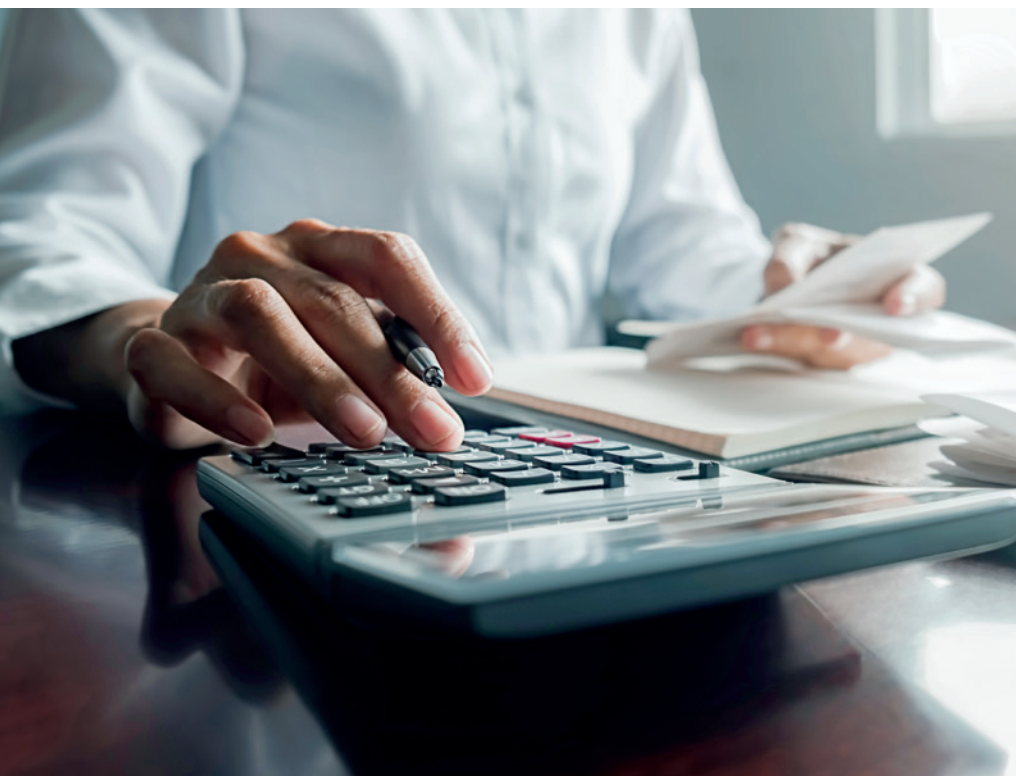


A blurred photograph of two business professionals walking away from the camera. The person on the left is a man in a dark suit, pulling a rolling suitcase. The person on the right is a woman in a dark coat. The background is a blurred city street with a car visible in the distance.

**CTR  
CSR**

**BELGIAN AUDIT  
OVERSIGHT BOARD**

**ANNUAL REPORT  
2021**



ANNUAL REPORT 2021 OF THE BELGIAN AUDIT OVERSIGHT BOARD

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A photograph of a person in a red coat walking past a classical building entrance. The person is blurred, suggesting motion. The building features a large column and a decorative iron gate. The number '12' is visible on the wall. The scene is set on a cobblestone street.

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# 1. WORD FROM THE CHAIR







The profession of auditor is an honourable, important and ambitious one.

Honourable, because of the public trust it inspires.

Important, by virtue of its impact on economic life.

Ambitious, through its daily struggle to master the complex and ever-changing regulatory framework, incorporate new technological developments and to meet the growing need to combine the interests of economic players with the mandatory and uncompromising need to foster confidence in the figures they publish.

The reasons for its existence is to foster trust among third parties in the information published by companies and other players. It is essential that citizens be able to trust all public and private institutions and is a prerequisite of a successful and prosperous economic and business life. Reliable and accurate information for the market participants concerned is also a crucial requirement for honest and transparent financial markets. The current global business environment in which economic players and their auditors work is constantly changing and becoming ever more complex. And so, too, are the needs of all those who stand to benefit from high-quality financial reporting.

This is all the more so given the current backdrop of uncertainty due to the coronavirus, technological changes and the economic and geopolitical climate.

The Belgian Audit Oversight Board is delighted that inspections will now be able to take place not only digitally but also on site, and it hopes that the coronavirus has, after two years, definitively been overcome.

The BAOB attaches great importance to acquiring clear insight into the environment in which the sector is engaged. And certainly now that the effects of the coronavirus epidemic and the geopolitical situation are sure to make a significant impact on the economic system and on the entities being audited, emphasis will lie more than ever on the essential role of auditors as catalysts of public trust in financial information. In its approach, the BAOB will therefore address topics that are related to these issues.

The role of the BAOB as a supervisor of audit quality is therefore to serve the public interest tirelessly, including that of the audited sector itself. If the results of its oversight should bring shortcomings to light year after year, these are to be interpreted in the first instance as opportunities for the profession to continue to improve further.

Avoiding a loss of trust on the part of the public is a top priority. This happened in the Wirecard case in Germany, and gave rise to debates that are still ongoing as to the ability of auditors to detect fraud and about what society expects of auditors. Clarifying the role of auditors and continually enhancing the quality of their work is the only way to maintain and increase public trust.

In terms of quality control, which is the first pillar of the BAOB's supervision, of PIE audit firms, 2021 was no ordinary year. The BAOB began the first joint inspections with the PCAOB, the American oversight body for auditors. The aim of these inspections is the assessment of the quality of the services provided to public interest entities (PIE) as described in American legislation. The joint inspections will take place at least every three years at all audit firms of Belgian companies that issue financial instruments listed on a regulated market in the US. As a result of recent legislation in the US, the Securities and Exchange Commission can ban such financial instruments if the auditors of these Belgian companies are not inspected every three years by the PCAOB.

As regards quality control at non-PIE audit firms, 2021 was a turning point in the return to a normal supervisory cycle. The BAOB attaches great importance, when carrying out its quality control, to the principle of proportionality. It carries out quality controls, taking into consideration the scale of the audit firm and the nature of the services it provides.

In addition to the quality controls carried out by the BAOB in 2021, it also fulfilled its public supervisory role by handling supervisory dossiers. Such dossiers are opened in response to complaints, whistleblower reports, notifications of early terminations of audit engagements or information that the BAOB receives from other authorities or third parties. They may also be opened in response to other indicators, such as bankruptcies, disputes or allegations of fraud that the BAOB receives, for instance from complaints or press releases.

This latter category includes a number of dossiers with a considerable social impact that were often front-page news in 2021. Though limited in number, these dossiers demand a great deal of supervisory resources of the BAOB. The investigation of these dossiers is very important in order to underpin trust in the audit profession. In this process, the BAOB devotes increasing attention to the auditor's duty to exercise professional scepticism at all times, and will act firmly in the case of any lack thereof.

An ongoing concern of the BAOB is the involvement of audit firms in integrity incidents at their clients. The risk of money-laundering, financing fraudulent organizations or other forms of white collar crime (organized or not) is always present. This concern was met by the introduction in 2021 of thematic inspections on combating money laundering and terrorist financing (ML/TF) at both PIE and non-PIE auditors.

In 2021, the BAOB also focused on publishing a series of opinions on the application of the legislative and regulatory framework. The publication of its expectations contributes to greater predictability for the sector. The published opinions cover, among other topics, the characteristics of adequate audit documentation, a frequent issue when conducting quality controls, and the transitional provisions for the rotation of auditors.

Lastly, I would like to express a word of thanks to each person who has contributed to the activities of the BAOB and to ensuring the high quality of the work performed by the profession.

I hope that you enjoy reading this report. Thank you for your interest.

**Bénédicte Vessié**  
Chair

CTR  
CSR







## 2. OVERVIEW OF THE SECTOR IN FIGURES FOR 2021

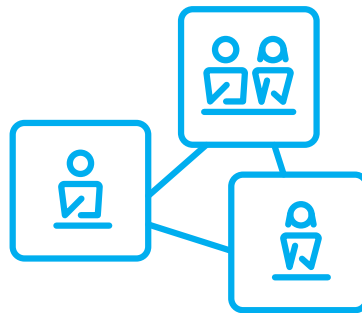
## Overview of the sector in figures for 2021



**855**  
active auditors

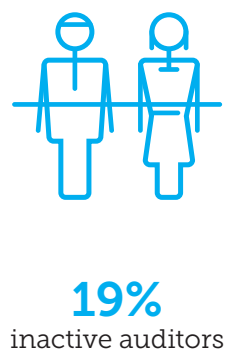
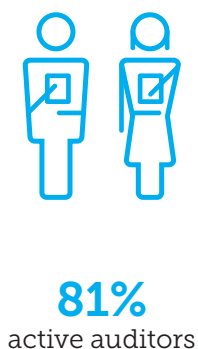


**625**  
active audit firms

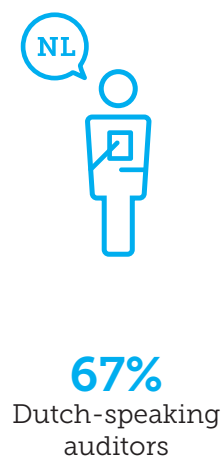
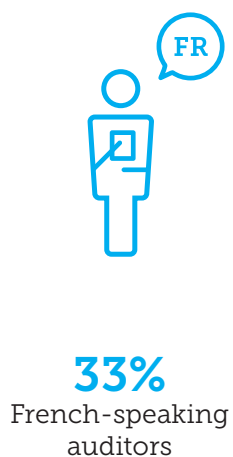


**49**  
active audit networks

**Active and inactive auditors** as at 31 December 2021



**French-speaking and Dutch-speaking auditors** as at 31 December 2021



**Auditors and audit firms that conduct statutory audit engagements at PIEs**  
as at 31 December 2021 (In alphabetical order)

- BDO Bedrijfsrevisoren (B00023)
- Callens, Pirenne, Theunissen & C°, Bedrijfsrevisoren (B00003)
- CDP Petit & Co (B00938)
- D. De Voogt, Bedrijfsrevisor (B00603)
- Deloitte Bedrijfsrevisoren (B00025)
- Ernst & Young Bedrijfsrevisoren (B00160)
- Grant Thornton Bedrijfsrevisoren (B00127)
- KPMG Bedrijfsrevisoren (B00001)
- Maricq, Vinciane (A00998)
- Mazars Bedrijfsrevisoren (B00021)
- PricewaterhouseCoopers Bedrijfsrevisoren (B00009)
- RSM Bedrijfsrevisoren (B00033)
- RSM InterAudit (B00091)

The list is based on the most recent data submitted to the BAOB by auditors and audit firms in the Auditors Annual Cartography 2021.



**Table 1:** Professional activities of auditors in 2020 and 2021

	PIE AUDITORS		NON-PIE AUDITORS		TOTAL	
	2021	2020	2021	2020	2021	2020
<b>TOTAL INCOME (IN EUR 000)</b>	<b>448,975</b>	<b>476,768</b>	<b>158,119</b>	<b>150,240</b>	<b>607,094</b>	<b>627,007</b>
Number of statutory audit tasks for annual accounts	16,648	17,065	12,426	12,531	29,074	29,596
Income from statutory audit tasks for annual accounts <sup>1</sup> (in EUR 000)	303,780	304,454	80,086	75,144	383,865	379,599
<b>Statutory audit tasks for annual accounts vs total income (%)</b>	<b>67.66 %</b>	<b>63.86 %</b>	<b>50.65 %</b>	<b>50.02 %</b>	<b>63.23 %</b>	<b>60.54 %</b>
Income from other statutory audit tasks <sup>2</sup> (in EUR 000)	20,329	19,718	19,459	18,448	39,788	38,166
<b>Other statutory audit tasks vs total income (%)</b>	<b>4.53 %</b>	<b>4.14 %</b>	<b>12.31 %</b>	<b>12.28 %</b>	<b>6.55 %</b>	<b>6.09 %</b>
Income from other audit tasks relating to financial information <sup>3</sup> (in EUR 000)	47,510	50,883	14,128	12,787	61,638	63,669
<b>Other audit tasks relating to financial information vs total income (%)</b>	<b>10.58 %</b>	<b>10.67 %</b>	<b>8.93 %</b>	<b>8.51 %</b>	<b>10.15 %</b>	<b>10.15 %</b>
Income from audit tasks conducted for other auditors outside the network <sup>4</sup> (in EUR 000)	8,410	8,015	4,923	3,993	13,333	12,009
<b>Audit tasks conducted for other auditors outside the network vs total income (%)</b>	<b>1.87 %</b>	<b>1.68 %</b>	<b>3.11 %</b>	<b>2.66 %</b>	<b>2.20 %</b>	<b>1.92 %</b>
Income from non-audit tasks <sup>5</sup> (in EUR 000)	68,947	93,698	39,523	39,867	108,470	133,565
<b>Non-audit tasks vs total income (%)</b>	<b>15.36 %</b>	<b>19.65 %</b>	<b>25.00 %</b>	<b>26.54 %</b>	<b>17.87 %</b>	<b>21.30 %</b>
Number of PIE tasks	290	287			290	287
Income from PIE tasks (in EUR 000)	53,061	50,014			53,061	50,014
<b>PIE tasks vs total income (%)</b>	<b>11.82 %</b>	<b>10.49 %</b>			<b>8.74 %</b>	<b>7.98 %</b>

**DISCLAIMER:** The data come from the auditors' reporting in the Auditors Annual Cartography. Prudence is necessary when making comparisons on the basis of the information in the above table, given that some auditors do not analyse their fees in this way and have simply made an educated guess as regards the figures. Moreover, it is possible for auditors to subdivide their income from audit and non-audit activities over time in slightly different ways. This can affect the comparability from year to year.

