



COMMITTEE OF  
EUROPEAN  
AUDITING  
OVERSIGHT  
BODIES

CEAOB 2020-024  
Adopted on 25 November 2020

## CEAOB INSPECTION SUB-GROUP

### Work Plan 2021 and Outlook 2022

## **1. Introduction**

This work plan sets out the key priorities and activities for the period to the end of 2022. This is later than the period of 2021 stated in the CEAOB work programme, because this way a full cycle of meetings with the audit firms can be planned.

The purpose of the sub-group is to further enhance the cooperation and consistency among CEAOB members on the subject of inspection activity and to have effective communications with the audit firms (through the coordination with the Colleges of Regulators) and other third parties, with the aim of supporting the objective of the CEAOB to improve audit quality and confidence in audits.

Any activity of the sub-group beyond the period covered by the 2021 CEAOB Work Programme may be subject to revision after the adoption of the 2022 CEAOB Work Programme.

## **2. Objectives**

Through its ongoing work, the sub-group facilitates in particular the aims of the following pillar objectives of the CEAOB:

1. **Cooperation:** Increase consistency among the members through sharing and discussing inspection findings in the Findings Database from different analysis perspectives (standard setting, practices relating to audits of Financial Services entities, IT), sharing inspection approaches and development of the Common Audit Inspection Methodology (CAIM). Identifying training needs for inspectors, census of specialists and opportunities of secondment. Follow up of the use of Data analytics and off-shoring by audit firms and their emerging quality initiatives. Interaction with other CEAOB sub-groups and with other regulators (ESMA).
2. **Communication:** Aim for transparency regarding the activities of the sub-group. 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 and the presentation of findings and observations from inspections in relation to the networks, using the Findings Database. The Colleges will contribute to the organisation of the meetings with each Big-4 firms invited to attend a meeting every two years. Meetings with other largest audit firms (actually BDO, GT, Mazars given the significant number of PIEs they audit in several member jurisdictions) will take place every three years. Liaison with standard setters in collaboration with the International Auditing Standards sub-group through the organisation of a joint meeting with IAASB and IESBA is scheduled to take place every year.
3. **Interconnectivity:** Coordinate on interactions with third country regulators and between ISG Members. Regular sharing of information of joint inspections with the PCAOB and consideration of joint inspections with other third countries, given the benefits of understanding the different approaches adopted. For joint inspections between Member States, sharing experience and considering whether more co-ordinated reviews can be carried out between inspection teams of ISG members.

### **3. Longer term Outlook**

Given that the primary focus of the sub-group is to improve audit quality and confidence in audits, the sub-group goal is to drive sustainable solutions to enhance the quality of audit services and to better communicate its assessment of the quality observed through dialogue with the largest networks, but also by publishing infographics, for instance based on the analysis of the Findings Database.

The sub-group should also prepare for strategic market-driven changes in the audit profession with the assessment of the implementation of new technologies, their related risks and the impact on audit quality, with some emerging industries (like cryptocurrency) that are bringing new audit and reporting challenges but also with the evolving investor's expectations that depend on the reliability provided by the audit and their related risks and opportunities regarding the oversight activities.

### **4. Summary**

The table below sets out the proposed timings of each activity between 2020 and 2022.

During the pandemic, challenges never before faced by auditors in performing audits emerged and more than ever, auditors might rely on technology in performing audit procedures. In some cases, auditors may encounter scope limitations and regulators shall pay specific attention to these limitations. A special focus will be put in the next 12 to 18 months on the increased risks and in particular going concern and fraud aspects and how the audit firms have taken actions to respond to these risks.

|                                                                                                                 | Nov. 2020<br>virtual<br>meeting | June<br>2021<br>Brussels | Nov.<br>2021<br>Amsterdam | June<br>2022 | Nov.<br>2022 |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------|---------------------------|--------------|--------------|
| <b>Development of cooperation and consistency among the members</b>                                             |                                 |                          |                           |              |              |
| Update work plan                                                                                                |                                 |                          |                           |              |              |
| Discussing on potential challenges as a consequence of COVID-19 (firm and engagement level) <sup>1</sup>        |                                 |                          |                           |              |              |
| Sharing and discussing inspection findings through analysis of the Findings Database                            |                                 |                          |                           |              |              |
| Consistency of inspection methodology: CAIM development and update (CAIM TF)                                    |                                 |                          |                           |              |              |
| Update from Financial Services task-force (FS TF)                                                               |                                 |                          |                           |              |              |
| Update from Smaller Regulator Inspectors task-force (SRI TF)                                                    |                                 |                          |                           |              |              |
| Update from IT task-force (IT TF)                                                                               |                                 |                          |                           |              |              |
| Use of Data analytics and level of off-shoring activities undertaken by Big-4 audit firms                       |                                 |                          |                           |              |              |
| Discussion of audit quality Initiatives by the firms                                                            |                                 |                          |                           |              |              |
| Sharing of inspection approaches                                                                                |                                 |                          |                           |              |              |
| Consideration of training needs of ISG members – Specialist database – Secondment Opportunities                 |                                 |                          |                           |              |              |
| <b>Interaction with other CEAOB sub-groups / other regulators</b>                                               |                                 |                          |                           |              |              |
| Dialogue with standards sub-group                                                                               |                                 |                          |                           |              |              |
| Joint meeting with IAASB/ IESBA                                                                                 |                                 |                          |                           |              |              |
| Dialogue with market monitoring and enforcement sub-group                                                       |                                 |                          |                           |              |              |
| Dialogue with ESMA                                                                                              |                                 |                          |                           |              |              |
| <b>Communication with audit firms</b>                                                                           |                                 |                          |                           |              |              |
| Dialogue with Big-4 firms                                                                                       | KPMG<br>/PwC                    | Deloitte                 | EY                        | PwC          | KPMG         |
| Dialogue with the other firms                                                                                   | Mazars                          | GT                       |                           | BDO          |              |
| Assess the main firm/network to monitor                                                                         |                                 |                          |                           |              |              |
| <b>Coordination with Colleges</b>                                                                               |                                 |                          |                           |              |              |
| Update from Colleges                                                                                            |                                 |                          |                           |              |              |
| <b>Other communication matters</b>                                                                              |                                 |                          |                           |              |              |
| Input into annual CEAOB report                                                                                  |                                 |                          |                           |              |              |
| Consideration of publication of surveys results and database findings                                           |                                 |                          |                           |              |              |
| <b>Interconnectivity</b>                                                                                        |                                 |                          |                           |              |              |
| Update on interactions with PCAOB and third countries and coordinated quality assurance reviews between members |                                 |                          |                           |              |              |

<sup>1</sup> This activity will be reassessed in 2021 to ensure it remains relevant.