auditors in Member States is at stake.

## 1. Cooperation

### 1.1. Implementation of the Audit Regulation and Directive (ARD)

PLANNED OUTPUT	2021 ACTIVITIES
Sharing experience and best practice regarding the transposition and the implementation of the ARD	<p>Sharing experience and best practice with regard to the transposition and the implementation of the ARD is one of the key tasks of the CEAOB. To ensure a successful auditor oversight at a common level in all Member States, a consistent usage of the European legal framework is indispensable. Whenever questions regarding the implementation of the audit legislation arise, members are encouraged to explain the specific situation and suggest a solution with the possibility for other members to comment. The positions taken by members are non-binding and are issued for gaining a better understanding of how other members deal with the specific issues raised.</p> <p>To facilitate an easy and efficient way of communication, members are encouraged to use an internal internet online platform where questions can be raised for other members to comment or provide answers. This allows to build collective knowledge and understanding, and make it available and transparent to all members. This platform is only intended to facilitate the exchange of information about how members interpret specific provisions of the ARD and to offer potential solutions.</p> <p>Sharing experience and best practice involves gathering information from the members in order, among other things, to assess whether there is a need to harmonise practice at European level. In 2021 a gathering of information has been undertaken at the initiative of one member on one of the legal requirements and criteria a person needs to meet to be certified as a statutory auditor (Art. 6 of the Audit Directive). This was complemented with collected information about the approval of third country auditors and/or the usage of third country based professional qualifications as a basis for the approval of national and EU-27 auditors.</p> <p>The plenary meetings provide a forum in which members can discuss or exchange information on policy topics dealing with current developments in the audit oversight field.</p> <p>When addressing complex, important topics, the sub-groups and task forces are also providing their input in areas within their expertise. Task forces specifically are created when developing non-binding guidelines with a common understanding of the application of the European law. Once these guidelines and opinions are adopted, they are published on CEAOB's website.</p>

PLANNED OUTPUT	2021 ACTIVITIES
<p>Providing advice to the EU Commission and members upon request, including via the Wiki</p>	<p>The CEAOB provided its views from an audit regulatory perspective to European institutions on the provisions of the European Commission’s proposal for a regulation on digital operational resilience for the financial sector (“DORA”) in a letter dated 16 March 2021.</p> <p>The key messages in this letter are:</p> <ul style="list-style-type: none"> <li>• Further enhancing the resilience of the financial sector to maintain market integrity and financial stability while appropriately tailoring these proposals to the specific characteristics of the entities to which they would apply is appropriate;</li> <li>• The extant regulation already requires statutory auditors and audit firms to have in place effective controls and safeguard arrangements for information processing systems but the DORA proposal is increasing requirements with respect to digital operational resilience;</li> <li>• The inability for an auditor or an audit firm to serve its clients following a cyberattack have less far-reaching consequences than for a bank or a payment system. Therefore many CEAOB members consider that DORA should not automatically scope in statutory auditors and audit firms;</li> <li>• If the European legislators were to decide to include statutory auditors and audit firms in DORA’s scope, the CEAOB believes that this should be on a proportional basis.</li> </ul> <p>On 19 May 2021 the CEAOB provided a targeted response to the European Commission “Targeted consultation on supervisory convergence and the single rulebook - Taking stock of the framework for supervising European capital markets, banks, insurers and pension funds”.</p> <p>As CEAOB, we stand ready to further discuss and develop ideas with the EC about how to improve the cooperation between European NCAs as well as with the ESAs, amongst others by enhancing legal possibilities to cooperate and communicate.</p> <p>The CEAOB should be strengthened in a manner that is responsive to the general public interest within the European Union.</p> <p>In considering further improvements, the CEAOB is of the view that the following areas are the most topical:</p> <ul style="list-style-type: none"> <li>• Transparency on audits and on supervision, including outcomes from inspections and investigations</li> <li>• Harmonisation between Member States, both in the area of supervision and oversight, and in rules which</li> </ul>

