



"The BAOB will focus in 2024 on effective, risk-based and proportional oversight of audit quality and the integrity of the audit sector.

The BAOB enforces the legal and regulatory framework by constantly examining whether auditors, who are expected to be beacons of ethics and independence, fulfil their mission correctly and knowledgeably.

In so doing, the BAOB advances the public interest, which stands to benefit from honest and transparent financial markets in which users can have confidence in the financial and non-financial information provided."

Bénédicte Vessié, Chair

1. Overall considerations¹

It is essential that citizens be able to trust all public and private institutions. Trust is a prerequisite for successful and prosperous economic and business activities.

Consistent and accurate information for the relevant market participants is therefore a crucial requirement for honest and transparent financial markets. The business environment in which economic players and their auditors operate is constantly changing and becoming ever more complex. And so, too, are the needs of all those who stand to benefit from high-quality (non-)financial reporting. Accurate market information is the pillar of efficient capital allocation; it contributes to profitable investments and hence to an attractive Belgian economic investment climate, which is the basis for economic growth.

The annual action plan of the Belgian Audit Oversight Board (BAOB) provides a bird's-eye view of the areas of emphasis that the BAOB wishes to develop in its oversight during the calendar year. This view is by nature incomplete, as it is a general overview and purely informative. Thus, no rights may be derived therefrom as regards specific oversight actions by the BAOB.

The Belgian Audit Oversight Board (BAOB) is an independent supervisor that strives constantly to advance the public interest through excellent audit quality. This publication is part of its ongoing efforts to promote high-quality audits that are fully compliant with ethical standards. More information is available on the website of the BAOB.



This underscores the essential role of auditors in building confidence among third parties regarding the information provided by companies and other parties. A lack of information or incorrect information can lead to bad investment decisions, and where the information is fraudulent, this can lead to financial losses that may result in a loss of confidence among users who base their decisions on that information.

Independent oversight of the sector emphasizes the importance of the audit profession and is key to achieving the task, in collaboration with all auditors, of steadily enhancing confidence in proper audit quality and honest market information.

As a supervisor of audit quality and of compliance with anti-money laundering legislation, the BAOB is tasked with serving the public interest tirelessly by continually improving the audit quality ecosystem, enhancing integrity and boosting the confidence of investors, credit providers and other stakeholders in the quality and reliability of the information audited by auditors. These efforts are all the more crucial in a fluctuating economic climate, with heightened geopolitical tensions and tough business, climate and organisational challenges.

The BAOB's actions are chiefly preventive in nature, in cases where its supervision identifies inadequacies. This approach enables the audit profession to continue improving its methods.

2. Trends and risks in 2024

In 2024, economic instability linked to interest rate fluctuations, cost increases, the impairment of assets, going concern issues and digitalisation, as well as integrity risks, will be significant risk factors for auditors when conducting audits for their clients.

The transposition of the CSRD Directive into Belgian law and the implementation of the non-financial reporting standards are challenges that offer opportunities but also require major investment in expertise.

The potential difficulty in attracting or retaining specialized staff will put pressure on organisational procedures, but must not come at the expense of the quality of the audits.

The entry into force of ISQM 1 and ISQM 2² will strengthen the internal organisation of audit firms by means of active risk management.

The environment in which auditors operate is constantly changing, giving rise to both opportunities and risks. Similarly, the trends and risks identified by the BAOB at the beginning of the year are also continuously evolving.

International Standard on Quality Management 1 and 2 (ISQM 1 and 2) and ISA 220 (Revised) in Belgium. These standards entered into force:

^{1.} For the creation and implementation of a quality management system for audit engagements in accordance with ISQM 1, at the latest on 15 December 2023; the evaluation of the quality management system required pursuant to paragraphs 53 and 54 of ISQM 1 must be carried out within one year after 15 December 2023;

^{2.} For the application of ISQM 2 to audit engagements for periods beginning on or after 15 December 2023;

^{3.} For the application of ISA 220 (Revised) to audits of financial statements for financial years beginning on or after 15 December 2023.



