



Communication

23 January 2025

Dialogue with the sector in 2024

As promised, the Belgian Audit Oversight Board (BAOB) launched another series of dialogues with several PIE and non-PIE audit firms in the course of 2024 in order to enhance its understanding of the challenges that (continue to) face the sector.

The BAOB would like to express its warmest thanks to all auditors who took part in the bilateral meetings or round tables it organised, for the time they invested and for their openness.

The conversations held in the context of this dialogue contribute to the BAOB's proportionate and risk-based oversight. All auditors who took part shared with the BAOB their conviction that such dialogue is important and informative, and would like to repeat the initiative in 2025.

We wish the entire sector a happy and prosperous 2025!

Key messages

The auditors who participated in the bilateral meetings or round tables organized by the BAOB appreciated the opportunity to discuss openly and transparently with their supervisor. Moreover, in spite of the stress which the BAOB's inspections may generate, the auditors expressed their satisfaction with the independent nature of the supervision conducted by the BAOB.

The topics of discussion suggested to the participants were the same as those addressed during the dialogues held in 2023. In essence, the contents of the discussions have changed little as compared to the previous year¹, albeit with the following nuances:

¹ See the press release published on 14 December 2023: [Dialogue with the sector: enriching and to be repeated](#).

Human resources

The dialogue revealed that the ability of the profession to attract new entrants remains a major concern at audit firms. The lack of young auditors who wish to enter the profession could give rise to structural problems, compelling firms to turn down clients. Allowing audit quality to fall is not an option.

The recruitment of (experienced) staff has become the main challenge facing the sector. There are no spontaneous applications. Recruitment agencies have come to dominate the market but have few or no candidates to put forward who match the desired profile. Moreover, the high fees charged by recruitment agencies make them unaffordable for smaller firms.

Staff retention also remains a major concern. As is the capacity of auditors who have obtained their qualifications to take on audit engagements. According to the participants, "the sense of responsibility is gradually disappearing among young people."

The adoption of the Corporate Sustainability Report Directive (CSRD) and the opportunity to offer new audit services has placed additional pressure on recruitment. However, these new services provide an excellent occasion to develop new skills and attract candidates with a variety of qualifications and degrees. Competition for experienced staff is sharp, since the CSRD imposes a new reality both on reporting companies and on consultants and auditors.

The participants described the audit sector as a difficult but above all a fascinating profession. They wouldn't change jobs for all the world!

International Standard on Quality Management (ISQM) 1

The entry into force of ISQM 1 is seen by many auditors as a costly and onerous (new) administrative burden.

The implementation of the due diligence has taken up a lot of time, "without any added value for clients and therefore without any impact on fees", according to several participants. Some participants explained that the exercise consisted of putting down on paper what was already known. Others, from larger firms, consider that the standard has strengthened the risk-based approach, and above all led to interesting discussions at the firm and within the international network regarding the clientele, their risk profile and the fees required in order to carry out a suitable and high-quality audit.

Despite the continuous increase in audit fees, the audit departments of the largest firms usually generate a lower return than the other departments (accounting, consultancy, etc.) because of the cost of audit quality in the broadest sense.

In the opinion of the participants, the ISQM1 tools available on the Belgian market were not operational in sufficient time; this is especially true for the medium-sized or large firms. What is more, the licences are very expensive.

Some auditors regret that the legislators did not consider a deferred entry into force of the standard for smaller audit firms. They state that the time period between the approval of the standard and its

entry into force was unreasonably short, and express the hope that the BAOB will take this into account in its supervisory approach.

The BAOB's 2024 Action Plan aimed to adopt a pedagogical approach to supervising the implementation of the ISQM 1 standard. For this reason, the BAOB decided to limit the scope of supervision of audit firms' organization to a few elements of the ISQM 1².

The BAOB also decided to continue, for the moment, to publish its supervision guides voluntarily, for pedagogical, educational and preventive purposes.

Corporate Sustainability Reporting Directive (CSRD)

At the end of 2023, we wrote that regulatory developments have rarely generated as much enthusiasm as the forthcoming sustainability reporting. This topic has elicited great interest among audit firms, among both young and experienced auditors, and was perceived as a major positive factor of the attractiveness of the profession to young people.

One year on, reactions relating to the audit of sustainability information are less positive. The enthusiasm of young staff, often cited last year, is no longer unanimous among participants in the dialogue who work at the smallest audit firms.

While some are organizing among themselves to recruit specialists in this area, others are considering not renewing their audit mandates with entities that are subject to this reporting obligation.

The workload of auditors is already very high, and with the ESG regulations it will only increase. This new audit activity also requires investment in training and in various forms of collaboration with the new specialists.

It will be up to auditors to elicit confidence by means of their reports on the sustainability-related topics that are most pertinent for the supervised entity and its stakeholders.

The BAOB is aware that this is a considerable new challenge for the profession.

² The 2025 Action Plan remains unchanged in this regard, with the addition of ISQM 2 (Engagement Quality Reviews) for large audit firms.

Fees and de-risking

Fees continue to increase. This trend is supported by a steep demand for auditors. This demand seems gradually to be exceeding the supply, and leads firms to turn down clients who are active in high-risk sectors or that are experiencing financial problems (continuity). The trend is therefore towards de-risking.

However, all participants in the dialogue have expressed their complaints about the downward pressure on fees as a result of the tendering process, which leads to fees that are too low or even ludicrous and unrealistic.

This issue threatens not only the profession's ethics, but also the quality of audits. For there to be high-quality audits, sufficient time and expertise are necessary. We are justified in wondering how an auditor can provide high-quality work while also charging unrealistic fees.

Such practices create unfair pressure on auditors who charge fees that are commensurate with the workload demanded by professional standards. **The result is a distortion of competition that is harmful to market equilibrium and is unfavourable to the profession as a whole.** These practices also risk resulting in declining audit quality to the detriment of participants in the sectors concerned, and more widely in decreasing confidence in the profession.

The BAOB will necessarily continue to be attentive to such practices when it carries out its risk analysis. It will carry out a thematic inspection on this subject in 2025.

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