PLANNED OUTPUT	2021 ACTIVITIES
	<p>are applicable to audits, auditors/audit firms and audit clients</p> <ul style="list-style-type: none"> <li>• Competences and resources given to individual NCAs and to the CEAOB</li> </ul> <p>The expertise, knowledge and experience in the area of audit and auditor oversight lies with the CEAOB and its members. A change to the current organisation might have unintended consequences, as the activities of the ESAs currently all focus on capital markets, whereas audit oversight also covers the area of non-Public Interest Entity audits, which concerns an entirely different group of companies. Therefore, rather than considering a stronger role for ESMA in the field of auditing, the CEAOB advises to further improve coordination with the existing ESAs and to consider improving the CEAOB's own and its members' capacities and legal competences.</p>
<p>Developing guidelines and thought papers for its members regarding auditor oversight and the application of the legal framework</p>	<p>According to the Audit Regulation, the CEAOB may publish opinions or non-binding guidelines meant to provide clarity to its members and the wider public (auditors, audit committees, professional bodies, PIEs and other stakeholders) and to facilitate a consistent application of the European legal framework. Once adopted, they are published on CEAOB's website. Although these opinions or guidelines are non-binding, the decision-making process in the CEAOB is designed to ensure a maximised support for their content.</p> <p>In 2021 the CEAOB published two guidelines:</p> <ul style="list-style-type: none"> <li>• "Appointment of statutory auditors or audit firms by public-interest entities" (Art. 16 of the Audit Regulation) adopted in March 2021</li> <li>• "Auditors' involvement on financial statements in European Single Electronic Format (ESEF)", adopted in November 2021, replacing initial guidelines issued in November 2019 (see more details hereafter).</li> </ul>

### 1.2. Inspection-related activities

PLANNED OUTPUT	2021 ACTIVITIES
<p>Sharing, discussing and analysing inspection findings and inspection approaches</p>	<p>In 2021 the Inspection Sub-Group (ISG) held two virtual meetings, one in June (15<sup>th</sup> to 17<sup>th</sup>) and a second in November (17<sup>th</sup> to 19<sup>th</sup>).</p> <p>During the June meeting the ISG provided an overview of the results of a questionnaire on inspection regimes circulated across members of the ISG. The results provided insights into:</p> <ul style="list-style-type: none"> <li>- member profiles;</li> <li>- frequency of quality control and engagement inspections in Big 4 and other firms;</li> </ul>

PLANNED OUTPUT	2021 ACTIVITIES
	<ul style="list-style-type: none"> <li>- audit committee communications;</li> <li>- the use and utilisation of CAIM work programmes;</li> <li>- inspections in scope;</li> <li>- engagement selection;</li> <li>- thematic inspections;</li> <li>- inspection grading;</li> <li>- publication of inspection reports;</li> <li>- the use of inspection tools; and</li> <li>- the use of the inspection findings database.</li> </ul> <p>In June, ISG members were also proposed a presentation that outlined areas of consideration for inspectors resulting from the pandemic during:</p> <ul style="list-style-type: none"> <li>• <b>planning</b> (including materiality, risk assessment, internal control system, communication with management and those charged with governance);</li> <li>• <b>execution</b> (impacts of remote working on the ability to obtain sufficient appropriate audit evidence in particular across inventory observation and external confirmation procedures, specific areas as asset impairment and valuation, group audits and going concern assessment), and</li> <li>• <b>completion</b> (subsequent events, assessment of financial statements disclosures, need for consultation, written representations and impact on the audit report) of the audit.</li> </ul> <p>During the November 2021 meeting, an analysis of the findings from the database related to Information Technology (IT) was presented. This analysis was summarised in an infographic which was published with the press release for the meeting.</p>
<p>Sharing inspection findings and practices regarding Financial Services, IT and smaller regulators in the relevant Task Forces</p>	<p>The Smaller Regulator Inspector Task Force (see below) was replaced in November 2021 by a Training Task Force that will be responsible for identifying training needs for inspectors, planning annual trainings and reporting on its activity to the CEAOB ISG plenary meeting.</p> <p>The Financial Services Task Force performed in 2021 two thematic reviews:</p> <ul style="list-style-type: none"> <li>• Covid19 impact on both audit firms and the audit of loan loss allowance, and</li> <li>• third-party confirmation</li> </ul> <p>And also an analysis of banking and insurance related findings from the database.</p>