Inflation-related cost increases and the geopolitical uncertainty caused by military conflicts in Ukraine and the Middle East, with varying intensity of impact depending on the sector, create uncertainty about the financial figures reported by economic players, the recoverability of their receivables and the valuation of their tangible and intangible assets.

Two long-term trends, which had already been identified by the BAOB in 2023, are expected to continue in 2024 and will impact the profession in the coming years.

Digitalisation and technological change, including the development of AI³ models, and the accompanying increased opportunities for data exploitation and automation, constitute the first of these long-term trends.

Digitalisation is changing the nature of the audited companies and requires adjustments to audit processes. For example, an increasingly digital business process is making real-time reporting possible and offering access to data outside of the formal reporting process, thereby providing insight into a company's performance. This enables auditors to design their audits more efficiently and effectively by using data analysis, among other means. The larger audit firms are investing heavily in digitalisation and wish to make increased use of technology and data analysis in their audit procedures. This does have its advantages, but it also brings with it risks. Technology and data analysis may improve the quality of the audit, but they also give rise to issues regarding the reliability of these techniques, their evidentiary value to the BAOB and third parties, management of the IT environment and susceptibility to cybercrime.

Cybersecurity is a universal operational risk against which audit firms need to be constantly vigilant. Therefore, monitoring data integrity in audit files through appropriate organisational procedures should be a key concern of every auditor. In this regard, the BAOB will continue to focus on ensuring that the final audit file is assembled in a timely manner and that auditors respect the integrity of the data in their audit files.

New trends in value creation among economic players explain, in part, the growing importance of the availability of non-financial information and increase the relevance of new risks, such as those relating to sustainability and cyberincidents. These trends also lie at the basis of delicate valuations of intangible fixed assets linked to intellectual property rights, know-how in the supply chain and digital business operations. The same is true for virtual assets, which pose major challenges for auditors.

The increased focus on sustainability is the second long-term trend that will have an impact the profession.

The European CSRD Directive is expected to be transposed into Belgian law in 2024. Large companies will have to report on non-financial information (NFI) using the European Sustainability Reporting Standards (ESRS) for financial years starting on or after 1 January 2024. Over time, more companies will have to comply with the sustainability reporting obligations.

³ Artificial Intelligence.



The CSRD also requires an external auditor/assurance provider to provide a limited degree of assurance on the non-financial information disclosed on the basis of ESRS.

Companies still have a good deal of work to do to prepare non-financial reporting, and the availability of sustainability data may be one aspect that requires attention. Audit firms will thus have the opportunity to provide assurance on sustainability reporting starting in 2025. This presents opportunities as well as challenges for the profession, in terms of knowledge acquisition and the staff to be employed.

Moreover, these shifts are taking place against the backdrop of existing challenges such as the need to improve audit quality, continue to focus on continuity risks and integrity risks, and find and retain expert staff.

The difficulty in recruiting staff is common to many economic sectors and represents an operational risk for auditors as well. Another factor at play is that interest in studying accountancy is decreasing as compared to other fields of study, whilst the demand for auditors continues to rise. Society's growing expectations of the audit profession and a complex regulatory framework makes continuing education and updating essential, giving rise to the risk of an outflow from a sector that is already suffering from the ageing of its practitioners. The need for staff is even greater for those who wish to specialise in the auditing of sustainability reporting in the future.

Some audit firms rely on outsourcing, including abroad, to address the shortage of staff or make expansion possible. However, outsourcing requires adequate knowledge, monitoring and supervision of the outsourced activity and can never absolve the auditor or audit firm from its own responsibility.

As a result of ageing in the accountancy sector, the increasing regulatory requirements and the rising cost of digitalisation, some audit firms try to achieve economies of scale by entering into partnerships, possibly with private equity investors, and by means of consolidation; this trend is expected to continue in the coming years.

All audit firms must, without exception, ensure that they invest sufficient time and resources in their audits. There is a risk that an auditor fails to pass on the cost of the requisite time budget to its client, and therefore wrongfully decides to base its opinion on insufficient work. This risk is all the greater when the auditor participates in public tendering procedures that do not (sufficiently) take account of the quality of the service, and award the contract to the lowest bidder. This increases the risk that auditors will take on assignments on financial terms that do not cover the time budget needed to fulfil the statutory and regulatory requirements.