<sup>1</sup> The statutory audit tasks for annual accounts, including auditing the consolidation package, issuing a comfort letter, issuing a report for a prospectus, conducting an audit or an interim review and other tasks that are a natural extension of the engagement.

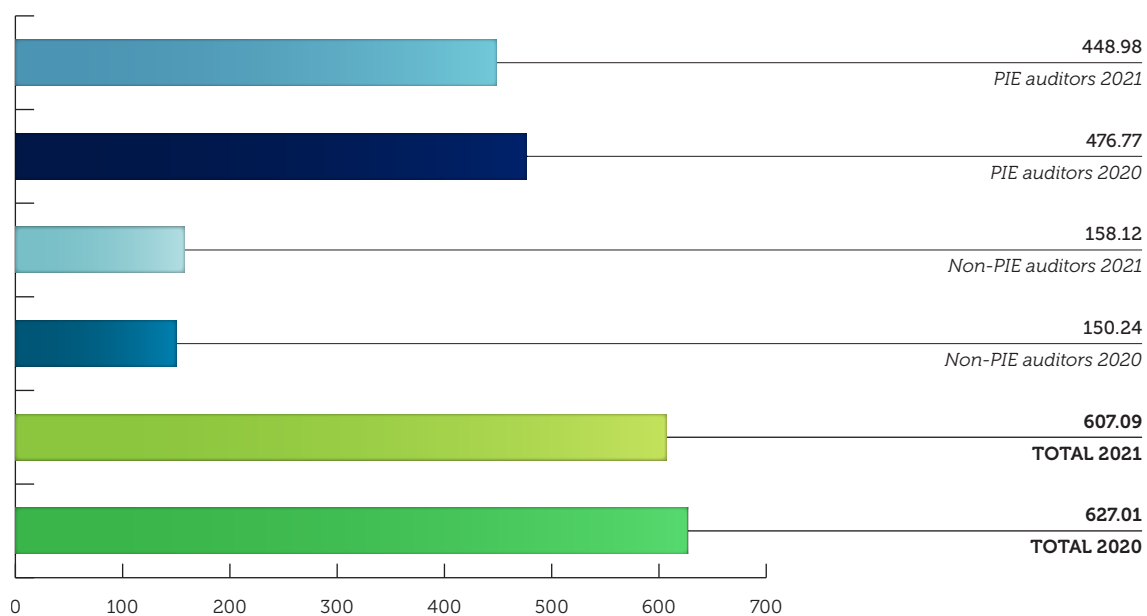
<sup>2</sup> The other tasks of an auditor as laid down in the Code on Companies and Associations (contribution in kind, quasi-contribution, change in legal form, mergers and demergers, proposals for dissolution of a company, payouts of an interim dividend, changing a company's corporate object, changing the rights attaching to various types of shares or profit-sharing bonds, issuing shares below, above or at a fraction of the value of existing shares of the same type, with or without issue premium, issue of convertible bonds or subscription rights, limitation or removal of the preferential right).

<sup>3</sup> The tasks of an auditor within an agreed framework, based on an audit file, which give rise to a written expert opinion and do not come under category 1 or 2.

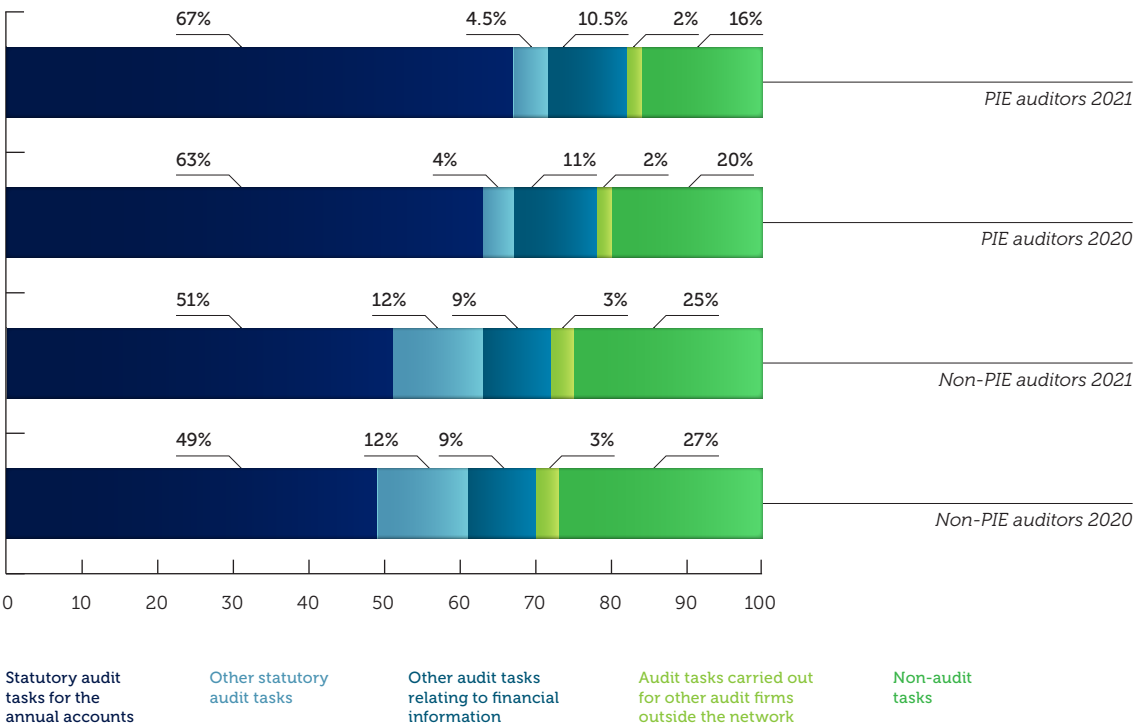
<sup>4</sup> Audit tasks conducted as a sub-contractor for auditors who are not part of the network to which the service provider belongs.

<sup>5</sup> Non-audit tasks have to be broken down into three categories: tasks relating to an entity's accounting, tasks relating to the provision of tax services and consultancy tasks and other professional activities (other than expert opinions, arbitration, valuation of entities, due diligence tasks, new assurance services (website, environment, etc.).

**Graph 1:** Income from the professional activities of auditors (in EUR million)



**Graph 2:** Audit and non-audit tasks as a percentage of income for the sector









### 3. HIGHLIGHTS OF THE BAOB'S OVERSIGHT IN 2021



The Committee of the BAOB held **11 meetings** and issued urgent rulings in **13 written procedures**.

---



The BAOB issued a statement on the professional activities of **98 auditors or audit firms** as part of its **quality control**:

- 34 quality control dossiers on **PIE** auditors or audit firms. This resulted in 144 measures being imposed;
  - 64 dossiers on **non-PIE** auditors or audit firms. This resulted in 190 measures.
- 



The Secretary General opened **64 supervisory dossiers** of which 40 were based on breaches of ethical rules and 4 on articles in the press.

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The Secretary General opened **23 dossiers** with strong indications of the existence of a practice liable to give rise to **an administrative measure or an administrative fine**.

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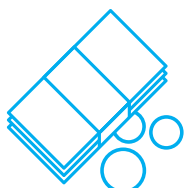
In 2021, the BAOB conducted the **first joint inspections** with the **PCAOB**, the American oversight body for auditors.

---



**101 auditors** did not, in the 2017-2019 period, complete an average of 24 hours of training offered by the IBR/IRE or the ICCI and/or did not complete an average of 84 hours of professional training: 45% of these auditors received a compliance deadline to remedy the situation and 18% were given a call to order.

---



The BAOB reported **two breaches** of the **use of cash** to the FPS Economy.

---



The BAOB received **7 complaints** and **2 whistleblower reports**.

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## 4. INSTITUTIONAL FRAMEWORK

- 4.1. The BAOB as a supervisory authority
- 4.2. Organization
- 4.3. Professional secrecy
- 4.4. National and international cooperation

## 4.1. The BAOB as a supervisory authority

### **The BAOB performs its tasks in the public interest**

Auditors play a major role in ensuring that financial reporting gives a true and fair view of a company. The auditor thereby contributes significantly to the credibility of published financial statements.

The BAOB is independent of auditors' professional bodies and performs its tasks solely in the public interest. It ensures that audit tasks are performed in a qualitative, objective and independent manner. In this way, the BAOB contributes to building public confidence in companies' financial information.

### **The BAOB supervises compliance with the provisions of the applicable laws and regulations**

The BAOB's supervision is based in the first instance on the Law of 7 December 2016. This law implements Directive 2006/43/EC.

The BAOB also bases its supervision on the International Standards on Auditing (ISA)<sup>6</sup>. These are the international supervisory standards, and the associated Statements and Standards, insofar as these are relevant to the statutory audit of annual accounts<sup>7</sup>.

The BAOB conducts its supervision not only on the basis of the relevant legal provisions, the ISAs and ISQC 1, but also on the basis of the professional standards laid down by the IBR/IRE and approved by the HREB/CSPE and the Minister responsible for the Economy.

The BAOB is ultimately responsible, in particular, for:

- overseeing the granting of the capacity of auditor and the enrolment and registration in the public register, as well as maintaining and updating the latter;
- supervising continuing professional development;
- supervising auditors' quality control systems; and
- supervising compliance with the anti-money laundering legislation.

The Law of 7 December 2016 delegates the following tasks to the IBR/IRE:

- granting and withdrawing the capacity of auditor;
- enrolment and registration, as well as maintaining and updating, the public register; and
- organizing continuing professional development.

Ultimate responsibility for the supervision and performance of the tasks delegated to the IBR/IRE lies with the BAOB.

The IBR/IRE is also responsible for drawing up the standards to supplement the framework of laws and international standards. The BAOB supervises compliance with that framework.

<sup>6</sup> The ISAs apply in Belgium since the approval by the HREB/CSPE and the Minister of the Economy of the Standard of 10 November 2009 on the application of the ISAs in Belgium, and more particularly on the audit of financial statements for financial years ending as from 15 December 2014. Pursuant to Article 31, § 4, of the Law of 7 December 2016, these standards are binding on auditors.

<sup>7</sup> Art. 2(11) Directive 2006/43/EG.

## 4.2. Organization

### **The BAOB is an independent body with legal personality**

The BAOB is composed of a Committee and a general secretariat. The Committee is the governing body of the BAOB and is made up of 6 members. The Chair of the Committee, Ms Bénédicte Vessié, represents the BAOB vis-à-vis third parties and in court. In the absence of the Chair, the Vice-Chairs act in the following order: Ms Sadi Podevijn and Mr Gregory Demal.

The composition of the Committee is as follows:



**Bénédicte Vessié**  
Chair of the Committee  
and former auditor



**Sadi Podevijn**  
Expert who is not a former  
auditor



**Gregory Demal**  
Member appointed by  
the FSMA



**Greet T'Jonck**  
Member appointed by  
the FSMA



**Antoine Van Cauwenberge**  
Member appointed by  
the FSMA



**Jo Swyngedouw**  
Member appointed by the NBB



**Jean Hilgers**  
Member appointed by the NBB

As from 7 March 2022, Mr Antoine Van Cauwenberge replaces Ms Greet T'Jonck as member of the Committee appointed by the FSMA. The Committee wishes to thank Ms Greet T'Jonck for her unflagging dedication. In the first years of the BAOB's existence, her knowledge, expertise and experience were indispensable to ensuring the high quality of the decisions taken by the Committee.



**Ann De Roeck**  
Secretary General

The Secretary General, Ms Ann De Roeck, is tasked with the operational management of the BAOB. She prepares and implements the decisions of the Committee. She also conducts investigations for cases that the BAOB may decide to refer to the Sanctions Committee.

The FSMA provides the general secretariat to the BAOB. The general secretariat of the BAOB can call on the administrative, operational and logistics support of the FSMA. The Memorandum of Understanding between the FSMA and the BAOB dated 18 October 2017 sets out the relations between the two independent bodies.

The Memorandum of Understanding between the FSMA and the BAOB dated 18 October 2017 defines, inter alia, the methods for applying the budgetary and financial framework established by the Law of 7 December 2016. The operating expenses of the BAOB are part of the FSMA's overall budget. Ultimately, it is the sector that covers the BAOB's operating expenses through the contributions of auditors and audit firms registered in Belgium.

Drawing up the BAOB's budget and estimating its costs are governed by a strict procedure. It is not only the BAOB that has to give its approval. The procedure also requires the approval of the FSMA's Supervisory Board, the FSMA's Management Committee and a positive opinion by the FSMA's Audit Committee.

The Royal Decree of 25 December 2016 on the budgetary limits and the coverage of the operating expenses for the public supervision of auditors provides for a budgetary limit of EUR 2.8 million per year, adjusted to salary scales and the evolution of the index. The IBR/IRE collects the contributions from the sector and pays an overall amount annually to the FSMA.