PLANNED OUTPUT	2021 ACTIVITIES
	<p>Results from these activities were presented during the annual meeting with the ESRB in November 2021.</p> <p>During 2021, the IT Task Force performed different activities:</p> <ul style="list-style-type: none"> <li>• Creation of IT use cases to support the CAIM IT Inspection Work Program adopted in 2020,</li> <li>• Organisation of a training on the use of the CAIM IT Inspection Work Programme (which took place on 8 November 2021),</li> <li>• Analysis of the DORA (Digital Operational Resilience Act) project,</li> <li>• Preparation of a new CAIM Work Programme on Information Security and Cybersecurity,</li> <li>• Analysis of the IT findings in the database.</li> </ul>
<p>Further developing the CAIM, sharing individual inspection approaches and/or innovative approaches to performing inspections</p>	<p>During 2021, the CAIM Task Force discussed on how to update the current CAIM firmwide suite of work programmes following the adoption of the new ISQM standards by the IAASB. This work stream will continue during 2022 with the aim to propose an updated suite of work programmes to the ISG plenary meeting in November 2022.</p> <p>In November 2021, the ISG adopted the CAIM Information &amp; Cybersecurity Work Programme. A public version of this work programme is available on the CEAOB Internet page.</p> <p>During the June 2021 meeting Portugal provided an insight into the CMVM's project on Audit Quality Indicators launched in 2019 as the results of their first report were available and a first model update had been published.</p> <p>During the November 2021 meeting, the CTR/CSR from Belgium presented some highlights on the Belgian audit market, their internal organisation and the inspection approach both for PIE and non-PIE audit firms.</p>
<p>Reviewing the use of data analytics and level of off-shoring by the Big 4 audit firms</p>	<p>During the November 2021 ISG meeting, each of the facilitators of the Big 4 Colleges presented an update of the usage of data analytics tools in the respective Big 4 networks.</p>
<p>Sharing experiences regarding coordinated quality assurance reviews between members and of joint inspections with third countries</p>	<p>During 2021, members had extensive discussion regarding the organisation of remote joint inspections with the US PCAOB. The discussions focused on how to address technical and legal issues (including GDPR), and involved representatives of the PCAOB as well as of the EDPB (European Data Protection Board). A few members presented on the remote joint inspections they had conducted.</p> <p>During the March 2021 Plenary meeting two members provided a presentation on a coordinated inspection performed on the audit of a parent entity and of two of its</p>

PLANNED OUTPUT	2021 ACTIVITIES
	<p>significant subsidiaries. This coordinated inspection involved national competent authorities from three Member States.</p> <p>After the November 2021 ISG meeting, the rapporteur from the IAE SG presented the draft reports on Adequacy and Equivalence of the US's legal framework.</p>
<p>Exploring training needs for inspectors and means of increased interaction among members, e.g. by using a specialist database and exploring secondment opportunities</p>	<p>The Training Task Force was launched in November 2021 and has started gathering inspectors' needs for training.</p>

### 1.3. Enforcement-related activities

PLANNED OUTPUT	2021 ACTIVITIES
<p>Conducting surveys regarding specific issues, including administrative measures and sanctions as well as the state of administrative and disciplinary regimes in the member states</p>	<p>The CEAOB Enforcement sub-group (ENF) sent its 5th Enforcement survey questionnaire to EU National Competent Authorities (NCA) and EEA authorities in February 2021. The survey questionnaire was conducted in a compact scope focusing only on collecting statistics on sanctions and administrative measures (Audit Directive chapter VII) in European countries (EU/EEA) taken during the year 2020.</p>
<p>Further improving the understanding of the investigation and sanctioning regimes in EU Members States through regular exchanges and case studies</p>	<p>The 5th CEAOB Enforcement Report on Sanctions and Administrative measures imposed by NCAs and EEA authorities and delegated bodies in EU/EEA States was adopted in June 2021 by the CEAOB.</p> <p>The ENF organised two video enforcement workshops in 2021 for CEAOB members and their enforcement and inspection staff members. The first workshop on 25 March 2021 focused on a case study, and the second workshop on 30 November 2021 focused on the link between inspections and investigations and on a case study.</p>
<p>Exploring training needs for enforcers and the means of increased interaction among members, e.g. by sharing experiences resulting from enforcement decisions and by exploring secondment opportunities</p>	<p>The 5th CEAOB Enforcement Questionnaire covered questions about training and secondment needs for enforcers and the means of increased interaction among members (Section C). This section was adopted as a non-public section of the 5th CEAOB Enforcement Report.</p>

