

<b>TERMS OF REFERENCE</b> <b>OVERSIGHT COMMITTEE AND WORKING GROUP OF THE COMMON AUDIT</b> <b>INSPECTION METHODOLOGY PROJECT</b>
--

19 May 2014

***1. Purpose and Scope of the EAIG Common Audit Inspection Methodology sub-group***

The EAIG membership has determined that a sub-group should be formed to develop a Common Audit Inspection Methodology (CAIM). This sub-group will initially develop a common inspection methodology for firm wide procedures. It is anticipated that a second phase being the development of a common methodology to inspect audit engagement files will follow the successful completion of the CAIM for firm wide procedures. Such a second phase will be determined by the Oversight Committee in due course.

***2. Governance of the CAIM sub-group***

An Oversight Committee (OC) shall be set up for the duration of the CAIM sub-group and for that purpose only. The OC shall have overall responsibility for the governance of the CAIM sub-group. A separate Working Group shall be formed to undertake the work and report to the OC for each CAIM project.

***3. Oversight Committee structure***

The OC shall include a representative from each of the members of the EAIG Steering Group countries and further representatives from other EAIG members, not to exceed eight in total.

The OC shall be chaired by one of the Steering Group members, who may nominate a Vice-Chair from the other OC members. The OC will meet and report in accordance with arrangements agreed between the members of the OC.

***4. Oversight Committee responsibilities***

The OC shall be responsible for the following:

- Approval of the project approach and guidelines for the Working Group (WG) for each project to be undertaken.
- Monitoring progress of the WG, including ensuring “acceptability” (to all EAIG members), “scalability” (irrespective of size of the firm under inspection) and “consistency” of the projects.
- Setting timelines and milestones for the WG for each project.
- Reporting to the plenary EAIG membership on the progress of the projects and ensuring members understand, accept and, to the fullest extent possible, implement the CAIM.
- Approval of the final work programmes resulting from each project prior to distribution to the EAIG membership for approval.
- Considering future CAIM projects including:
  - Second phase of the project to develop a file review work programme;

- Potential for additional projects for the WG;
- Future updates to existing projects; and
- Relationship to other EAIG sub-groups and initiatives.
- Inviting new members onto the WG, as necessary for future projects.

The OC Chair shall be responsible for maintaining an appropriate level of interaction with the WG.

### ***5. Working group structure***

The WG shall include a representative from each of the members of the EAIG Steering Group countries and further representatives from other EAIG members, not to exceed ten countries in total.

The WG shall be chaired by one of the Steering Group members.

The WG chair shall not be from the same jurisdiction as the Chair or Vice-Chair of the OC.

The chair of the WG shall nominate team leaders for each work stream undertaken by the WG, taking into account the desirability of team leaders being from a variety of jurisdictions.

### ***6. Working group responsibilities***

The WG shall be responsible for the following:

- Maintaining the primary objectives of scalability, acceptability and consistency.
- Preparation and appropriate review of the work programmes, including appropriate quality control.
- Preparation of work programmes with both expected and further (recommended) procedures.
- Determining a timetable for each work stream to ensure projects are completed to deadlines and milestones determined by the OC.
- Proposing, where identified through the WG discussions, potential future developments and new initiatives for the CAIM project for consideration by the OC.

The WG chair shall be responsible for developing a process to ensure consistency between work streams and ensuring that the deadlines for each project are met. The chair shall also be responsible for reporting to the OC on a periodic basis.