The maximum amount for the year 2021 is EUR 3,182,477. The operating expenses of the BAOB for 2021 were EUR 2,921,729. The Committee of the BAOB estimates that it will make full use of the budget within a period of a maximum of two years, in line with the gradual development of the work of the BOAB.

## 4.3. Professional secrecy

The BAOB is bound by the obligation of professional secrecy under criminal law. This means that the BAOB may not disclose any confidential information it might acquire in the course of performing its tasks.

Articles 44 and 45 of the Law of 7 December 2016 regulate the professional secrecy of the BAOB.

The BAOB, the Chair and members of the Committee, the members of the Sanctions Committee, and the staff of the FSMA who contribute to the performance of the BAOB's tasks are all bound by professional secrecy. Professional secrecy also applies to inspectors and external experts appointed by the BAOB.

The BAOB may disclose confidential information to specific third parties under the strict conditions laid down in Article 45 of the Law of 7 December 2016.

## 4.4. National and international cooperation

The BAOB attaches a great deal of importance to high-quality cooperation with national and international bodies.

The BAOB works very closely with the **FSMA**. The Memorandum of Understanding between the FSMA and the BAOB dated 18 October 2017 defines the relations between the two independent bodies<sup>8</sup>. The FSMA provides the general secretariat of the BAOB and the BAOB can call on the FSMA's central inspection team to conduct quality controls at PIE auditors and audit firms<sup>9</sup>.

In the course of its supervision, the BAOB may decide to refer a matter to the **Sanctions Committee of the FSMA**. In that case, the BAOB initiates proceedings which may give rise to the imposition of administrative measures ranging from a warning to the withdrawal of the status of auditor and the imposition of administrative fines<sup>10</sup>.

<sup>8</sup> The Memorandum of Understanding is available on the website of the BAOB.

<sup>9</sup> See "Quality control at PIE auditors and audit firms" in this annual report.

<sup>10</sup> The administrative measures and fines the Sanctions Committee can impose are defined in Article 59 of the Law of 7 December 2016.

The composition of the Sanctions Committee and the duration of the terms of office of members are as follows<sup>11</sup>:



**Michel Rozie**, chairman

Honorary first president of the Antwerp Court of Appeal, member of the Sanctions Committee in the capacity of magistrate who is not a counsellor at either the Supreme Court or the Brussels Court of Appeal (end of term of office: 15 September 2027)



**Martine Castin**

Member of the Sanctions Committee with appropriate expertise in the area of statutory audits of annual accounts (end of term of office: 17 September 2023)



**Sofie Cools**

Member of the Sanctions Committee (end of term of office: 16 December 2023)



**Christine Matray**

Honorary counsellor of the Supreme Court, member of the Sanctions Committee at the recommendation of the first president of the Supreme Court (end of term of office: 16 December 2024)



**Pierre Nicaise**

Member of the Sanctions Committee (end of term of office: 16 December 2024)



**Philippe Quertainmont**

Honorary counsellor of the Council of State, member of the Sanctions Committee at the recommendation of the first president of the Council of State (end of term of office: 15 September 2027)

<sup>11</sup> The Royal Decree of July 11, 2021 renewed the mandates of the following members: Messrs. Erwin Francis, Philippe Quertainmont, Michel Rozie, Kristof Stouthuysen, Guy Keutgen and Reinhard Steenot (Belgian Official Gazette of July 19, 2021). The new terms of office took effect on 16 September 2021 for a term of six years. At the September 16, 2021 Sanctions Committee meeting, the members re-elected Mr. Michel Rozie as chairman of the Sanctions Committee.





**Erwin Francis**

Counsellor of the Supreme Court, member of the Sanctions Committee at the recommendation of the first president of the Supreme Court (end of term of office: 15 September 2027)



**Guy Keutgen**

Member of the Sanctions Committee (end of term of office: 15 September 2027)



**Jean-Philippe Lebeau**

President of the Commercial Court of Hainaut, member of the Sanctions Committee in the capacity of magistrate who is not a counsellor at either the Supreme Court or the Brussels Court of Appeal (end of term of office: 16 December 2024)



**Reinhard Steennot**

Member of the Sanctions Committee (end of term of office: 15 September 2027)



**Kristof Stouthuysen**

Member of the Sanctions Committee with appropriate expertise in the area of statutory audits of annual accounts (end of term of office: 15 September 2027)



**Marnix Van Damme**

Chamber President of the Council of State, member of the Sanctions Committee at the recommendation of the first president of the Council of State (end of term of office: 16 December 2024)



The BAOB works very closely with the **NBB**. The cooperation agreement of 14 June 2019 governs the cooperation in the performance of the two bodies' respective tasks as well as the procedures for mutual information exchange<sup>12</sup>.

As already stated, the BAOB conducts its supervision of auditors based, inter alia, on the professional standards laid down by the **IBR/IRE** and approved by the HREB/CSPE and the Minister responsible for the Economy. This involves close cooperation by the BAOB with the IBR/IRE and the HREB/CSPE.

The BAOB and the **HREB/CSPE** continued their regular consultations in the year under review. The BAOB therefore consulted the HREB/CSPE on the inspection guidelines published by the BAOB which it uses for conducting its quality controls. In 2021, too, the HREB/CSPE asked the BAOB for advice on a range of draft standards, namely:

- the draft standards on the tasks of auditors regarding the net asset and liquidity test;
- the draft standard on the task of the practitioner as regards the assessment of the reliability and adequacy of the financial and accounting data included in the report by the governing body.

*The cooperation among the competent authorities of the European member states has made a growing contribution to the quality of the supervision.*

As part of the analysis of a draft standard, the BAOB ascertains, inter alia, whether the content of the standard is predictable and accessible, so that everyone, and in particular the auditor, can correctly apply and understand the standard, and that the BAOB can, where applicable, enforce it.

In 2021, the BAOB continued its dialogue with the **IBR/IRE**. This included the tasks delegated to the IBR/IRE regarding the public register for which the BAOB bears ultimate responsibility<sup>13</sup>. In addition, a dialogue took place between the Secretary General of the IBR/IRE and the Secretary General of the BAOB on the occasion of the publication of the BAOB's opinion on the importance and the four characteristics of a well documented audit file<sup>14</sup>.

The **consultative assembly for public supervision** of the profession of statutory auditors takes place on an annual basis. Because of the pandemic, the 2021 assembly met via videoconference. The consultative assembly handles general matters concerning public supervision of the profession. The Chair of the Committee of the BAOB, two representatives of the BAOB, two representatives of the HREB/CSPE, five representatives of the IBR/IRE and two representatives of the FPS Economy took part.

<sup>12</sup> The Memorandum of Understanding is available on the website of the BOAB.

<sup>13</sup> See "The BAOB as a supervisory authority" in this annual report.

<sup>14</sup> See "Communications and opinions of the BAOB" in this annual report.

The cooperation among the competent authorities of the European member states has made a growing contribution to the quality of the supervision. Therefore, in 2021 the BAOB once again took an active part as a member in the activities of the **CEAOB**. The BAOB thus participated in a survey designed by the CEAOB on the calculation and implementation of materiality in the course of audits of PIE clients. The results are expected in 2022. Representatives of the BAOB are also present in various working groups and in two of the four colleges set up by the CEAOB for the four main European audit networks.

In terms of international cooperation, the year 2021 was an important one. It was in 2021 that the BAOB started the first joint inspections with the **PCAOB**, the American supervisory body for auditors<sup>15</sup>.

In addition to its cooperation with its American counterpart, the PCAOB, the BAOB is also connected to the International Forum of Independent Audit Regulators (**IFIAR**). Membership in IFIAR allows the BAOB to harmonise the BAOB's supervision with international standards so as to create a level playing field.

<sup>15</sup> See 'Joint inspections with the PCAOB' below in this report.





## 5. QUALITY CONTROLS

- 5.1. Methodology
- 5.2. Topics and frame of reference
- 5.3. Quality control at PIE auditors and audit firms
- 5.4. Quality control at non-PIE auditors and audit firms
- 5.5. Joint inspections with the PCAOB

## 5.1. Methodology

### **The BAOB applies a risk and network approach to its quality controls**

The BAOB subjects auditors to quality control at least every six years. For auditors or audit firms that audit one or more PIEs that individually exceed more than one criterion as referred to in Article 1:26, § 1 of the CCA<sup>16</sup>, the quality control takes place at least every three years.

A risk analysis is the basis for determining the amount of time between two quality controls. The BAOB supervises compliance in this respect with the statutory maximum terms. The risk assessment is based, inter alia, on the following criteria:

- the cartography of the sector (Auditors Annual Cartography);
- any signals from third parties (articles in the press, complaints or other supervisory authorities); and
- the results of previous inspections.

The BAOB conducts the risk assessment every year. On the basis of the risk assessment, it selects the auditors or audit firms to be inspected.

If a network of auditors or audit firms has shared its audit procedures, the BAOB organizes its quality controls at network level. In this respect, the BAOB emphasizes the importance of accurate reporting. However, auditors still do not always correctly declare in the Auditors Annual Cartography<sup>17</sup> whether they form part of a network with or without shared audit procedures. The BAOB asks members of a network to consult in advance in this regard.

The BAOB also emphasizes that the firms within the same network have to implement the shared procedures in a similar way. Where applicable, this finding has an impact on the BAOB's assessment of the scale of the quality control.

### **The BAOB's supervision is resolutely based on the proportionality principle**

The BAOB's supervision is firmly based on the proportionality principle<sup>18</sup>. The BAOB uses its investigative powers, taking into account:

- the scale and complexity of the auditor's activities; and
- the scale and complexity of the activities of the entity that is the subject of the audit.

The BAOB Committee decides on how it will follow up on the findings from a quality control. Its decisions are to be appropriate and proportionate as regards the scale and complexity of the activity of the auditor under consideration<sup>19</sup>. This does not mean that smaller audit firms are exempt from complying with the applicable laws and regulations.

<sup>16</sup> Article 1:26, § 1 of the CCA states: "A company along with its subsidiaries, or companies that together form a consortium, are considered to constitute a group of limited scale if these companies together, on a consolidated basis, do not exceed more than one of the following criteria:  
— annual average staff complement: 250;  
— annual revenue, excluding VAT: EUR 34,000,000;  
— balance sheet total: EUR 17,000,000".

<sup>17</sup> The BAOB collects, pursuant to Article 55 of the Law of 7 December 2016, annual information from auditors via the so-called "Auditors Annual Cartography".

<sup>18</sup> Article 54, § 1, second paragraph of the Law of 7 December 2016.

<sup>19</sup> Article 52, § 3 of the Law of 7 December 2016.

The proportionality principle finds expression, among other things, in the way the BAOB evaluates the organizational requirements of auditors<sup>20</sup>. The BAOB acknowledges that smaller audit firms, for certain office procedures under ISQC 1, are not required to provide the same amount of detail as the larger firms.

As required by law and by the ISAs, the BAOB expects smaller firms nevertheless to adequately document their work when performing their statutory audit tasks. An audit file must be assembled in a coherent and structured way. Any experienced auditor who was not previously involved in the audit should be able to gain insight, based on the audit file, into how the audit work was performed and how the auditor's opinion was formed.

The proportionality principle is also an integral part of the BAOB's assessment of the audit mission being checked. The auditor is to apply the professional standards in proportion to the scale and complexity of the activities of the entity for which he or she conducts an audit<sup>21</sup>.

### **The adversarial process applies in the conduct of quality controls**

Another important principle in carrying out quality control is that of the adversarial process. During the quality control, the auditor in question may discuss the interim findings and conclusions with the inspector.

### **The BAOB respects the auditor's judgment**

The BAOB upholds the auditor's judgment on the annual accounts insofar as it has been prepared correctly and the auditor has substantiated it with the necessary arguments. It goes without saying that the auditor takes into account all material risks.

<sup>20</sup> Article 19, § 1 of the Law of 7 December 2016.

<sup>21</sup> Article 31, § 5 of the Law of 7 December 2016.

## 5.2. Topics and frame of reference

When carrying out the quality controls that gave rise to the measures taken by the BAOB in 2021, the BAOB had various topics in mind for PIE audit firms and for non-PIE audit firms. During its checks, it thus used a different frame of reference for each.

For the quality controls that were the subject of decisions regarding **PIE audit firms** taken in 2021, the BAOB focused on two topics: first, the anti-money laundering obligations and second, the role of the statutory auditor vis-à-vis the audit committee and the provision of non-audit services.

The inspections always include an analysis of the organization of the internal quality control system and the implementation of these procedures, as well as the framework as regards laws and standards in individual audit files. In this way, the BAOB examines the audit firm's organization and checks the quality of the audit in individual audit files.

*The inspections always include an analysis of the organization of the internal quality control system and the implementation of these procedures, as well as the framework as regards laws and standards in individual audit files.*

As a result, the frame of reference for supervision of the firm's office organization and the inspection of audit tasks at PIE audit firms is governed chiefly by the Law of 7 December 2016, the ISQC 1 international standard, the ISAs, the CCA and the Law of 18 September 2017.