#### 1.4. Standard-related activities

PLANNED OUTPUT	2021 ACTIVITIES
<p>Discussing relevant standards related issues regarding the application of EU regulations and directives on auditing matters</p>	<p>The International Auditing Standards sub-group (ISA SG) prepared an enhanced version of CEAOB guidelines on the auditors' involvement on financial statements in European Single Electronic Format (ESEF), which were published in November 2021, replacing initial guidelines issued in November 2019. The new guidelines take into account the Commission Interpretative Communication 2020/C379/015 which was published after the issuance of the initial CEAOB guidelines. They provide for further clarifications drawn from experience gained in implementation of ESEF and exchanges of views with representatives of the audit profession.</p> <p>The ISA SG discussed the potential impact on auditors' activities of the proposals of the European for a regulation on digital operational resilience for the financial sector ("DORA"). The CEAOB views were communicated to European institutions in a letter dated 16 March 2021 (see above).</p> <p>The ISA SG organised exchanges of views on the proposals for a Corporate Sustainability Reporting Directive (CSRD) published in April 2021, and on the development of European sustainability reporting standards, in liaison with the participation of the CEAOB in the EFRAG Project Task Force on European Sustainability Reporting Standards (PTF-ESRS).</p> <p>The ISA SG also facilitated a common understanding of the provisions applicable by third-country auditors of issuers subject to European Single Electronic Format (ESEF) provisions.</p>
<p>Discussing the impact of differences identified between ISAs and EU or national provisions applicable in the Member States</p>	<p>The ISA SG finalised an analysis of the main differences between national auditing standards applicable in EU countries and ISAs (International Standards on Auditing), with a view to provide a comprehensive summary of those differences to the CEAOB members. The final report was submitted by the ISA SG to the membership and approved in June 2021.</p>
<p>Discussing developments in current IAASB projects and determine whether and when the CEAOB should engage on selected issues</p>	<p>The ISA SG monitored the developments and revisions of the ISAs (International Standards on Auditing) by the IAASB and the revisions of the Code of ethics by the IESBA. This also included the responsiveness of the IAASB and the IESBA to the CEAOB's comments on their initiatives.</p> <p>In particular, the decision was taken that the CEAOB should react and highlight the provisions of the EU regulation, which would need to be taken into account in the project for the revisions of IESBA's code of ethics revisions on the definitions of listed entity and public interest entity.</p> <p>The initiatives of the IAASB were also examined and discussed by the ISA SG, before issuance of final proposals</p>

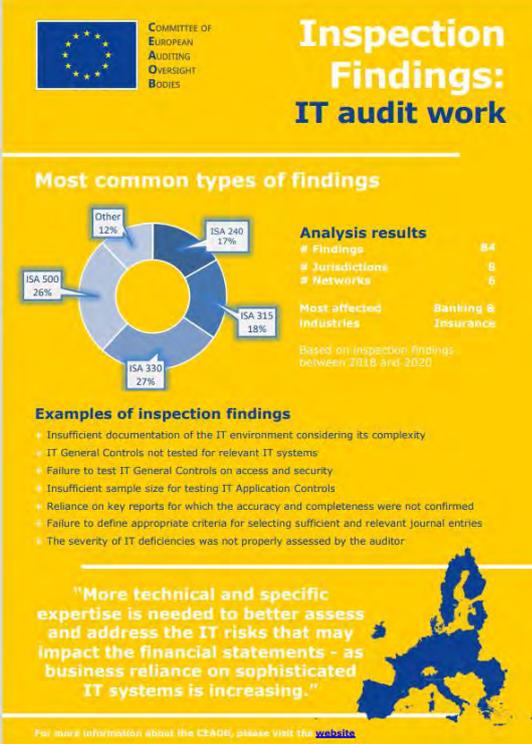
PLANNED OUTPUT	2021 ACTIVITIES
	<p>by the IAASB, including e.g. on the audit of less complex entities, and audit evidence.</p> <p>The CEAOB issued comment letters that provided standard setters and relevant stakeholders with EU audit regulators' views on the following topics:</p> <ul style="list-style-type: none"> <li>• IAASB – Discussion Paper – Fraud and going concern in an audit of financial statements (29 January 2021);</li> <li>• IESBA - Proposed revisions of the definitions of a listed entity and a public interest entity in the Code of ethics (3 May 2021).</li> </ul>
<p>Analysing the CEAOB database inspection findings pointing to deficiencies in auditing standards used</p>	<p>Once a year, the ISA SG analyses the information from the CEAOB findings database to monitor the topics which are recurring and frequent. This information is useful to assess whether auditing or ethical standards would deserve revision, based on the inspection experience of the CEAOB members. The summary of the 2021 analysis was shared with the IAASB and IESBA leadership at a meeting in November 2021.</p> <p>In addition, the ISA SG continued its initiative started in 2020 to get further insights from inspection findings, with a view to provide comments to the IAASB on the fraud and going concern initiatives and in preparation of the audit evidence project.</p>

1.5. Other

PLANNED OUTPUT	2021 ACTIVITIES
<p>Providing a framework for discussing of wider issues beyond the scope of individual sub-groups and facilitating the work between the sub-groups:</p> <ul style="list-style-type: none"> <li>• Sharing information about one-to-one meetings with local member firms where information gathered might be of interest to other members of the CEAOB,</li> <li>• Sharing information gathered from third parties (media, whistleblower, etc.) on suspected fraud and conflicts of interest or deficiencies which could have an impact on a public interest entity audit performed in the EU</li> </ul>	<p>The status of implementation of the Monitoring Group proposals to strengthen the international audit and ethics standard setting system issued in July 2020 was discussed with the Public Interest Oversight Board (PIOB) leadership during a meeting held in May 2021.</p> <p>The ISG contributed to the thematic review that was launched at CEAOB Plenary level on Materiality in Audits.</p> <p>During 2021, the ISG worked with the MMSG in order to improve the consistency of the CEAOB Database of findings.</p>
<p>Exploring the role of national competent authorities regarding access to the profession (i.e. educational qualifications)</p>	<p>As mentioned above, in 2021 at the initiative of one member information was gathered from members on legal requirements and criteria to be certified as a statutory auditor (Art. 6 of the Audit Directive).</p>