A particular concern of the BAOB is thus to make sure that the audit quality does not decline to the detriment of users of financial information: stakeholders must be able to rely on audit reports that continue to be based on adequate knowledge and resources. The BAOB takes this issue into account in its risk-based approach.

An ever-present risk is the involvement of audit firms in their clients' integrity incidents arising from money laundering, terrorist financing, rogue organizations or other forms of white collar crime, organized or otherwise. Integrity risk is definitely present in the case of clients with international operations. But even companies with only domestic operations are exposed to this risk, one that is especially high in certain sectors such as those dealing with real estate, used vehicles, luxury products,



hospitality, virtual assets, etc. This high risk of money laundering requires an appropriate and enhanced level of vigilance. The necessary expertise and adequate time budget are also essential.

Greater focus on these risks among audit firms may result in firms turning down clients with an atypical risk profile (de-risking). As a result, such clients may have more difficulty finding an auditor, or they may decide not to appoint one (even where this is contrary to the legal requirements), or they may appoint an auditor who lacks the expertise to assess the risks adequately.

Finally, society expects an ever-increasing alertness to integrity risks.

The BAOB takes all these issues into account in its risk-based approach.

3. BAOB Action Plan in 2024

The BAOB has chosen to pursue a proactive Action Plan in 2024 that is fully focused on material audit quality risks and integrity.

In 2024, the BAOB will take a pedagogical approach to oversight of the recently introduced ISQM standard.

It will also continue to foster dialogue with the sector and to keep fine-tuning its risk-based and proportional approach. Data gathering and data quality constitute essential means to that end. Fair, timely and proportionate enforcement remains the cornerstone of effective preventive oversight.

The BAOB is a risk-based supervisory authority that allocates its resources in proportion to what will create the greatest public value.

The BAOB refines its proportional approach every year and on an ongoing basis by aligning its supervision ever more closely with the nature and scale of the activities of auditors. Special attention is also paid to imposing measures on the basis of a level playing field approach, which means that equal or equivalent treatment is important, with due regard to the specific characteristics and the inherent risk of each audit file.

Through its actions, the BAOB seeks to prevent end users of financial information from being harmed by inadequate information, misinformation or decreased trust in that information. These may, after all, lead to incorrect investment or credit decisions and, in extreme cases, financial loss due to financial reporting fraud. Oversight is therefore primarily risk-based.

Continuous and thematic audit quality reviews constitute part of that proportional and risk-based oversight, with a focus on themes that are central to social developments and the risks and difficulties faced by the profession.

With its action plan, the BAOB continues its unfailing focus on audit quality and integrity, refining its approach, buttressed by particular attention to data gathering and data quality.



In 2024, the BAOB intends once again to engage in active dialogue with the sector regarding the actions taken by audit firms to achieve higher audit quality, implement the ISQM and manage integrity risks and non-financial reporting.

The BAOB's action plan covers the following areas⁴:

- the BAOB's governance:
- raising awareness through communication by the BAOB and dialogue with the sector;
- quality assurance reviews by the BAOB;
- oversight by the BAOB;
- · combating money laundering and terrorist financing;
- enforcement actions by the BAOB.

3.1. The BAOB's governance

The BAOB is continually exploring ways to improve its use of the data at its disposal, the sectoral risk assessments and the time taken to process these, and the scope of its quality reviews.

The BAOB intends to develop a more **data-driven oversight** in order to gain a more in-depth understanding of the sector and how it develops, as well as to better align itself with the trend towards digitalisation in the audit profession. The data collection process necessarily goes hand in hand with consideration of the workload that this brings with it for auditors, and a focus on the requisite safeguards, such as adequate data protection. For this reason, the BAOB is attentive to the approach taken by other European supervisory authorities and to the developments within the CEAOB that serve as the benchmark.

A recurrent and important area of concern for the BAOB is the quality of the data it uses for performing its tasks and the availability of detailed, accurate and up-to-date information. The BAOB relies largely on this information for the performance of its oversight tasks. That is why it expects to receive high-quality and accurate information.