The quality controls that were the subject of the decisions taken in 2021 with regard to **non-PIE audit firms** focused on the two following topics: on the one hand, the topic of 'monitoring' and, on the other hand, the topic of 'acceptance and continuation of client relations and specific tasks'.

As with the PIE audit firms, the inspections always encompass an analysis of the organization of the internal quality control system and the implementation of these procedures, as well as the framework as regards laws and standards in individual audit files. In this way, the BAOB examines the audit firm's organization and checks the quality of the audit in individual audit files.

The frame of reference for the supervision of the firm's office organization and the inspection of audit tasks at non-PIE audit firms consists chiefly of the Law of 7 December 2016, the ISQC 1 international standard, the ISAs, the CCA and the Law of 18 September 2017, as well as the applicable standards for other audit tasks carried out in application of the Law (contributions in kind, quasi-contributions, proposals for dissolution, etc.).



## 5.3. Quality control at PIE auditors and audit firms

Since 2020, the BAOB has been taking a more thematic approach to quality control at PIE auditors and audit firms. In principle, such quality controls are conducted by selecting a representative sample of audit engagements that the BAOB oversees at key points, such as:

- when planning the audit;
- the risk assessment and determination of the audit response;
- consolidation;
- the materiality threshold;
- carrying out audit activities for certain identified risks, in particular as regards continuity and accounting valuations;
- the information communicated to management and to those charged with governance;
- archiving and file management; and
- combating money laundering and terrorist financing.

Each year, the BAOB subjects various PIE auditors or audit firms to quality control. The selection consists of auditors and audit firms chosen randomly in order to fit with the (minimal) three-year supervisory cycle and of auditors and audit firms that have been identified as posing a heightened risk of lower audit quality.

Since the selection of auditors and audit firms changes each year, the supervisory results are not directly comparable from year to year. Moreover, the annual sample of supervised auditors or audit firms may include a number of those auditors or audit firms as a result of the targeted selection of auditors and audit firms that are considered risky, a decision that can affect the interpretation of the results.

### 5.3.1. Types of deficiencies identified in PIE files

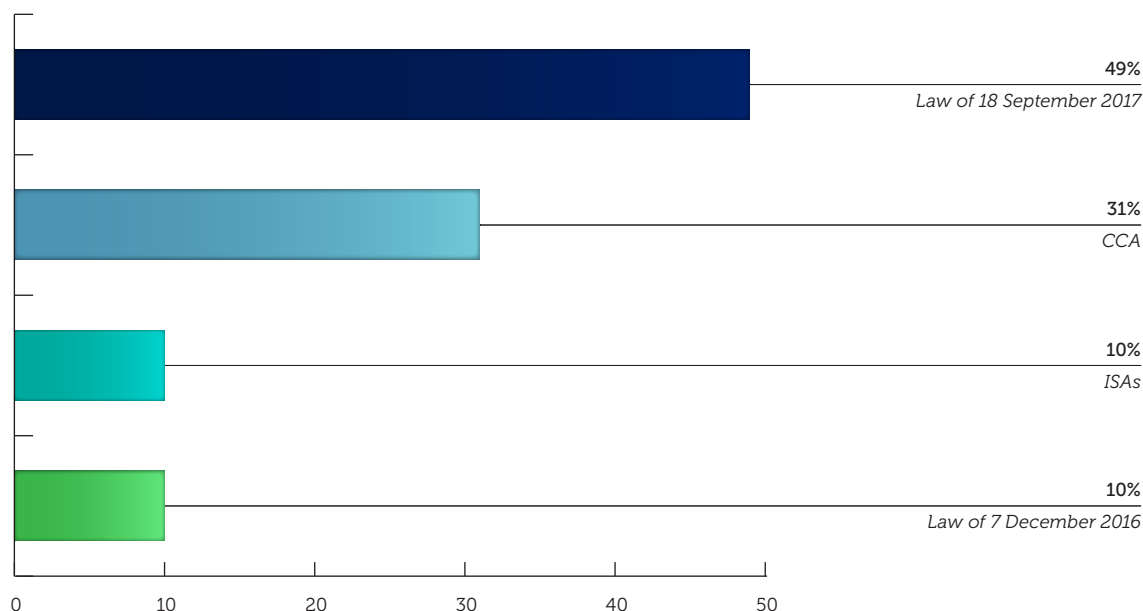
In 2021, the BAOB handled quality control dossiers for a total of 4 audit firms, including the first joint inspection with its American counterpart, the PCAOB, as well as a follow-up on compliance deadlines.

For **2 of those audit firms** and **32 auditors** who carried out audits at one or more PIEs, the BAOB Committee imposed **144 measures** in respect of the audit firm and the auditors concerned. The quality controls completed at PIE auditors or audit firms focused on the themes of compliance with:

- the legislation on combating money laundering and terrorist financing; and
- the legislation and regulations on the role of the statutory auditor vis-à-vis the audit committee, including the provision of non-audit services.

The inspections always encompass an analysis of the organization of the internal quality control system and the implementation of these procedures, as well as the framework as regards laws and standards in individual audit files.

**Graph 3:** Types of deficiencies identified in PIE files



**49%**

The first law with respect to which the BAOB identified nonconformities is the Law of 18 September 2017 on the prevention of money laundering and terrorist financing and on the restriction of the use of cash. This corresponds to the first topic examined by the BAOB at PIE audit firms, namely, compliance with the anti-money laundering obligations.

The nonconformities with respect to the Law of 18 September 2017 are set out in Chapter 6 of this annual report.

**31%**

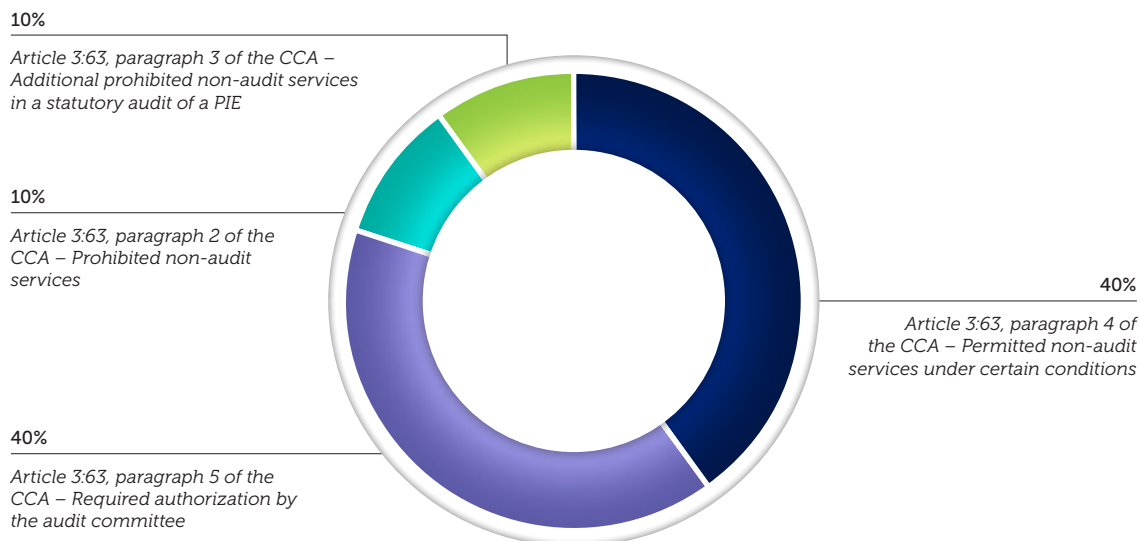
Another significant number of nonconformities concern the CCA. The second topic of the quality control is therefore the role of the statutory auditor vis-à-vis the audit committee, including the provision of non-audit services. These obligations are regulated chiefly via the CCA.

**10%**

The BAOB noted that there were fewer nonconformities with respect to the ISAs and the Law of 7 December 2016. This was as expected. Quality controls conducted by the BAOB always encompass an analysis of the organization of the internal quality control system (office organization). In addition, the BAOB also checks the implementation of these procedures and of the framework as regards laws and standards in individual audit files. This explains, for example, the number of instances of non-compliance with ISA 260 on communication with those charged with governance identified as part of the examination of the role of the auditor vis-à-vis the audit committee.

### 5.3.2. Nonconformities with respect to the Belgian CCA in PIE files

**Graph 4:** Nonconformities with respect to the Belgian CCA in PIE files



#### Top 3 nonconformities in order of frequency

1. **Non-compliance with the cumulative requirements for permission to provide non-audit services**
2. **Lack of prior approval by the audit committee**
3. **No ongoing monitoring to ensure that prohibited non-audit services are not being provided**

The nonconformities identified with respect to the CCA concern the legal framework for non-audit services as set out in Article 3:63 of the said Code.

### 10%

#### **Article 3:63, paragraph 2 of the CCA sets out the non-audit services that are prohibited**

These non-audit services may not be provided, either directly or indirectly, by an auditor or by any member of the auditor's network.

They are:

- services that involve playing a role in the governance or decision-making of a company subject to statutory audit;
- accounting and the preparation of accounting documents and financial overviews;
- the design and implementation of internal control and risk management procedures relating to the preparation and/or verification of financial information or the design and implementation of financial information technology systems;
- valuation services, including valuations relating to actuarial services or support services in the event of litigation;
- services in connection with the internal audit function of the company under statutory supervision;

- services relating to:
  - negotiations on behalf of the company under statutory supervision;
  - acting as a representative for purposes of dispute resolution;
  - representing the company under statutory supervision for purposes of settling tax or other disputes;
- personnel services relating to:
  - managers who are in a position to exert material influence on the drawing up of accounting documents or financial overviews to which the statutory supervision refers, where such services comprise the following:
    - the search for or approach to candidates for such a position; or
    - the verification of the references of candidates for such a position;
  - the structuring of the organization; and
  - cost management.

**10%**

**Article 3:63, paragraph 3 of CCA** defines **additional prohibited non-audit services in the event of a statutory audit of a PIE**. The auditor of a PIE – as well as every member of the auditor’s network – must therefore not only take into account the prohibited non-audit services set out in paragraph 2, but also of those summed up in paragraph 3 of Article 3:63 of the CCA.

The law defines the following additional prohibited non-audit services:

- providing tax services relating to:
  - the preparation of tax forms;
  - payroll taxes;
  - customs duties;
  - identification of government subsidies and tax incentives unless the support of the statutory auditor or audit firm for these sorts of services is required by law;
  - support to the company under statutory audit with tax inspections conducted by the tax authorities;
  - calculation of direct and indirect taxes and deferred taxes;
  - provision of tax advice;
- legal services relating to the provision of general advice;
- payroll administration;
- the promotion, trade in or subscription for shares in the company under statutory audit;
- services relating to the financing, the capital structure and allocation, and the investment strategy of the company under statutory audit, with the exception of the provision of assurance services connected to financial overviews, including the provision of comfort letters for prospectuses issued by a company under statutory audit.

The nonconformities identified by the BAOB in the course of conducting its quality controls with respect to these provisions (each representing 10% of the total nonconformities with the CCA identified) did not involve the provision of prohibited non-audit services. The BAOB noted in those cases that the services provided were described in the first instance in such a way that they appeared to involve prohibited non-audit services. After extensive clarification by the PIE auditors involved, this turned out not to be the case.

The BAOB emphasizes that the auditors must ensure that the non-audit services provided or yet to be provided by him- or herself or by a member of his/her network are described sufficiently clearly to avoid any doubt as to the independence of the auditor.

**40%** The legislation provides for a few exceptions in which certain **prohibited non-audit services may be provided**. **Article 3:63, paragraph 4 of the CCA** sums up the 3 cumulative conditions that must be met:

- the services, individually or jointly, must not have any direct effect the audited financial statements, nor may the services, individually or jointly, be of material importance for those statements;
- the estimate of the effect on the audited financial statements must be extensively documented and explained in the additional report to the audit committee as referred to in Article 11 of Regulation (EU) No 537/2014;
- the statutory auditor must abide by the general principles of independence.

The BAOB has noticed in at least 40 % of the nonconformities with respect to the CCA that PIE auditors or audit firms are not able to demonstrate immediately that the above conditions were met.

Depending on the nature of the service, the documentation and explanations will need to contain a quantitative analysis of the direct effect/material importance for the financial statements. The explanations and documentation of this estimate must be extensive, must be part of the audit file and must be an explicit part of the additional report to the audit committee.

**40%** **Article 3:63, paragraph 5 of the CCA** provides that the auditor or a member of his or her network can only provide **unrelated non-audit services to a PIE** (or the parent company or to companies controlled by the PIE) on condition that the **audit committee gives its approval**.

The BAOB considers this as a mandatory **prior approval** and has identified nonconformities with it several times. The BAOB has noticed, in particular, that a so-called 'pre-approval policy' was set up by the audit committee and the auditor, whereby the audit committee gives the auditor prior approval for providing certain categories of services, after which the auditor or a member of his or her network provides these services without prior individual knowledge or approval of the non-audit service.

In the absence of implementing procedures for this provision in the CCA, the BAOB published an opinion on this matter, setting out in detail the reasonable expectations regarding such a policy. The BAOB published its opinion on its website<sup>22</sup>. This will be addressed in this annual report below<sup>23</sup>.

The BAOB emphasizes that such an approval procedure is to be drawn up, implemented and monitored with due care, sufficient depth and great vigilance.