**2. Communication**

PLANNED OUTPUT	2021 ACTIVITIES
<p>Communicating with external stakeholders to gain a better understanding of their expectations vis-à-vis the CEAOB and improving communication (e.g. by the use of infographics). In particular, in 2021, seeking dialogue with:</p> <ul style="list-style-type: none"> <li>- Groups and associations representing audit committees, audit committee chairs and investors</li> <li>- Auditors, audit firms, as well as professional bodies and related organisations</li> <li>- Auditing and ethical standards setters</li> <li>- Banking / insurance regulators and other related organisations</li> <li>- Representatives from academia</li> </ul>	<p>Interactions with stakeholders take place at the level of the Chair, the CEAOB plenary and at Sub-Group level.</p> <p>In 2021, the Chair (seconded by the Financial Services Task Force of the ISG) had meetings with both the ESRB and the FSB.</p> <p>Outreach sessions with the following institutions were organised with the CEAOB plenary:</p> <ul style="list-style-type: none"> <li>• ecoDA (June 2021)</li> <li>• ESMA (June 2021)</li> <li>• Accountancy Europe (November 2021)</li> <li>• EFRAG’s Project Task Force on European Sustainability Reporting Standards (PTF-ESRS) (November 2021)</li> </ul> <p>In addition, the ISG and ISA SG had joint meetings with the IAASB, and the IESBA.</p> <p>Lastly, the Chair of the ISA SG is an observer at EFRAG’s PTF-ESRS.</p> <p>In addition to other types of publications such as guidelines, in November 2021 the ISG also published an infographic on IT audit work <a href="#">Infographic - IT audit work - Appendix to the press release of the 10th meeting of the CEAOB inspections sub-group   European Commission (europa.eu)</a> and the public version of the CAIM on Information security and Cybersecurity.</p>

PLANNED OUTPUT	2021 ACTIVITIES																		
	 <p><b>Inspection Findings: IT audit work</b></p> <p><b>Most common types of findings</b></p> <table border="1"> <tr> <th>Type</th> <th>Percentage</th> </tr> <tr> <td>Other</td> <td>12%</td> </tr> <tr> <td>ISA 240</td> <td>17%</td> </tr> <tr> <td>ISA 315</td> <td>18%</td> </tr> <tr> <td>ISA 330</td> <td>27%</td> </tr> <tr> <td>ISA 500</td> <td>26%</td> </tr> </table> <p><b>Analysis results</b></p> <table border="1"> <tr> <td># Findings</td> <td>84</td> </tr> <tr> <td># Jurisdictions</td> <td>8</td> </tr> <tr> <td># Networks</td> <td>6</td> </tr> </table> <p><b>Most affected industries</b></p> <p>Banking &amp; Insurance</p> <p>Based on inspection findings between 2018 and 2020</p> <p><b>Examples of inspection findings</b></p> <ul style="list-style-type: none"> <li>Insufficient documentation of the IT environment considering its complexity</li> <li>IT General Controls not tested for relevant IT systems</li> <li>Failure to test IT General Controls on access and security</li> <li>Insufficient sample size for testing IT Application Controls</li> <li>Reliance on key reports for which the accuracy and completeness were not confirmed</li> <li>Failure to define appropriate criteria for selecting sufficient and relevant journal entries</li> <li>The severity of IT deficiencies was not properly assessed by the auditor</li> </ul> <p><b>"More technical and specific expertise is needed to better assess and address the IT risks that may impact the financial statements - as business reliance on sophisticated IT systems is increasing."</b></p> <p>For more information about the CEAOB, please visit the <a href="#">website</a></p>	Type	Percentage	Other	12%	ISA 240	17%	ISA 315	18%	ISA 330	27%	ISA 500	26%	# Findings	84	# Jurisdictions	8	# Networks	6
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Publishing technical alerts on emerging issues or issues that CEAOB members see as critical to audit quality	<p>See the description above of the work performed on the guidelines on the appointment of statutory auditors (Art. 16 of the Audit Regulation).</p> <p>The workflow which had been started in 2020 on the concept of materiality as applied by audit firms (Art. 11 of the Audit Regulation) is still ongoing. The goal is to compare the audit networks' methodologies with the results observed by national competent authorities during their inspections. The project also aims at obtaining a better understanding about interactions between audit committees and auditors, or lack thereof, on how materiality is determined by the auditor.</p>																		
Publishing guidelines and thought papers	<p>The CEAOB published guidelines:</p> <ul style="list-style-type: none"> <li>On the appointment of statutory auditors (Art. 16 of the Audit Regulation) in March 2021; and</li> <li>On the auditors' involvement on financial statements in European Single Electronic Format (ESEF) in November 2021 (replacing initial guidelines issued in November 2019).</li> </ul> <p>As mentioned above, the CEAOB provided to European institutions its views from an audit regulatory perspective on DORA and on the Targeted consultation on supervisory convergence and the single rulebook.</p>																		
Increasing transparency regarding the conclusions the	Once a year, the ISA SG analyses the information from the CEAOB findings database to monitor the topics which are																		