This applies, first and foremost, to the data provided by auditors for inclusion in the public register, which is used not only by the BAOB and the Institute of Registered Auditors (*Instituut van de Bedrijfsrevisoren - L'Institut des Réviseurs d'Entreprises*, hereinafter referred to as the "IBR-IRE"), but also by the public. The BAOB oversees the quality of the data published in the register, including on the basis of annual reporting by the IBR-IRE, the body to which the legislature has delegated the task of maintaining and updating the public register.

This also refers to the data provided in the context of the Auditors' Annual Cartography (AAC) and to the responses to thematic questionnaires prepared by the BAOB or any other information provided to the BAOB under other circumstances. Each year, and therefore in 2024 as well, the BAOB conducts

⁴ The order in which the topics are listed is not an indication of the importance attached to them.



reviews of the accuracy of the data entered by auditors into the AAC, both by means of sampling and in the course of its quality reviews. The BAOB may also examine the underlying processes at large audit firms that audit public-interest entities (PIE) and non-public-interest entities.

3.2. Raising awareness through communication by the BAOB and dialogue with the sector

Communicating its expectations regarding the correct application of the regulatory framework is an important working instrument for the BAOB. The BAOB will continue to share its insights in order to raise the sector's awareness of recurring infringements or difficulties that have been identified, or in order to promote good practices. In this way, the BAOB also increases the predictability of its actions.

In addition, the BAOB emphasises the importance of national dialogue and international cooperation.

As far as the **national dialogue** is concerned, at the request of all those concerned, the BAOB aims to further engage in dialogue with the sector, as it did in 2023, so that it can better understand the challenges within the sector. The BAOB wishes in this way to gain more detailed insight into how audit firms intend to improve audit quality and into the initial findings regarding the implementation of the ISQM standards. The BAOB also seeks to gain a better understanding of the vigilance exercised by audit firms with regard to integrity risks such as those relating to fraud and money laundering, and the extent to which technological trends, investments and human resources-related aspects affect their activity.

In addition, the BAOB regularly exchanges views with the High Council for the Economic Professions (Conseil supérieur des Professions économiques - Hoge Raad voor de Economische Beroepen, hereinafter referred to as "CSPE-HREB"). This is usually done in one of the following ways: the High Council asks the BAOB for its opinion on draft standards drawn up by the IBR-IRE, BAOB requests an opinion from the CSPE-HREB on matters relating to standards, or there is an exchange of views regarding developments in the sector.

The annual agenda of the BAOB also includes the evaluation of the annual report of the IBR-IRE on the performance of the tasks delegated by law to the IBR-IRE, the quality of the data in the public register, the completion by auditors of continuing professional education and the most significant infringements brought to light by the quality controls. The BAOB will continue its dialogue with the IBR-IRE, with particular attention to the opportunities and challenges of the profession.

The BAOB will also continue to conduct in-depth dialogue with the General Administration of the Treasury, the Financial Intelligence Processing Unit, the National Bank of Belgium and the FSMA, in the context of the fight against money laundering.

Lastly, the BAOB also provides technical advice to government ministers' offices, at their request.

In the area of **international cooperation**, the primary focus of the BAOB is on developments in the sector and on auditing standards, determining audit quality indicators, achieving a level playing field at European level and maintaining oversight of cross-border audit firms.



As far as European and international cooperation is concerned, the BAOB will not only take part in the activities of the Committee of European Audit Oversight Bodies (CEAOB) and the International Forum of Independent Audit Regulators (IFIAR), but will also contribute to the work of European committees made up of public supervisory authorities from the EU member states in connection with international networks of audit firms. As a member of the CEAOB, the BAOB will participate in the quarterly meetings of that body and closely follow on European objectives in the area of corporate reporting. The BAOB may also respond to requests for international cooperation, particularly in the context of cooperation with its American counterpart, the Public Company Accounting Oversight Board (PCAOB).

3.3. Quality reviews by the BAOB

Each year, based on its risk assessment, the BAOB determines which auditors and audit firms it will subject to a quality review – irrespective of whether or not those auditors perform statutory audits of public-interest entities (PIEs).