It goes without saying that the aforementioned general approval of the provision of the services in question must be given in advance, and that a service that does not fall within one of the previously approved categories must be given individual approval.

<sup>22</sup> BAOB\_Opinion\_24/09/2021 (available in [Dutch](#) and [French](#) only).

<sup>23</sup> See 'Communications and opinions of the BAOB' below in this annual report.

### 5.3.3. Nonconformities with respect to the ISAs in PIE files

**Graph 5:** Nonconformities with respect to the ISAs in PIE files



#### Top 2 nonconformities in order of frequency

1. **Late, insufficient or lack of written communication with those charged with governance**
2. **Inadequate audit documentation**

**73%**

The majority of the nonconformities found concerning the ISAs at PIE auditors relate to **ISA 260**, namely, **communication with those charged with governance**.

The BAOB noted nonconformities in this regard in terms of the communication between the auditor and the audit committee. Auditors must properly identify those charged with governance, such as an audit committee, and inform them on aspects such as:

- the planned scope and timing of the audit;
- the responsibilities of both the auditor and those charged with governance;
- the auditor's view on significant qualitative aspects of the entities' administrative processing, including the bases for financial reporting, estimates and notes included in the financial statements;
- any significant problems that emerged during the audit.

This communication has to happen **on time and in writing**. The auditor must include a written communication in the audit file or put what has been communicated orally into writing.

27%

The remaining nonconformities identified with respect to the ISAs at PIE auditors relate to **ISA 230** on **audit documentation**.

The ISA 230.8 standard requires that auditors prepare the audit documentation in such a way as to allow an experienced auditor who was not previously involved in the audit to understand and assess the work performed. The audit documentation must be adequate through all phases of the audit and across the entire audit file.

In the course of its quality controls, the BAOB identified deficiencies in the area of audit documentation. These concerned, among other things, ambiguities in the audit documentation on the work conducted by the PIE auditor, a lack of clear conclusions about the audit findings and the lack of documentation on the identification of the persons charged with governance.

*Deficiencies in the audit documentation are unfortunately nothing new.*

Deficiencies in the audit documentation are unfortunately nothing new. Causes of these recurring observations can include time or profitability considerations, or the idea that the auditor knows his or her client sufficiently well. Yet a well documented audit file is no mere formality. It must contain all relevant information arising from the audit work conducted by the auditor and must demonstrate that the auditor has conducted the audit in accordance with the legal and regulatory requirements. The audit file must, in other words, fulfil the above-mentioned objectives of ISA 230.8.

The BAOB published an opinion<sup>24</sup> on its website to draw attention to the importance of a well documented audit file. The opinion sums up the four characteristics of a well documented audit file, namely:

1. A good audit file contains all the relevant steps of the audit and their interconnections;
2. A good audit file contains sufficient justification for the choices made by the auditor in the context of its professional judgment;
3. In a good audit file, the audit activities carried out must be described in sufficient detail;
4. A good audit file is complete and gives a good overview.

Lastly, an audit file is only legally valid if it constitutes a fair view of the performance of the audit engagement. Any change to the final audit file that has been archived in a timely manner, without valid reasons for doing so, such as an attempt to mislead a third party, such as the reviewer or the supervisory authority, about audit activities that have not actually been carried out, is completely inconsistent with the essence and integrity of the profession (Article 29, § 1 of the Law of 7 December 2016<sup>25</sup>).

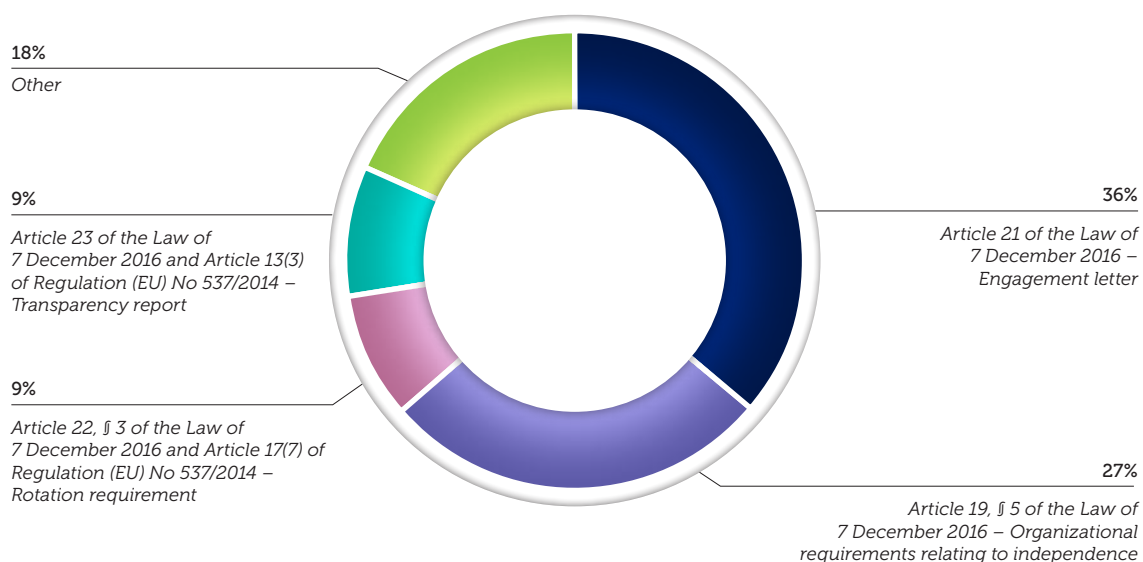
<sup>24</sup> BAOB Communication, The importance and the four characteristics of a well documented audit file, available in [Dutch](#) and [French](#) only.

<sup>25</sup> Article 29, § 1 of the Law of 7 December 2016 provides that: "§1. The auditor may not carry out activities or take action that is inconsistent with either the integrity, honesty or discretion or with the independence of his position.".



### 5.3.4. Nonconformities with respect to the Law of 7 December 2016 in PIE files

**Graph 6:** Nonconformities with respect to the Law of 7 December 2016 in PIE files



#### Top 3 nonconformities in order of frequency

1. Late preparation of the engagement letter
2. Inadequate measures to protect independence
3. Failure to rotate the permanent representative of the audit firm after a maximum of 6 years for the statutory audit of a PIE

**36%** A large percentage of the nonconformities identified concern the engagement letter. **Article 21 of the Law of 7 December 2016** requires that the **engagement letter** be prepared **prior to the performance of each task**. The BAOB has frequently noticed that this obligation was not met.

**27%** When performing the audit tasks entrusted to the auditor, the latter acts fully independently as regards the principles of professional ethics. **Article 19, § 5 of the Law of 7 December 2016** provides that the auditor must therefore take appropriate and effective **organizational measures** to prevent, detect, eliminate or manage and publish any threats to his or her **independence**. The BAOB has frequently noticed that this obligation was not met.

**9%** The **mandatory rotation of the permanent representative** of the audit firm after a maximum of 6 years for the statutory audit of a PIE is still not being complied with. This constitutes an infringement of **Article 22, § 3 of the Law of 7 December 2016** and Article 17.7 of Regulation (EU) No 537/2014.

9 %

Auditors who conduct statutory audits of the financial statements of a PIE must publish an annual **transparency report** at the latest four months after the end of every financial year. The transparency report must be signed. The BAOB observed that the PIE audit firms in question published an unsigned transparency report, which constitutes a nonconformity with respect to **Article 23 of the Law of 7 December 2016** and Article 13.3 of Regulation (EU) No 537/2014.

**Other (18%) identified nonconformities** concern the reporting that auditors must submit periodically or systematically to the BAOB. For example, the BAOB noticed that an **early termination of an audit engagement** was not reported in time. This constitutes an infringement of point 3 of Decision 2019/01 of the BAOB of 26 September 2019 on early terminations of audit engagements in application of Article 55 of the Law of 7 December 2016.

The BAOB further observed that a PIE audit firm did not fill out its **Auditors Annual Cartography** in full. This constitutes an infringement of the BAOB Decision of 13 December 2018 on the Auditors Annual Cartography in application of Article 55 of the Law of 7 December 2016.

## 5.4. Quality control at non-PIE auditors and audit firms

The public health crisis caused by the coronavirus obliged the BAOB to review its supervisory activities in the year 2020, mainly in order to enable the sector to focus on organizational adjustments and additional activities as a result of the pandemic<sup>26</sup>. This explains why the 2020 quality controls at non-PIE audit firms began only in the last quarter of 2020 and were completed in 2021, and the 2021 quality controls conducted in 2021 will be completed in the first half of 2022. Unless there are unforeseen circumstances caused by the pandemic, the 2022 quality controls at non-PIE audit firms should be conducted in accordance with a normal supervisory cycle.

Every year, the BAOB subjects different non-PIE auditors and audit firms to quality controls. The selection consists of auditors and audit firms chosen randomly in order to fit with the (minimal) six-year supervisory cycle and of auditors and audit firms that have been identified as posing a greater risk of lower audit quality.

Since the selection of auditors and audit firms changes each year, the results of the oversight are not directly comparable from year to year. Moreover, the annual sample of supervised auditors and audit firms may include a number of those auditors or audit firms as a result of the targeted selection of auditors and audit firms that are considered risky, a decision that can affect the interpretation of the results.

It further planned its quality controls as a function of the development of the public health situation, with a preference for remote inspections.

<sup>26</sup> This is the subject of the Communications of 24 March 2020 and 4 May 2020 published by the BAOB on its website.

The BAOB attaches great importance to carrying out its quality controls in a proportional manner, taking into account the size of the audit firm and the nature of services it provides. This is particularly applicable to non-PIE auditors and audit firms.

5.4.1. Types of nonconformities identified in non-PIE files

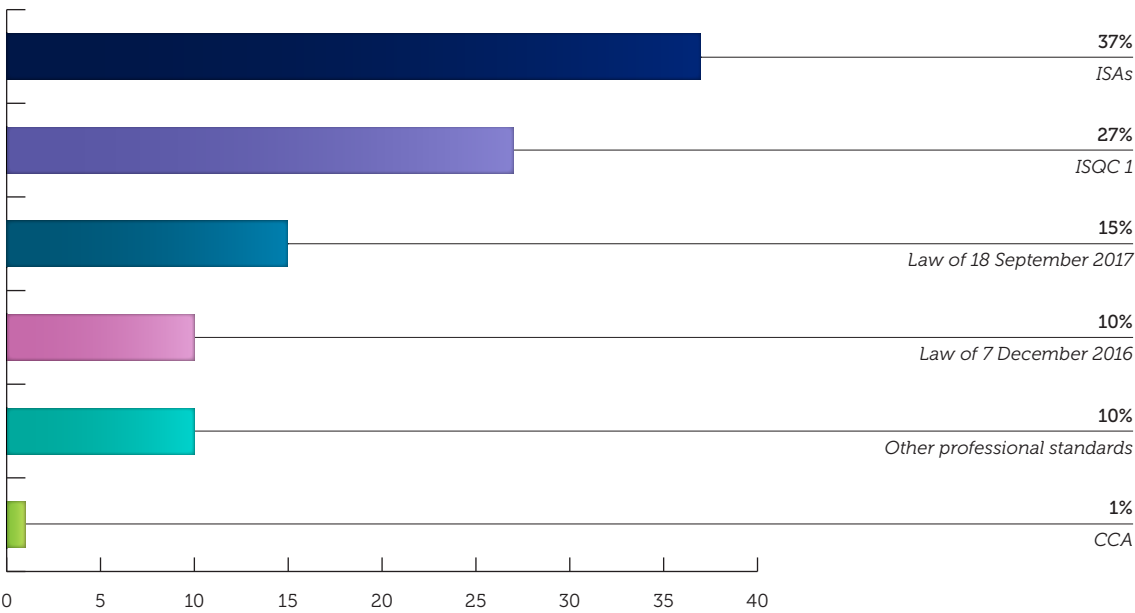
The BAOB decided, based on a risk-based consideration, to focus its quality controls at non-PIE auditors on a thematic approach:

- the theme of ‘monitoring’; and
- the theme of ‘acceptance and continuation of client relations and specific tasks’.

The theme of ‘monitoring’ allows the BAOB to extend its supervision in application of the legal and normative framework in the audit files. As regards supervision of the fight against money laundering and terrorist financing, both the office organization and the implementation of office procedures are subjected to the BAOB’s supervision in a select number of audit files.

In 2021, the BAOB imposed **190 measures** as part of quality controls conducted among **64 auditors and audit firms** that do not audit any PIEs.

