



5th plenary meeting of the Committee of European Auditing Oversight Bodies (CEAOB)

Centre Albert Borschette (Room 1C)

Brussels, 13 November 2017

Summary of operational conclusions

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

Vice-Chair: Nathalie DE BASALDUA, Director Investment and Company Reporting, DG FISMA, represented for items other than 7.4 by Dorota ZALIWSKA, Head of Unit Audit and Credit Rating Agencies, DG FISMA

1. Adoption of the agenda

The agenda was adopted without changes.

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

The minutes and the summary of operational conclusions of the previous meeting held on 1 June 2017 were approved.

3. Chair's introductory remarks

The Chair briefly updated the CEOB members on progress since the last CEOB meeting. Work plans were developed. The Consultative Group met on 18 September and discussed the Draft Work Programme 2018, and other topics including the Wiki, the upcoming meeting with the ESRB and auditors of G-SIFIs and stakeholder outreach.

4. Vice-Chair's introductory remarks

The Vice-Chair representative updated the committee on developments from the Commission side. The European Parliament PANA Committee had recently adopted its final report. The accompanying draft recommendations envisaged a strong role for auditors and referred to the work of CEOB.

The Monitoring Group, of which the European Commission is a member, had published on 9 November a public consultation on the reform of the governance of the standard setting bodies. The Vice-Chair representative encouraged CEOB members to contribute to the consultation.

5. Main business

5.1. Adoption of the CEOB Work Programme 2018

The Chair invited comments on the revised work programme for 2018 and the list of topics for discussion contained in the cover note. In particular the Chair asked for input which would enhance the CEOB's external impact, including potential topics for opinions and non-binding guidelines.

In the discussion the members expressed their interest for the following additional topics: prohibited non-audit services, calculation of the cap, auditors' independence, future of audit, education and cyber threats. The 2018 work programme was adopted.

5.2. Self-assessment of the CEOB and way forward with the Annual Report 2017

The Chair presented the CEOB's progress to-date against its regulatory obligations – and thanked members - especially sub-group Chairs, the Consultative Group and the Secretariat for their work.

The Commission introduced a document on the preparation of the Annual Report for 2017, which would be structured along the lines of the 2017 work programme, concluding with a short summary of the main objectives for 2018.

5.3. Approval of the new CEOB logo

The Vice-Chair introduced the new CEOB logo, which was approved by the CEOB.

6. Sub-groups

6.1. Reports of the sub-group Chairs, self-assessment of sub-groups and adoption of sub-groups' workplans for 2018

The sub-group chairs presented the self-assessments for their respective sub-groups over the past year and their workplans for 2018.

The Chair of the **International Adequacy and Equivalence sub-group** noted that this was a small sub-group and further members would be helpful. With the introduction of the new regulation, previous transitional equivalence and adequacy decisions would have to be reviewed. The sub-group's 2018 workplan was adopted.

The Chair of the **Enforcement sub-group** noted the sub-group's achievements in proposing a tool to reporting "temporary prohibitions" and conducting an enforcement survey. Priorities for the year ahead would include providing genuinely useful reporting based on the enforcement survey and conducting a deeper examination of enforcement regimes. The sub-group's 2018 workplan was adopted.

The representative for the Chair of the **Inspections sub-group** noted the sub-group's work included meetings with four of the big six audit firms and the development of cooperation and consistency among members. Over the coming year, work would include the setting up of specific task forces for small regulators and IT; and training. The sub-group's 2018 workplan was adopted.

The Chair of the **International Auditing Standards sub-group** noted the sub-group's panorama on the use of ISAs in EU Member States and the Q&A being discussed on audit report issues. A more detailed understanding of the limits of application would be developed, as well as exchanging information and experiences on audit reporting. The sub-group's 2018 workplan was adopted.