PLANNED OUTPUT	2021 ACTIVITIES
<p>CEAOB draws from its work and cooperation (analysis of the inspection findings database) and in its external communication (use of infographics)</p>	<p>recurring and frequent. This information is useful to assess whether auditing or ethical standards would deserve revision, based on the inspection experience of the CEOB members. The summary of the 2021 analysis was shared with the IAASB and IESBA leadership at a meeting in November 2021.</p>
<p>Liaising with standard setters and providing comments on relevant projects</p>	<p>Online meetings were organised by the International Auditing Standards Sub-group to discuss recent developments and topics of relevance to the CEOB with the Chairs of the IAASB, the IESBA and the IOB. Additional meetings were held with IAASB's and IESBA's representatives to discuss ongoing initiatives or projects.</p> <p>A joint meeting was held by the International Auditing Standards Sub-group and the Inspections Sub-group with leadership of the IAASB and the IESBA in November 2021 (via videoconference). This included a presentation of the CEOB common inspection findings, as informed from the Inspection SG and the inspection findings database. The standard setters also provided an update of their current initiatives and feedback on how comments from the CEOB had been taken into account by their organisations.</p> <p>The CEOB issued comment letters that provided standard setters and relevant stakeholders with the EU audit regulators' views on the following topics:</p> <ul style="list-style-type: none"> <li>• IAASB – Discussion Paper – Fraud and going concern in an audit of financial statements (29 January 2021);</li> <li>• IESBA - Proposed revisions of the definitions of a listed entity and a public interest entity in the Code of ethics (3 May 2021).</li> </ul>
<p>Holding joint meeting with the ESRB and Auditors of G-SIFs</p>	<p>The meeting took place on 15 &amp; 16 November 2021 via video conference.</p> <p>The meeting on 15 November was between ESRB and CEOB and included an update on the latest activities of both ESRB and CEOB. CEOB also presented on the thematic reviews performed by the Financial Services Task Force of the Inspection SG.</p> <p>The meeting on 16 November also included statutory auditors of G-SIFs. During these sessions there were a presentation on the recent activities of the ESRB and the CEOB and thereafter discussions on:</p> <ul style="list-style-type: none"> <li>• Auditing during and after the COVID-19 pandemic (remote work),</li> <li>• Digitalisation in banking and insurance,</li> </ul>

PLANNED OUTPUT	2021 ACTIVITIES
	<ul style="list-style-type: none"> <li>• Other expected structural changes in the economy after the COVID-19 pandemic and their impact on banks and insurers.</li> </ul>
Communicating with audit firms and discussing their audit quality initiatives	<p>The ISG met with three audit firms in 2021.</p> <ul style="list-style-type: none"> <li>• Grant Thornton (June 2021)</li> <li>• Deloitte (June 2021)</li> <li>• EY (November 2021)</li> </ul> <p>At those meetings, there were presentations and discussions with the firms about inspection findings (internal and external), root cause analysis and other audit quality initiatives.</p>
Interacting with Colleges of competent authorities (Art. 32 of the Audit Regulation)	<p>In addition, the Colleges (for the Big 4) met with the firms at separate virtual meetings (generally one additional meeting in the year) and there were meetings and calls between the College members to share experience on inspections. The activities and plans of the Colleges were communicated to ISG members at the virtual meeting in November 2021.</p>
Issuing aggregated information regarding administrative measures and sanctions pursuant to Art. 30f (1) of the Audit Directive	<p>The 5th CEAOB Enforcement Report on Sanctions and Administrative measures was published in June 2021 by the CEAOB. This report provides statistics on sanctions and administrative measures (Audit Directive - chapter VII) in European countries (EU/EEA) taken during the year 2020.</p>