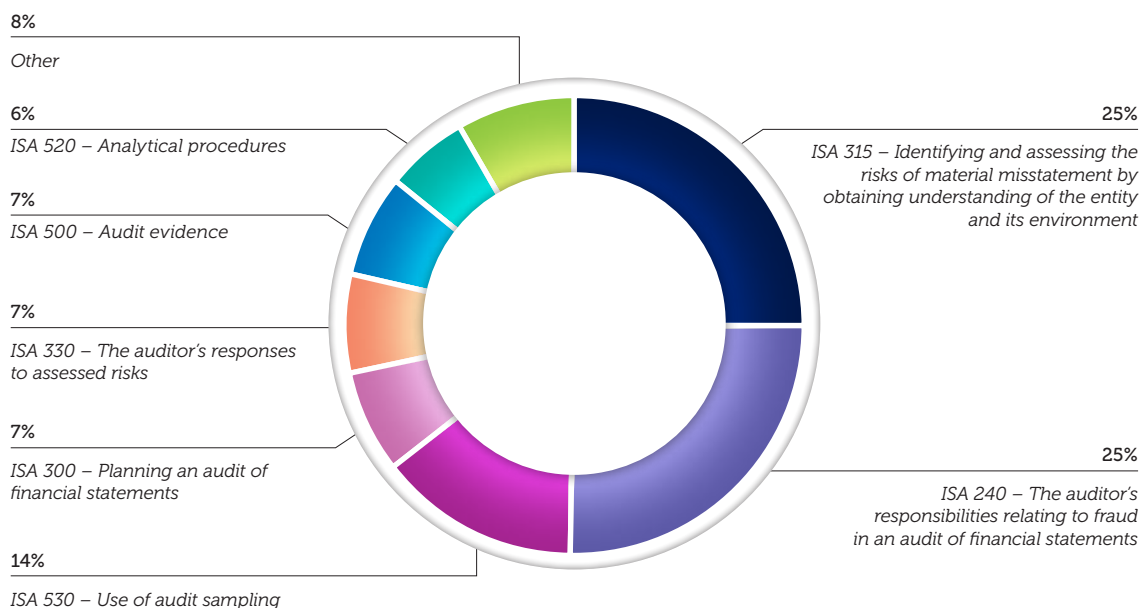
Graph 7: Types of nonconformities identified in non-PIE files



- 37%** The majority of the deficiencies identified by the BAOB during its quality controls at non-PIE auditors or audit firms concern compliance with the ISAs. This topic is the one that raises the majority of questions in the inspection guides.
- 27%** The second largest category of deficiencies concerns compliance with the ISQC 1 standard, which covers office organization.
- 15%** The percentage of deficiencies in combating money laundering and terrorist financing has more than doubled over the results from the previous year. This increase may be explained by the fact that the BAOB focused its quality control in 2020 on the theme of 'acceptance and continuation of client relations and specific tasks'. This theme concerns risk assessment and client identification as required by the Law of 18 September 2017. This remarkable increase also shows that there is room for improvement in the sector as regards compliance with the ML/TF legislation.
- The nonconformities with respect to the Law of 18 September 2017 are set out in Chapter 6 of this annual report.
- 10%** A few observations concern nonconformities with respect to the Law of 7 December 2016 and other professional standards.
- 1%** Lastly, a small number of nonconformities that the BAOB identified in the course of its quality controls at non-PIE auditors and audit firms concern the CCA.

### 5.4.2. Nonconformities with respect to the ISAs in non-PIE files

**Graph 8:** Nonconformities with respect to the ISAs in non-PIE files



#### Top 3 nonconformities in order of frequency

1. **Insufficient understanding of the audited entity's information system relevant to financial reporting**
2. **Inadequate risk assessment activities**
3. **Insufficiently justified sampling design, scope and selection**

**25%**

A considerable proportion of the nonconformities relating to the ISAs in non-PIE files concern ISA 315, and in particular **ISA 315.18** on the information system of the audited entity.

The auditor must gain **an understanding of the audited entity's information system, including the related business processes, relevant to financial reporting.**

It involves understanding the relevant aspects of the information system related to the information that must be submitted in financial reports, regardless whether or not it arises from the general ledger and sub-ledgers.

The BAOB has identified deficiencies due to insufficient or inadequate documentation. In the audit files in question, there was no information on certain aspects relating to the drafting of financial reports.

25%

A second frequently occurring deficiency results from failure to comply with **ISA 240** which sets out the **auditor's responsibilities relating to fraud in an audit of financial statements**.

When implementing risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the entity's internal control, the auditor must conduct the procedures described in paragraphs 17 to 24 of ISA 240 to obtain information for use in identifying the risks of material misstatement due to fraud.

The auditor must, in other words, show in his or her audit file that he or she has made sufficient inquiries of management regarding the risks of a material misstatement due to fraud. Where appropriate, the auditor must seek explanations from those charged with governance, and in particular to support the answers received from management.

*The auditor must show in his or her audit file that he or she has made sufficient inquiries of management regarding the risks of a material misstatement due to fraud.*

14%

**ISA 530** applies if the auditor uses sampling in conducting audit procedures. The deficiencies identified are due to **insufficient or inadequate documentation of the method used for the sampling selection**.

7%

**ISA 300, ISA 330 and ISA 500** each represent 7% of the deficiencies identified.

**ISA 300** deals with the auditor's obligation with respect to **planning an audit** of financial statements. The auditor must establish an overall audit strategy and develop an audit plan. Any changes to the overall audit strategy and to the audit plan made in the course of the audit engagement must be documented, along with the reasons for such changes.

The deficiencies observed by the BOAB concern the lack of an overall audit strategy and/or audit plan, which is contrary to paragraphs 7 and 9 of ISA 300. In other cases, auditors changed their overall audit strategy and, as a result, the originally planned audit activities **without explaining the reasons for such changes in their audit file**. This is not in line with the requirements of ISA 300.12.

**ISA 330** addresses **designing and implementing the various responses to the assessed risks of a material misstatement**. The auditor must design and implement additional audit procedures (testing internal control measures or data-driven audit procedures), the nature, timing and extent of which are based on and respond to the assessed risks of a material misstatement at the assertion level. The BOAB has found that this is not the case for 7% of the nonconformities identified in non-PIE files.

Lastly, the BAOB observed also deficiencies concerning **ISA 500**. This standard addresses the responsibility of the auditor to design and implement audit procedures for the purpose of obtaining **sufficient and appropriate audit evidence** to be able to draw reasonable conclusions on which the auditor can base his or her judgment (ISA 500.6).

The deficiencies identified concern support for the reliability of the information used as audit evidence. The audit documentation must show that the auditor has considered the relevance and reliability of the information used as audit evidence (ISA 500.7). Moreover, if the information used is provided by the audited entity, the audit documentation must show that the auditor has checked the accuracy and completeness of the information and has evaluated whether the information is sufficiently precise and detailed for the audit (ISA 500.9).

**Other (8%) nonconformities identified** concern **ISA 320, ISA 505 and ISA 402**, among others.

ISA 320 concerns materiality in planning and performing an audit. The BAOB notes in this regard that the audit files may not contain solely the amount of the materiality thresholds. **Documenting the calculation of these materiality thresholds** is at least as important.

The BAOB also identified nonconformities with regard to ISA 505. This ISA addresses the requirements regarding **external confirmations**. It notes several times that auditors do not always have control of the entire process of external confirmations. So, for example, the client is not allowed to send the request for external confirmations, but this must be done by the auditor.

Conducting audit procedures regarding salary administration that is outsourced to a **social secretariat** (ISA 402) has also given rise to deficiencies. The BAOB wishes to draw attention to its opinion<sup>27</sup>, published on its website, and more specifically to its expectations with regard to obtaining an ISAE<sup>28</sup> 3204 report.

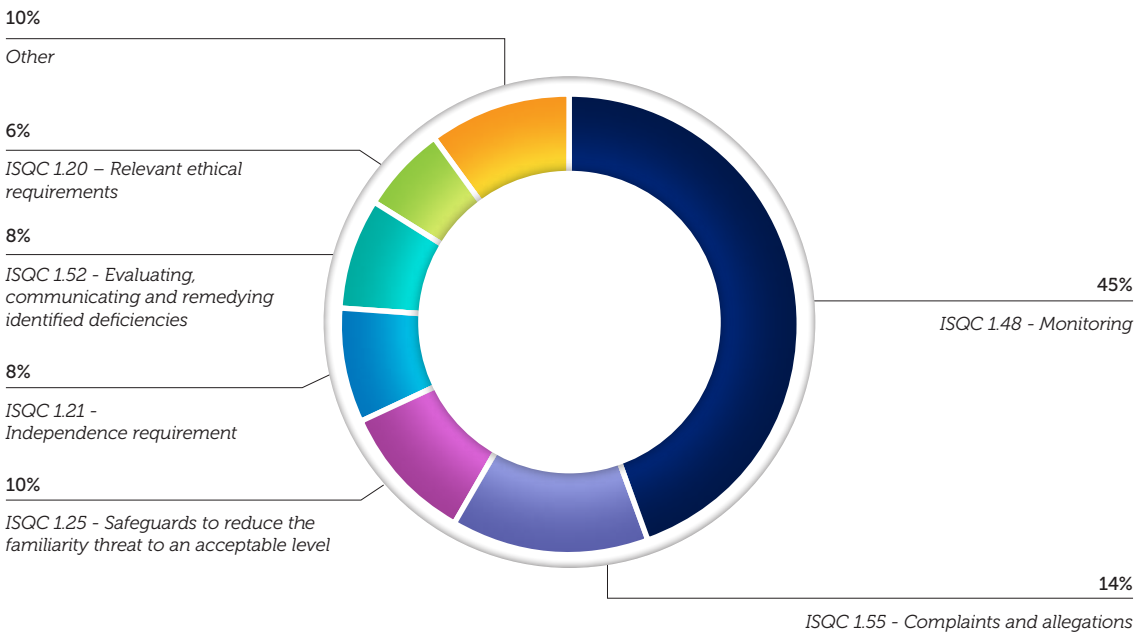
<sup>27</sup> BAOB Opinion 15/11/2018 available in [Dutch](#) and [French](#) only.

<sup>28</sup> International Standard on Assurance Engagements (ISAE).



5.4.3. Nonconformities with respect to ISQC 1 in non-PIE files

Graph 9: Nonconformities with respect to ISQC 1 in non-PIE files



Top 3 nonconformities in order of frequency

1. Inadequate monitoring procedures
2. Inadequate procedures for handling complaints and allegations
3. Inadequate measures to protect independence

45%

Most of the nonconformities that the BAOB has identified in the organization of non-PIE audit firms concern **ISQC 1.48. Monitoring the firm’s quality control policies and procedures** is intended to determine whether the firm complies with the professional standards and the applicable legal and regulatory requirements, whether the system of quality control is adequate and operating effectively, and whether the firm’s policies and procedures relating to quality control are correctly applied, so that the reports issued by the firm issues are appropriate in the circumstances.

This is a cornerstone of guaranteeing and undergirding the quality of the auditor’s work. It may be surprising that seven years after the entry into force of ISQC 1, some auditors still do not grasp, or do not apply, this basic concept.

There are three different types of shortcomings in the monitoring process. A number of audit firms uses a **written procedure that is not suited to the specific characteristics of their internal organization**. It is not enough for the audit firm to use a handbook with standard procedures, if that is not adapted to its specific characteristics.

Other audit firms have an **appropriate written procedure but do not apply it**. The evaluation of the quality control system is a continuous process, with for example:

- an analysis of the new developments in the area of professional standards or the applicable legal and regulatory requirements, as well as the degree to which the firm's policies and procedures are in line with them, where applicable;
- a review of the decisions relating to the acceptance and continuation of client relationships and specific engagements; or
- an announcement to the relevant staff of the firm regarding the identified deficiencies in the system, in the level of insight into the system or in the compliance therewith.

An audit firm may not limit itself to setting up a written monitoring process. It must also implement that process and document it adequately.

*The evaluation of the quality control system is a continuous process.*

Lastly, there is still **confusion between the monitoring process and the engagement quality control review (EQCR)**. The monitoring process constitutes the permanent monitoring and assessment of the firm's quality control system, including at least one completed engagement per engagement partner is inspected on a periodic basis. The ex post inspection of a completed engagement (monitoring) is not to be confused with the ex ante engagement quality control review (EQCR) of an ongoing assignment, which may be required under ISQC 1.35.

**14%**

As stated in **ISQC 1.55**, the procedures are designed to provide the audit firm with reasonable assurance that it deals appropriately with :

- complaints and allegations that its work fails to comply with professional standards and applicable legal or regulatory requirements; and
- allegations of non-compliance with the firms system of quality control.

The audit firm must establish clearly defined channels of communication for its personnel to raise any concerns about certain points without fear of reprisal.

The BAOB identified a deficiency in 14 % with respect to ISQC 1.55. Audit firms should not wait until they are faced with a complaint or allegation in order to **establish an appropriate complaint handling procedure**.

**10%**

**ISQC 1.25 (a)** represents one tenth of the nonconformities identified. This norm applies to the **procedures on independence that must be introduced in order to reduce the familiarity threat to an acceptable level**.

For non-PIE audit firms, there is no rotation requirement after a period of six years<sup>29</sup>. Non-PIE audit firms must, however, set out criteria to determine which safety measures to take in order to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time.

<sup>29</sup> The external rotation of the auditor responsible for PIE audits is a requirement under Article 22, § 3 of the Law of 7 December 2016. Moreover, ISQC 1.25 (b) requires, for audits of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with the relevant ethical requirements.

When setting out criteria to address familiarity threat, the audit firm may take into consideration aspects such as the nature of the engagement and the length of service of the senior personnel on the assignment<sup>30</sup>. The firm may, for example, choose to replace senior personnel as a safety measure, provided the size of the firm allows for this, or can conduct an engagement quality control review (EQCR).