The Chair of the **Market Monitoring** sub-group noted completion of the initial self-assessment round, with the sub-group continuing to remediate data issues, promote consistency in data across Member States and ensure comparability and ease of aggregation of data. Work in 2018 would focus on reassessment of market monitoring indicators and liaising with Commission on report production. The sub-group's 2018 workplan was adopted.

6.2. Panorama on the use of ISAs in EU Member States

The Chair of the ISA sub-group presented the sub-group's panorama on the use of ISAs in EU Member States. This was based on responses to a survey from all EU Member States, Norway and Liechtenstein. The report categorised use of ISAs into three types: direct application of ISAs; applicable after a national adoption process, and national auditing standards in force, often based on ISAs.

The report was approved.

6.3. Adoption of a mechanism for the notification of temporary prohibitions according to Article 30f (2) Audit Directive

The Chair of the Enforcement sub-group proposed that the wiki be used to share information on temporary prohibitions.

In response, one member and the EBA raised concerns over data protection were the wiki to be used. The Chair asked that the sub-group consider how to use the wiki in a way that addressed data protection concerns, and report back to the CEAOB.

6.4. Update from the Review Team

The Review Team provided a guidance note for the use of Wiki for questions and to share best practice. The members discussed further issues surrounding the use of the Wiki.

Several members welcomed the update and committed to engaging more with the Wiki in future.

7. Stakeholder Outreach

7.1. Report on meeting with EU Audit Regulatory Committee

The Chair reported back on a meeting with the EU Audit Regulatory Committee (AuRC) held on 23 October.

7.2. Stakeholder Invitations for 2018

The Chair introduced a paper proposing external stakeholders that the CEAOB plenary could meet in 2018. The Chair mentioned that the proposed list is not final and that other suggestions are welcome.

7.3. Update on CEAOB/ESRB meeting with auditors of G-SIFIs

Members were given a short update on the meeting planned on 24 November in Frankfurt. This is the first joint CEAOB-ESRB meeting held.

7.4. Presentation by representatives from the European Contact Group (ECG) followed by internal discussion

Representatives from the ECG presented on the group's work and their perspectives on the implementation of audit legislation, independence and rotation, and audit committees.

In response from questions from members, they explained that the published FAQs were intended to represent a consensus industry view where there was no official clarity, rather than anything more

formal. Differences between translations could sometimes cause difficulties where the official version of one language was perceived to have a different meaning to those in another language. The Vice-Chair noted that while only the ECJ could make final ruling on this, it was useful to know of concerns.

The representatives raised challenges with the rotation requirement. The Chair noted that there had been a range of views on this challenge and the logistical, cost and quality impact when he had asked audit committee chairs.

The representatives noted the improved quality of discussion between auditors and audit committees, though the committees were finding the new rules complicated to apply.

8.1. Update on ESEF

Commission services presented an update on ESEF and possible implications for auditors.

8.2. Adoption of the CEOB confidentiality procedure

The Chair introduced a paper on the CEOB confidentiality procedure, which was intended to formalise the existing good practice in the group.

The CEOB confidentiality procedure was adopted.

8.3. Implications of the new EU General Data Protection Regulation

The Secretariat made a brief presentation on the potential implications of the new EU GDP Regulation on the activity of CEOB. A member of the Chair's team raised awareness regarding the implications for agreements with third countries. The implications on third countries agreements will equally be looked into by the International Adequacy and Equivalence sub-group, alongside a presentation envisaged in the next plenary meeting by the relevant DG within the EU Commission.

8.4. Presentation of the Small Regulators Task Force

The Chair of the Small Regulators Task Force updated the committee on the work of the task force. The task force would be dealing with very small inspection teams (usually less than five inspectors) and would focus its activity on three main areas: common trainings, a specialists' database and inbound and outbound secondments.

9. Adoption of a short summary for publication

The summary was approved subject to the suggested changes.

10. Any other business

CEOB plenary meetings in 2018 are planned for 27 February, 14 June and 24 October.