The BAOB considers its quality reviews as long-term review cycles carried out on a recurrent basis. As is the case for all aspects of its oversight, the BAOB uses its resources within these quality review cycles in a risked-based manner, not only to address situations that have the potential to cause more harm but also to examine new trends and developments. Risk-based selections and sampling are always supplemented by random sampling in order to guarantee the reliability and representativeness of the reviews' results.

The BAOB attaches great importance to proportionality in carrying out its quality reviews, taking into account the size of the audit firm and the nature of the services it provides. It therefore works with an internal segmentation of the sector, based largely on the answers obtained in the Auditors Annual Cartography and on any thematic questionnaires prepared by the BAOB. The BAOB is attentive to the approach taken by other European supervisory authorities and to the experiences of the CEAOB's inspection working group that serve as the benchmark.

Implementing ISQM 1 – thematic supervision of AQI developed by PIE audit firms

The ISQM 1⁵ standard will be the most important organisational theme in 2024.

The BAOB seeks to take a pedagogical approach in order to gain insight into the way in which auditors understand and have implemented this new standard and the added value thereof for the risk management of their audit activities. The BAOB wishes to share these insights with the sector.

All auditors, including smaller audit firms and sole practitioners, must evaluate their quality management system on the basis of the ISQM 1⁶ standard by 15 December 2024.

The BAOB's supervision in 2024 is intended to be pedagogical in approach and to focus on raising the awareness of auditors, with particular attention to the 'The firm's risk assessment process' and

⁵ Previously the International Standard on Quality Control (ISQC) 1.

⁶ Applicable as from 15 December 2023.



'Resources' (including human resources) components of ISQM 1. For larger audit firms, the 'Governance and leadership' component is also included.

The implementation of the active risk management required by ISQM 1 will, in practice, result in audit firms developing and monitoring Audit Quality Indicators (AQI)⁷. The BAOB will carry out a thematic review of these AQI among the largest audit forms that audit PIEs, and on that basis identify a selection of useful AQI as good practices.

Ethical requirements: thematic review of the procedures governing training programmes, including vigilance to ensure that exams and firms' internal tests are conducted honestly.

Recent problems abroad, including in the Netherlands in 2023 - referred to in the press as 'exam fraud' - are harmful to the reputation of the sector, whose professional practitioners and staff are expected to exhibit exemplary ethics and honesty at all times.

Given these recent developments, the BAOB has decided to verify the robustness of the procedures around training and exams, with particular attention to the way in which the policy strives for honesty in taking exams or internal tests.

First, the BAOB began in H2 2023 to review the framework of the IBR-IRE for exams that grant access to the profession of statutory auditor as administered by the IBR-IRE. This review has been expanded in 2024 with a review of the procedures for registering attendance during continuing education sessions offered by the IBR-IRE. Lastly, in 2024 the BAOB will carry out a thematic review at the largest audit firms of their internal procedures for the administration of internal knowledge tests that strive for ethical conduct thereof.

More comprehensive risk-based and proportional quality reviews

The BAOB will continue in 2024 to make its risk-based and proportional approach even more comprehensive and thorough by continuously fine-tuning the segmentation of audit firms based on client type, activity type, turnover and employee headcount, among other factors. This is to ensure that the intensity of the quality reviews and the BAOB's expectations regarding the quality of firms' organisational set-up are proportionate to each segment.

The BAOB intends to gradually raise the frequency of its reviews of **PIE audit firms** by combining the quality reviews with thematic ones.

In the **non-PIE segment**, there are a number of particularly **large firms**. From a risk-based perspective, the BAOB expects these large non-PIE audit firms to have a sufficiently high-quality internal organisational set-up and to actively manage their continuous efforts to improve audit quality. The BAOB is striving, gradually and in a risk-based manner, to make the quality review cycle for these audit firms shorter than the statutory minimum six-year cycle required by law.

⁷ The BAOB will take into consideration the experience of other European supervisory authorities in this regard.



The approach to quality reviews at **smaller audit firms** and **sole practitioners** remains for the most part unchanged in 2024. The external inspectors used by the BAOB conduct these reviews by examining the audit files and via an extensive conversation with the auditor under review.

For sole practitioners, the BAOB wishes to focus mainly on the quality review of audit engagements and to test the audit quality framework by means of the problems identified therein. This is a new and important simplification of the approach to the oversight of this segment. Only if, during the review, material problems should come to light that point to weaknesses in the firms' organisation will the BAOB expand its review to a wider scope.