### 3. Interconnectivity

PLANNED OUTPUT	2021 ACTIVITIES
<p>Performing technical assessments of third countries to determine adequacy and equivalence (based on predetermined priorities set in consultation with the EU Commission)</p>	<p>In 2021 the International Equivalence and Adequacy Sub-Group (IEA SG) performed the technical equivalence assessment on the US public oversight system for auditors and audit firms as well as the technical adequacy assessment on the US professional secrecy and confidentiality legal framework. The production of these assessment reports involved close cooperation and exchange of information with the US PCAOB and the US SEC.</p> <p>The two reports were approved by the CEAOB in November 2021 and then transmitted to the European Commission. They will contribute to the analysis that the European Commission is required to do in order to take a decision on the adequacy and equivalence of the regulatory framework of a third country. In the case of the USA the existing decisions on the adequacy and equivalence of the US regulatory framework are due to expire in July 2022.</p> <p>The Members of the CEAOB were also asked in July 2021 to share information on cooperation with US oversight bodies, their experiences, and their views as regards future developments. To this purpose, a short survey was developed, seeking inputs around arrangements in place, experiences with cooperation, specific experiences regarding inspections as well as regarding investigations, enforcement, and outlook. The results of this survey had no direct impact on the two reports mentioned above, but provided valuable insight into the state of the cooperation between EU NCAs and US counterparts.</p>
<p>Exploring possible guidance for members in their bilateral interactions with third countries, including guidelines on cooperation agreements and exchange of information as well as aspects surrounding the application of the GDPR</p>	<p>As had been previously reported, a Data Protection Task Force had been set up in 2020 to assess the impact of the GDPR on cooperation agreements with third country audit regulators, and address possible issues on data protection agreements which are necessary for such international cooperation. The CEAOB served as a forum to share information on cooperation agreements. Such sharing of information allowed all members interested in the matter to present their needs. This resulted in a draft cooperation agreement which can serve as a model for all members. The CEAOB also played a key role in designing a data protection agreement with the US PCAOB which responds to the requirements set by the European Data Protection Board (EDPB) and the needs of the audit oversight bodies on both sides of the Atlantic.</p> <p>The work of the Data Protection Task Force allowed two members of the CEAOB to sign data protection agreements with the US PCAOB in 2021.</p> <p>The IEA SG also discussed practices on registering, updating information and supervising third country auditors. The IEA</p>

PLANNED OUTPUT	2021 ACTIVITIES
	SG will further explore this area with the aim to identify best practices.
Focusing on the developments surrounding the UK having left the EU and the implications for NCAs and the CEAOB	The IEA SG followed developments resulting from the Brexit and discussed practices on registering UK audit firms in different Member States. The IEA SG also analysed the status of the Crown dependencies as well that of auditors registered in these dependencies.
Exchanging information on interactions with third country regulators	<p>The ISG members had extensive discussions on the US PCAOB request to perform remote joint inspections in Europe in the context of the COVID-19 pandemic which prevented audit oversight bodies from performing on-site joint inspections.</p> <p>The IEA SG performed a survey on the cooperation and experiences on joint inspections with the US PCAOB. The survey helped to better understand the state of play of the cooperation and provided valuable input on the development of the equivalence and adequacy assessments reports and the recommendations for next steps.</p>

#### 4. Monitoring

PLANNED OUTPUT	2021 ACTIVITIES
Monitoring the audit market and audit quality	One of the core functions of the Market Monitoring sub-group is to collect audit market data. This is collated and forms the basis of the European Commission's market monitoring report. To help ensure that all Member States report information that is comparable, an updated common set of information indicators were finalised in June 2021.
Collecting and analysing data in member states, including data on audit markets, audit quality and audit committees	<p>In 2021 work began to collect the data across Member States in respect of audit market and audit quality data as well as information on audit committees' adherence to the requirements of the audit Regulation and Directive. This data gathering exercise will continue for the first half of 2022.</p> <p>This data collected will form the basis of the European Commission's 3rd market monitoring report.</p>

Supporting cooperation in particular regarding the monitoring of developments in the national audit markets including the risks arising from high incidences of audit quality deficiencies and the discussion of mitigating measures	The ISG database will be used in 2022 to provide an analysis of audit quality in the audit market, the results of which will be incorporated into the European Commission's report. The MMSG worked with the ISG in 2021 to improve consistency and degree of usage of ISG database.
Sharing and discussing shortcomings and adverse developments in the audit market, in particular if the events are potentially of an EU dimension	In 2021 the main focus was on the impact of Covid-19 on the way audit work was performed (impact of remote working and increased fraud risk).
Identifying and analysing trends, potential risks and vulnerabilities relevant to auditor oversight in order to adopt appropriate actions	In 2021 a study was presented on data gathering across Member States. This provided insights on the type of information being collected as well as areas where information was not available, which has a direct impact on how auditor oversight is being carried out. The study also informed what areas within the audit market could be selected for market monitoring analysis in future periods.