8%

**ISQC 1.21** and **ISQC 1.52** each represent 8% of the nonconformities identified.

Concerning the nonconformities with respect to ISQC 1.21 **independence requirements**, the BAOB noted that the office procedures are incomplete. The office procedures must already include the independence requirements in order to avoid any doubts about the auditor's independence.

ISQC 1.52 is about **evaluating, communicating and remedying any deficiencies identified as a result of the monitoring process**. Monitoring also means that the audit firm must duly follow up on the deficiencies discovered during the monitoring process.

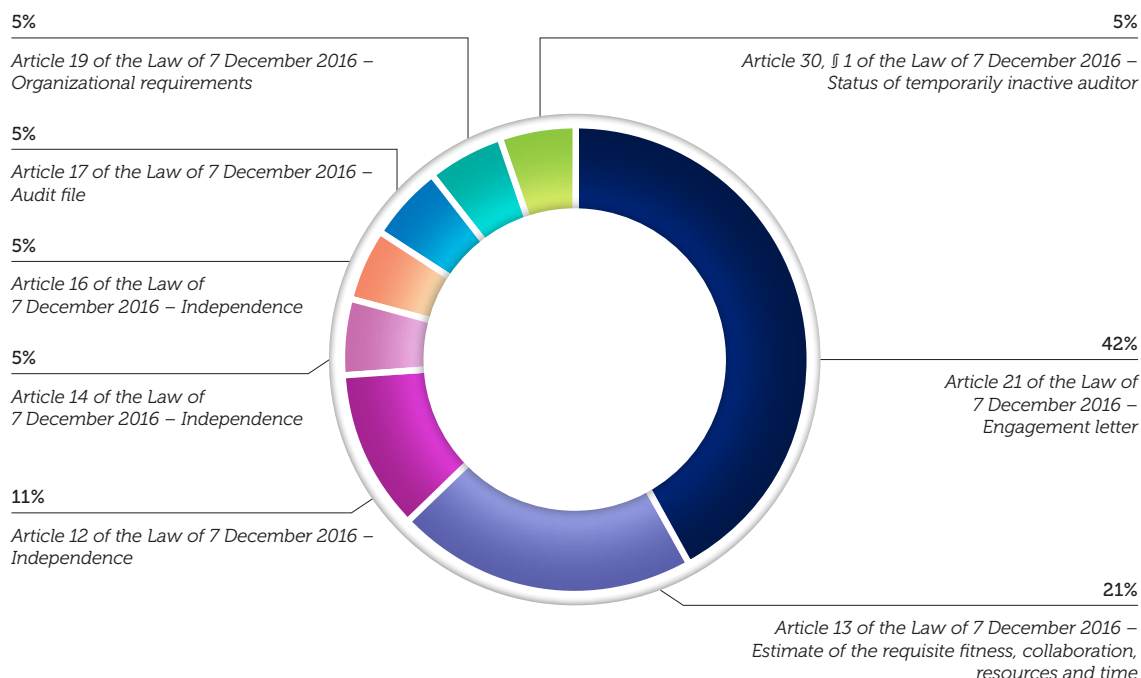
**Other (10%) deficiencies** concern, for example, the failure to obtain an annual written confirmation of independence (ISQC 1.24) or the lack of a **procedure for the engagement quality control review** (EQCR). **ISQC 1.35** states that every audit firm must set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements must be evaluated. The aim is to determine whether an EQCR is to be carried out, in the course of which the significant judgments made by the engagement team and the conclusions drawn in the course of the reporting are evaluated objectively.

*An audit firm may not limit itself to setting up a written monitoring process.*

<sup>30</sup> In practice, the BAOB has observed that many audit firms consider the performance of more than three audit engagements in a row to be 'a long period'.

#### 5.4.4. Nonconformities with respect to the Law of 7 December 2016 in non-PIE files

**Graph 10:** Nonconformities with respect to the Law of 7 December 2016 in non-PIE files



#### Top 3 nonconformities in order of frequency

1. Late preparation of the engagement letter
2. No (timely) estimate of the necessary knowledge, cooperation, means and time
3. Inadequate measures to protect independence

**42%**

Almost half the nonconformities with the Law of 7 December 2016 at non-PIE audit firms concern the **engagement letter**.

In several files, auditors began the audit before the engagement letter was drawn up (and signed), or they did not date the engagement letter, which is contrary to **Article 21 of the Law of 7 December 2016**.

**21%**

One fifth of the nonconformities with respect to the Law of 7 December 2016 concern the requirements under **Article 13, § 1, first paragraph** of that Law.

Before accepting an engagement, the auditor must **verify and document in writing whether he or she has the resources and time required** for the successful completion of this task. In the non-PIE files in question, the auditors did not verify this.

11%

The BAOB also identified nonconformities as regards **Article 12 of the Law of 7 December 2016**. That article requires the **complete independence** of auditors when performing an audit.

The nonconformities identified mainly concerned formal requirements. However, the BAOB did identify a substantive breach of independence by one auditor, who had carried out an audit for two clients of the accounting firm of which he was a managing director. Although the auditor stated that the entities in question were dormant companies, this infringement was severely looked at because of its impact on his independence.

5%

**Other nonconformities identified concern Articles 14, 16, 17, 19 and 30 of the Law of 7 December 2016.** These are the subject in 5 per cent of the nonconformities identified.

Articles 14 and 16 of the Law of 7 December 2016 address the **independence requirements** that must be met in the office procedures and in carrying out each audit engagement. The nonconformities in this regard do not involve an actual lack of independence, but concern the formal determination of these obligations.

Article 17 of the Law of 7 December 2016 concern the auditor's **audit file**. The BAOB noted several times that auditors do not always assemble their audit files adequately. Yet, assembling an audit file is far from a mere formality. The BAOB refers to its opinion published on this matter on its website. The opinion is discussed in Chapter 7.5 of this annual report.

Article 19 of the Law of 7 December 2016 lays down **organizational requirements** that every audit firm must fulfil.

Article 30, § 1 of the Law of 7 December 2016 provides that an auditor may request the **status of temporarily inactive auditor** only if he or she is in one of the following situations of job incompatibility:

- holding the position of an employee, other than with another auditor;
- carrying on, directly or indirectly, a business activity, including in the capacity of the director of a commercial company, holding a mandate as board member in civil companies in the legal form of a commercial company, do not fall under this incompatibility;
- holding the position of a minister or secretary of state.

The BAOB noted, during its quality controls, that one of the legal conditions was not always invoked in order to obtain the status of temporarily inactive auditor. This of course constitutes an infringement.

## 5.5. Joint inspections with the PCAOB

In 2021, the BAOB conducted its first joint inspection in Belgium with the PCAOB, the American oversight body for auditors.

Those inspections look principally at the quality of PIEs' control services, as defined in American legislation<sup>31</sup>. The Holding Foreign Companies Accountable Act (HFCAC) provides for the suspension, by the U.S. Securities Exchange Commission, of trading in the financial instruments of foreign undertakings listed on American stock exchanges or American regulated markets in cases where the PCAOB was unable to conduct inspections or investigations for three years or more in their home jurisdiction.

*Those inspections look principally at the quality of PIEs' control services, as defined in American legislation.*

Given that the objective sought by the PCAOB, it is theoretically perfectly possible for the BAOB and the PCAOB to conduct a joint inspection in Belgium at a non-PIE audit firm. All that is required is that a non-PIE audit firm has a client that is listed on a stock exchange in the United States. In accordance with Article 47 of Directive 2006/43/EC, the BAOB takes the lead in joint inspections.

The first joint inspection with the PCAOB in 2021 taught us that this involves a complete examination of the audit firm's quality control system. The PCAOB is often thoroughly familiar with these internal procedures. This is due to the fact that internal procedures apply within the international networks and the PCAOB inspects audit firms in various countries.

It should be noted that the PCAOB's approach differs from that of the BAOB. The PCAOB directs its attention mainly at accurate information disclosure by companies listed in the United States and on compliance with the American legislation and regulations in this regard. And yet there are many overlaps. In order to work efficiently, the BAOB takes a hybrid approach in the choice of supervisory themes. For most of those themes, it follows the choice of the PCAOB and adds a number of its own themes that relate to the Belgian aspects.

Conducting joint inspections is possible thanks to the Memorandum of Understanding<sup>32</sup> that the two supervisory authorities entered into on 12 April 2021. The data protection agreement<sup>33</sup>, approved by the Belgian Data Protection Authority on 7 April 2021<sup>34</sup>, regulates the sharing of data in accordance with the GDPR. This makes Belgium the second EU member state to enter into a Protocol with the PCAOB that is accompanied by a data protection agreement that is fully compliant with the applicable legislation regarding the protection of personal data and with the position of the European Data Protection Committee in this regard.

During the first joint inspection with the PCAOB, the BAOB therefore devoted continual attention to the correct implementation of the GDPR and of the data protection agreement entered into with the PCAOB.

<sup>31</sup> They may, therefore, be inspections of auditors that carry out an audit engagement at entities that may or may not be PIEs under Belgian law.

<sup>32</sup> [BAOB\\_PCAOB\\_Memorandum of Understanding](#).

<sup>33</sup> [BAOB\\_PCAOB\\_Data Protection Agreement](#).

<sup>34</sup> DPA Decision no. 03/2021 of 7 April 2021, published on [GBA 07042021](#).









## 6. COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

- 6.1. Nonconformities identified at PIE auditors and audit firms
- 6.2. Nonconformities identified at non-PIE auditors or audit firms
- 6.3. Restriction on the use of cash
- 6.4. Council of Europe assessment of the effective application of the 4th EU AML/CFT Directive in Belgium

The Law of 18 September 2017 lays down several requirements for auditors and audit firms to prevent, pinpoint and block transactions linked to money laundering and terrorist financing (ML/TF).

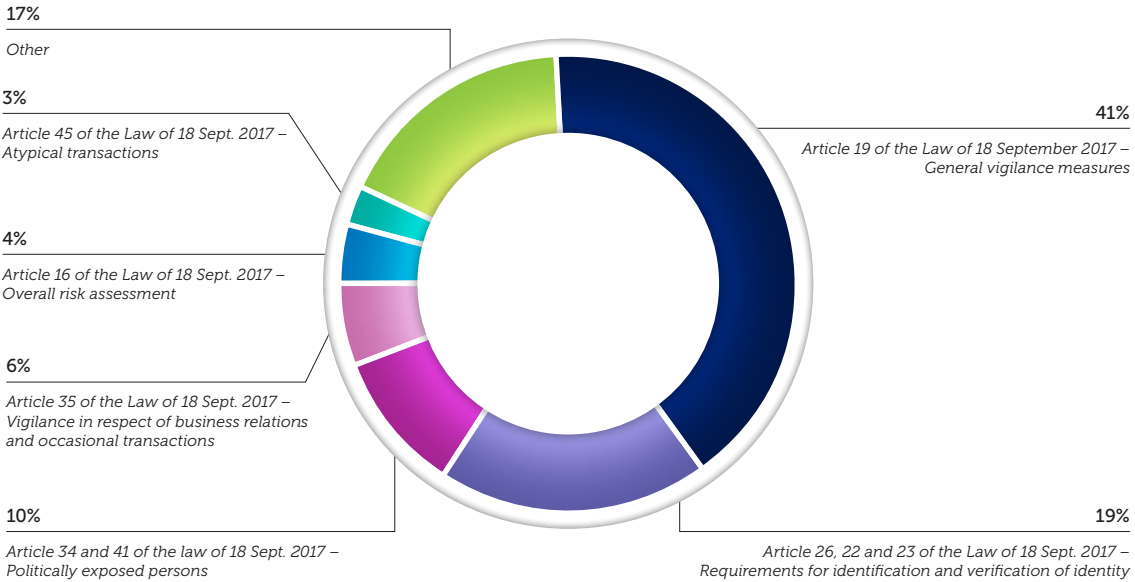
In the course of the quality controls at both PIE and non-PIE auditors and audit firms, the BAOB verified compliance by the audit firms with some of the essential ML/TF obligations. These include drawing up an overall risk assessment, maintaining an up-to-date individual risk assessment for each client, complying with the due diligence requirements and identifying politically exposed persons.

Lastly, the BAOB conducts audit sampling, always in accordance with a risk-based approach, including in the context of its supervisory function, with particular attention to the effective application of the internal ML/TF office procedures.

# 6.1. Nonconformities identified at PIE auditors and audit firms

Compliance with the Law of 18 September 2017 was a main theme of the quality controls that the BAOB conducted in 2021 at PIE auditors and audit firms. The majority of the nonconformities that the BAOB identified during its quality controls at PIE auditors and audit firms have, in fact, to do with the failure to comply with the Law of 18 September 2017, as explained below.

**Graph 11:** Nonconformities identified at PIE auditors and audit firms



### Top 3 nonconformities in order of frequency

1. **Due diligence measures insufficiently commensurate with the individual risk assessment**
2. **Incomplete identification and verification of the identity of clients and their agents and beneficial owners**
3. **Late determination of the capacity of politically exposed persons**

41%

Most of the nonconformities identified by the BAOB concern **Article 19 of the Law of 18 September 2017**. That article defines the AML/CFT due diligence measures that auditors and audit firms must take, and that include **aligning the level of due diligence with the individual assessment of the ML/TF risks**.