This simplified approach is justified only if one takes into account the social impact of their clientèle, and therefore cannot in principle be used if the client portfolio of a sole practitioner contains public administrative bodies or medium-sized or large companies, and possibly even including PIE clients.

This approach does not prevent the BAOB from continuing to organise thematic reviews on a topic with a limited scope, which allows it to identify good practices and to detect the pitfalls to be avoided.

For smaller audit firms and sole practitioners that earn a significant part of their fees from special assignments, the quality reviews will focus on the selection of one or more special assignments (e.g. liquidations, mergers, splits).

Risk-based quality review of material audit quality risks

For all auditors that have both PIE and non-PIE clients, the BAOB wishes to set up quality reviews in 2024 that are closely tailored to the risks specific to the selected auditor mandates. This should make possible to apply the legal framework and standards in the audit files to identify any material audit quality risks.

A representative sample of statutory audit mandates may be reviewed, with a focus on certain key elements, such as:

- planning the audit;
- the risk assessment and determination of the audit response;
- consolidation;
- the materiality threshold;
- carrying out the audit tasks with respect to certain identified risks, in particular as regards continuity, accounting valuations and evidence of fraud;
- archiving and supervision (file management).

When **selecting the statutory audit engagements** in 2024, the BAOB will pay particular attention to the impact of economic changes, trends and risks (as set out under point 2), including in light of the following criteria:

- the social impact of the company audited by the auditor;
- mandates for which exceptionally few audit hours have been spent or for which very low fees have been charged;
- continuity and bankruptcy;



- valuations for reporting purposes;
- sectors and audit clients impacted by economic or geopolitical shocks⁸;
- sectors characterised by a high level of digitalisation.

Joint inspections with the PCAOB

The BAOB will continue conducting **joint inspections with the PCAOB**, a practice that was initiated in 2021. The aim of these inspections is to assess the quality of the services provided to PIEs as outlined in American legislation⁹. In view of the objective pursued by the PCAOB, it is theoretically perfectly possible that an audit firm that does not qualify as a PIE audit firm in Belgium could, nevertheless, be subject to a joint inspection by the BAOB and the PCAOB.

Several joint inspections are planned with the PCAOB for 2024. The BAOB conducts these joint inspections in consultation with the PCAOB based on a three-year cycle in line with American legislation, which provides for a minimum three-yearly review. A new joint inspection cycle with the PCAOB has thus begun in 2024.

When planning its quality reviews, the BAOB takes into account the joint inspections with the PCAOB. This is in the interest of Belgian companies listed on regulated markets in the US (NYSE, NASDAQ, OTC, etc.)¹⁰.

The PCAOB generally conducts a comprehensive inspection of the quality management system of the audit firm, and focuses, quite logically, on accurate reporting on companies listed in the US, in compliance with American legislation. In this respect, the PCAOB's perspective differs from that of the BAOB. Nevertheless, there are many overlaps. In selecting the themes for its inspections, the BAOB will often, for the sake of efficiency, adopt a hybrid approach by largely aligning itself with the choice made by the PCAOB, and possibly adding a few - more specifically Belgian – themes of its own¹¹. In doing so, it takes into account the workload of PIE audit firms.

3.4. Oversight by the BAOB

In addition to the quality reviews it performs, the BAOB can also fulfil its public oversight tasks by conducting periodic or thematic reviews of one or more audit firms based on trends, developments and new insights.

Inflation, sharply increased costs, negative sectoral trends, geopolitical risks and economic uncertainty (manufacturing companies with supply chain problems, bad debts, decrease in customer numbers, declining profitability, partly due to sharply increased costs, significant impairments, financing difficulties, loss of markets, continuity problems, etc.).

It suffices for a non-PIE firm to have one client that is listed on American exchanges. In accordance with Article 51 of the Law of 7 December 2016, the BAOB takes the lead during these joint inspections.

In its <u>Communication with respect to the ongoing negotiation of a cooperative agreement with the PCAOB</u> (available on its website), the BAOB emphasises the importance of the joint inspections for Belgian companies that are listed on regulated markets in the US.