## V. Main activities of the 2022 work plan

The CEAOB work plan approved by the plenary in November 2021 defines the same four objectives for 2022 as the approval of a new mission statement for the CEAOB occurred late in 2021. This workplan ensures CEAOB's overall objective of consistently supporting audit quality and keeping and increasing confidence and trust of investors and the broader public in financial reporting in the European Union:

- Cooperation among all CEAOB members and observers for the purpose of developing a common understanding, methodologies and practices throughout the various oversight activities;
- Communication between the CEAOB and external parties for the purpose of increasing awareness on the importance of high quality audits and facilitating stakeholders' commitment to this goal;
- Given the interconnectivity of economies and global operations of audit networks and their clients, the CEAOB will be a key contributor for the purpose of attaining a sound cooperation between European and third country audit regulators;
- The monitoring and analysis of the environment and identification of possible risks will remain part of CEAOB's work for the purpose of anticipating market developments and reacting adequately and effectively in view of the protection of the public interest in the long term.

In addition, to these ongoing activities, in 2022, the CEAOB will coordinate the work of its members in order to:

- Provide a response to the public consultation launched by the European Commission on 12 November 2021, and continue to seek a dialogue with the European

Commission to advise on the future of the ARD and how the framework can be enhanced, particularly with a view to the role of the CEAOB;

- Provide opinion to the European Commission on the technical advice provided by European Financial Reporting Advisory Group (EFRAG) prior to the adoption of EU sustainability reporting standards by the Commission by means of delegated acts, where the CEAOB decides to submit such an opinion;
- Provide expert advice to the European Commission on the evaluation of the effects of the ARD since its implementation; and
- Discuss proposals which aim at improving the tools used in the fields of collaboration, cooperation, and communication.

## **Annex I: CEAOB publications on its 2021 activities**

General information on the CEAOB as well as reports, opinions, summaries and work plans adopted by the CEAOB are published on its webpage: <https://ec.europa.eu/info/ceaob>

### **Reports, guidelines, opinions and other information:**

- [Report on the 2021 CEAOB enforcement questionnaire](#)
- [CEAOB annual report 2020](#)
- [CEAOB Guidelines on the auditors' involvement on financial statements in European Single Electronic Format \(ESEF\)](#)
- [CEAOB reply to European Commission's targeted consultation on supervisory convergence and the single rule book](#)
- [Comment letter to IESBA proposed revisions of definitions of listed entity and public interest entity in the Code](#)
- [Guidelines on appointment of statutory auditors by public interest entities](#)
- [Comment letter to European institutions on the Digital Operational Resilience Act \(DORA\) proposal](#)
- [Comment letter to IAASB consultation on fraud and going concern](#)

### **Summaries from the plenary meetings:**

- [Meeting of 16 March 2021](#)
- [Meeting of 22-23 June 2021](#)
- [Meeting of 23-24 November 2021](#)

### **Work programmes and terms of reference:**

- [CEAOB work programme 2022](#)
- [CEAOB Equivalence and adequacy sub-group: work plan 2022](#)
- [CEAOB International auditing standards sub-group: work plan 2022](#)
- [CEAOB Enforcement sub-group: work plan 2022](#)
- [CEAOB Inspections sub-group: work plan 2022](#)
- [CEAOB Inspections sub-group: terms of reference 2021](#)
- [CEAOB Market monitoring sub-group: work plan 2022](#)

Committee of European Auditing Oversight Bodies

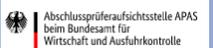
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**COMMITTEE OF  
EUROPEAN  
AUDITING  
OVERSIGHT  
BODIES**



**CEAOB Member States**

<p><b>Austria</b></p> 	<p><b>Belgium</b></p> 
<p><b>Bulgaria</b></p> 	<p><b>Croatia</b></p> 
<p><b>Cyprus</b></p> 	<p><b>Czech Republic</b></p> 
<p><b>Denmark</b></p> 	<p><b>Estonia</b></p> 
<p><b>Finland</b></p> 	<p><b>France</b></p> 
<p><b>Germany</b></p> 	<p><b>Greece</b></p> 
<p><b>Hungary</b></p> 	<p><b>Ireland</b></p> 
<p><b>Italy</b></p> 	<p><b>Latvia</b></p> 
<p><b>Lithuania</b></p> 	<p><b>Luxembourg</b></p> 
<p><b>Malta</b></p> 	<p><b>Netherlands</b></p> 
<p><b>Poland</b></p> 	<p><b>Portugal</b></p> 
<p><b>Romania</b></p> 	<p><b>Slovakia</b></p> 
<p><b>Slovenia</b></p> 	<p><b>Spain</b></p> 
<p><b>Sweden</b></p> 	<p><b>EEA: Iceland / Liechtenstein/ Norway</b></p>