¹¹ It is useful to mention that the PCAOB already has thorough insight into the organisational procedures of the audit firm to be inspected, given that those procedures are mostly organised by international networks and the PCAOB inspects the audit firms in several countries.



Oversight files may also be opened due to bankruptcies, disputes or allegations of fraud received by the BAOB, for example via complaints or whistleblowers' reports, newspaper reports and notices of early termination of statutory audit mandates. When a file is opened at the BAOB's initiative, the Secretary General may also take into consideration information that it receives from other authorities or third parties.

Some of these files have a considerable social impact and make heavy demands on the BAOB's resources. However, the investigation of these files is important in order to increase trust in the audit profession.

3.5. Combating money laundering and terrorist financing

The sector has, since 2018, made progress in managing its money laundering risk and the risk profile of its clients. However, there is still room for improvement.

Attention is focused in particular on the effective implementation of internal procedures at audit firms, not only for audit mandates but also for special assignments, which are subject to higher risks, or accounting activities. The BAOB takes into account, on the one hand, the relatively small number of reports of suspicious transactions submitted by the sector to the (Belgian) Financial Intelligence Processing Unit, and on the other hand, the identification and guidance of politically exposed persons, which has room for improvement.

Effective risk management is of vital importance for the prevention of money laundering and terrorist financing. Auditors must analyse and assess their clients' risks and, depending on the individual risk profile, demonstrate that they have designed an appropriate level of vigilance.

As part of the quality review of non-PIE auditors, the BAOB will in 2024 review both the internal organisation and the application of firms' procedures in a select number of quality review files. This approach is part of the BAOB's efforts to subject the entire sector to a basic review to verify, among other things, the presence of a general risk assessment and an individual risk assessment for each client, as well as compliance with due diligence requirements and the identification of politically exposed persons.

The BAOB will then follow a risk-based approach to selecting audit mandates for oversight during the quality review of PIE auditors.

In 2024, thematic reviews of combating money laundering and terrorist financing will continue to be important. In randomly selected reviews, account is taken of the auditor's risk profile as well as of the results of the survey conducted in summer 2022 and the updated sectoral risk analysis that the BAOB published at the beginning of 2023.

The thematic review launched in 2022 within the leisure sector and some of its sub-segments that are more exposed to the risks of money laundering, as well as of Belgian auditors that conduct audit activities not only in Belgium but also abroad, will be completed in 2024.



Lastly, the BAOB will finalise, under the coordination of the Treasury, preparations for the evaluation by FATF-GAFI of the completeness and effectiveness of the Belgian anti-money laundering legislation.

3.6. Enforcement actions by the BAOB

Enforcement is the cornerstone of a strong - meaning effective - supervisory authority that acts in the public interest and, through its actions, ensures that trust in the sector is maintained. However, these actions must be risk-based, proportionate, consistent and timely.

The BAOB plays an important role in calling to account those who provide poor audit quality and reporting and who fail to comply with the AML obligations. It seeks to improve their behaviour in the future, changing the underlying incorrect behaviour and preventing recurrence of the shortcomings in the future. Preventive measures are an important working instrument in this process.

The BAOB will use all the measures in its toolbox to achieve the objective set by the lawmakers and, if necessary, will propose to the competent minister additional measures or the refinement of existing ones.

Where the Secretary General finds strong indications of the existence of a practice liable to give rise to an administrative measure or an administrative fine, he or she may open an investigation file. The Secretary General will then undertake investigations, based on which he or she will issue a report to the BAOB Committee. The BAOB Committee is competent to decide on the appropriate action to be taken in response to the final investigation reports of the Secretary General. It may decide to refer the case to the Sanctions Committee, to impose appropriate measures itself or to close the case without further action. In so doing, it seeks to achieve fairness and efficiency without compromising on the desired results.

This approach will continue to be applied, in line with the actions taken in 2023, which have resulted in administrative fines and measures as imposed by the Sanctions Committee and published on the FSMA's website¹².

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¹² The decisions of the Sanctions Committee based on the Law of 7 December 2016 on the organization of the profession of and the public oversight of auditors are available here.