The individual risk assessment must take into account the variables and factors set out in the Law and the overall ML/TF risk assessment conducted by the auditor or audit firm. The individual risk assessment should result in a risk classification of its clients, with the suitable level of due diligence associated therewith.

The BAOB noted that office procedures do not always contain all these elements or that the tools used are not always well suited to demonstrating that all these elements have been duly taken into consideration and have led to a suitable, well documented conclusion that is properly followed up by the auditor.

19%

Another problem area the BAOB identified during its quality controls at PIE auditors or audit firms is the incomplete **identification and verification of the identity of clients and their agents and beneficial owners**. **Article 22 of the Law of 18 September 2017** covers the identification of clients' agents, while **Article 23 of the said Law** addresses the identification of beneficial owners. **Article 26 of the Law of 18 September 2017** sets out the general requirements for identification and verification of identity.

10%

The **(timely) determination of the capacity of politically exposed persons<sup>35</sup>** among clients, agents and beneficial owners is laid down in **Article 34 of the Law of 18 September 2017**.

Where an audit firm determines that a client or one of their agents or beneficial owners is or was a politically exposed person, a family member of a politically exposed person, or a person known to be closely associated with a politically exposed person, **enhanced due diligence measures** must be taken, as laid down in **Article 41 of the Law of 18 September 2017**.

<sup>35</sup> Article 4, 28° of the Law of 18 September 2017 defines a politically exposed person as "a natural person who is or who has been entrusted with prominent public functions, and, in particular:

- a) heads of State, heads of government, ministers and deputy or assistant ministers;
- b) members of parliament or of similar legislative bodies;
- c) members of the governing bodies of political parties;
- d) members of supreme courts, of constitutional courts or of other high-level judicial bodies, including administrative judicial bodies, the decisions of which are not subject to further appeal except in exceptional circumstances;
- e) members of courts of auditors or of the boards of central banks;
- f) ambassadors, consuls, chargés d'affaires and high-ranking officers in the armed forces;
- g) members of the administrative, management or supervisory bodies of State-owned enterprises;
- h) directors, deputy directors and members of the board or persons in an equivalent function of an international organisation;
- i) natural persons holding functions considered to be important public functions on the list published by the European Commission in accordance with Article 20bis, third subparagraph, of Directive 2015/849;

Middle-level or lower positions do not fall under the public functions referred to in points a) through i).".

From the audit files examined, it appears that some auditors and audit firms are able to explain only orally whether or not they are dealing with politically exposed persons. These auditors or audit firms do not have adequate procedures to conduct research in this regard. Such an oral declaration is insufficient for the BAOB.

Auditors and audit firms must have in place an appropriate procedure to determine whether clients or their agents or beneficial owners are politically exposed persons. The procedure must also effectively be carried out. The BAOB emphasizes in this regard the importance of documenting the review and of drawing the right conclusions in terms of due diligence.

**6%** The findings in respect of **Article 35 of the Law of 18 September 2017** touch on two concepts we have already mentioned above. The obligation of **ongoing due diligence** involves, among other things, that the auditor must keep the data used for identification and identity verification, as well as the individual risk assessment, up to date at all times. Furthermore, auditors are required not only to identify politically exposed persons before entering into a business relationship, but also must be able, throughout the business relationship, notice that a one of their clients has become a politically exposed person.

**4%** **Article 16 of the Law of 18 September 2017** requires every auditor and audit firm to conduct an **overall risk assessment**. When conducting their overall risk assessment, they must consider at least the variables set out in Annex I to the Law of 18 September 2017. Moreover, they can take into consideration the factors listed in Annex II, which are indicative of a potentially lower risk, and must at least take into account the factors set out in Annex III, which are indicative of a potentially higher risk. The BAOB has on several occasions noted nonconformities in this regard.

**3%** **Article 45 of the Law of 18 September 2017** addresses the mandatory **analysis of atypical transactions**. The aim of the analysis, conducted under the responsibility of the AMLCO<sup>36</sup>, is to determine whether these transactions can be suspected of being linked to money laundering or terrorist financing. As far as reasonably possible, the background and purpose of all transactions that fulfil at least one of the following conditions is to be examined:

- they are complex;
- they are unusually large;
- they are conducted in an unusual pattern;
- they have no apparent lawful economic or lawful purpose.

**Other (17%) nonconformities** identified relate to matters such as the appointment of the AMLCO and the appointment of the person responsible at the highest level of the office organization (Article 9, §§1 and 2 of the Law of 18 September 2017). The BAOB also identified shortcomings relating to staff members' familiarity with the law of 18 September 2017 (Article 11 of the Law of 18 September 2017).

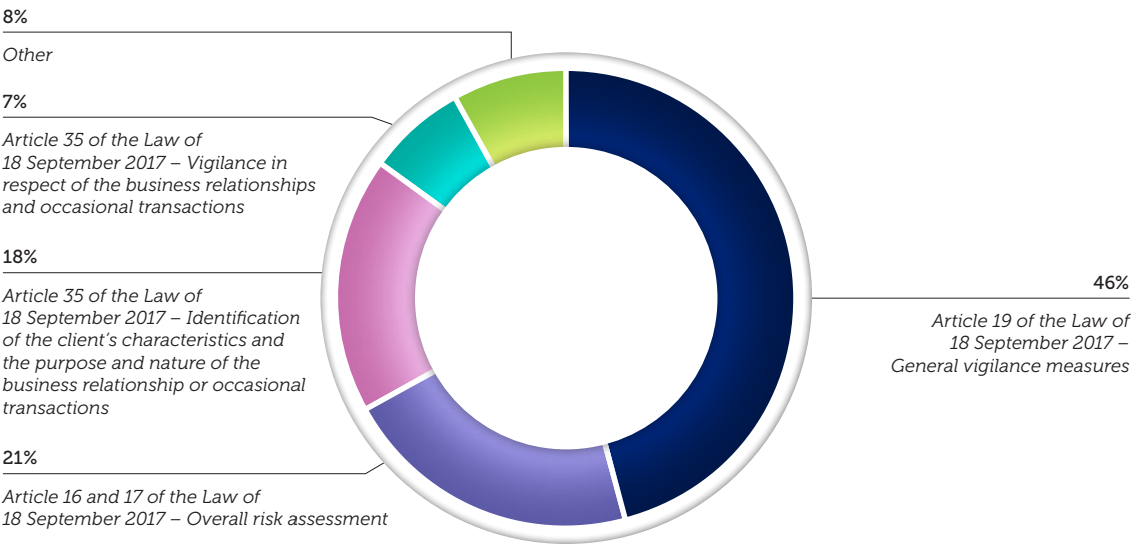
<sup>36</sup> The AMLCO is the person referred to in Article 9, § 2 of the Law of 18 September 2017 and is, inter alia, tasked with ensuring the implementation of the AML/CFT policies, procedures and internal control measures, conducting the analysis of atypical transactions and preparing the relevant written reports in order to provide appropriate follow-up, where necessary, and with reporting suspicions and additional information to the CTIF-CFI.

Lastly, it should be pointed out that of the aforementioned nonconformities, 38 % of the cases also involved a breach of Article 8 of the Law of 18 September 2017. The aforesaid Article states that auditors and audit firms must design and implement AML/CFT policies, procedures and internal control measures that are efficient and commensurate with their nature and size. Among the aforementioned findings, we thus noted several times that the office procedures were insufficient.

## 6.2. Nonconformities identified at non-PIE auditors or audit firms

The Law of 18 September 2017 imposes various obligations on non-PIE auditors and audit forms as well to prevent, detect and combat transactions linked to money laundering and terrorist financing (ML/FT). A few important ML/FT obligations were addressed during quality controls at non-PIE auditors or audit firms.

**Graph 12:** Nonconformities identified at non-PIE auditors or audit firms



### Top 3 nonconformities in order of frequency

1. **Vigilance measures insufficiently commensurate with the individual risk assessment**
2. **Late or no determination of the capacity of politically exposed persons**
3. **Overall risk assessment insufficiently commensurate with the nature and size of the audit firm**

46%

As was the case for PIE audit firms, so the BAOB has found that at non-PIE audit firms as well, the majority of the nonconformities have to do with **Article 19 of the Law of 18 September 2017**. This article defines the general AML/CFT due diligence measures taken by auditors and audit firms and that include **aligning the level of vigilance with the individual ML/TF risk assessment**.

The audit firms where the nonconformities were identified were unable to demonstrate that they had taken appropriate vigilance measures for the ML/TF risks identified. The BAOB emphasizes that the auditor must be able to show that when conducting the risk assessment, he or she took account not only of the special characteristics of the client and the business relationship or of the transaction in question, but also the audit firm's overall risk assessment. The audit file must justify and document both the estimated risk level and the vigilance measures that have been taken in the light of that risk level.

21%

**Article 16 of the Law of 18 September 2017** requires audit forms to **draw up an overall assessment of the ML/TF risks** to which it is exposed. In so doing, audit firms must take into account the characteristics of their clients, the products, services or transactions they offer, the countries or geographical regions concerned and the distribution channels they use. In making the assessment, the audit firm must take into account at least the variables listed in Annex I to the Law of 18 September 2017 and with factors that indicate a potentially higher risk, as set out in Annex III to that Law. Moreover, factors indicative of a potentially lower risk, as set out in Annex II of that Law, may also be taken into account.

Although the Law of 18 September 2017 requires expressly that the auditor's overall risk assessment be documented, updated and kept at the disposal of the BAOB (**Article 17 of the Law of 18 September 2017**), nearly one fifth of the nonconformities identified relate to the obligation to conduct an overall risk assessment.

The BAOB emphasizes that it is not sufficient to use a standardized model for an overall risk assessment. Audit firms must adjust such models and develop appropriate due diligence measures, and subsequently to implement these in a manner that is commensurate to the risk levels identified.

18%

The BAOB also identified nonconformities as regards **Article 34 of the Law of 18 September 2017**. This article covers several obligations. Auditors must, for example, **take the appropriate due diligence measures in a timely manner**. In addition, auditors must take reasonable measures to **determine whether clients, their agents or beneficial owners are politically exposed persons**, family members of politically exposed persons or persons who are known to be closely associated with politically exposed persons.

Pursuant to that article, audit firms' procedures must also specify that auditors may not establish a business relationship or carry out a transaction for a client if the auditors do not meet the required due diligence measures.



7%

The findings in respect of **Article 35 of the Law of 18 September 2017** touch on two concepts we have already mentioned above. The obligation of **ongoing vigilance** involves, among other things, that the auditor must keep the data used for identification and identity verification, as well as the individual risk assessment, up to date at all times. Furthermore, auditors are required not only to identify politically exposed persons before entering into a business relationship, but also must be able, throughout the business relationship, to notice that one of their clients has become a politically exposed person.

**Other (8%) nonconformities** that were identified concerned, among other things, Article 26 of the Law of 18 September 2017, which imposes obligations in respect of identification and verification of identity.

Lastly, it should be pointed out that of the aforementioned nonconformities, 18% of the cases also involved a breach of Article 8 of the Law of 18 September 2017. The aforesaid Article states that auditors and audit firms must design and implement AML/CFT policies, procedures and internal control measures that are efficient and commensurate with their nature and size. Among the aforementioned findings, we thus noted several times that the office procedures were insufficient.

## 6.3. Restriction on the use of cash

In 2020, the Belgian Parliament strengthened the BAOB's supervisory mandate in respect of the use of cash.

Since then, the BAOB has been obliged to report to the FPS Economy<sup>37</sup> certain infringements that it identifies in the course of its supervision. This is the case when the BAOB would identify one of the following situations:

- the sale price of a piece of real estate was not paid by a bank transfer or cheque;
- certain cash payments or gifts are being made or received for more than EUR 3 000 or its equivalent in another currency;
- certain postal payments are made into the accounts of third parties or current post office accounts by non-consumers or for amounts exceeding EUR 3 000.

In 2021, the BAOB reported two infringements of Article 67, § 2 of the Law of 18 September 2017 to the FPS Economy.

<sup>37</sup> Article 116/3 of the Law of 18 September 2017.

## 6.4. Council of Europe assessment of the effective application of the 4th EU AML/CFT Directive in Belgium

AML/CFT practices come in many forms and are constantly evolving. Moreover, these illegal practices are not limited to a certain geographical territory. The FATF, established in 1989, is an intergovernmental body that combats ML/TF and other threats to the integrity of the international financial system. For this purpose, it developed 40 recommendations that are recognized as the international standard for combating ML/TF.

Article 65 of the 4th AML/CFT Directive determines that the EC must prepare a report by 11 January 2022 and every three years thereafter on the application thereof within the EU. For the purpose of report, the Council of Europe evaluates each EU Member State on the effectiveness of the transposition of the 4th AML/CFT Directive.

The BAOB has been appointed by the Belgian Parliament to oversee the compliance of auditors and audit firms with the Law of 18 September 2017<sup>38</sup>. In that capacity, it gave a presentation in 2021 to representatives of the Council of Europe in the context of its evaluation.

<sup>38</sup> Article 85, § 1, 6° of the Law of 18 September 2017.







## 7. OVERSIGHT

- 7.1. Handling complaints
- 7.2. Handling whistleblowers' reports
- 7.3. Continuing professional development
- 7.4. Auditors Annual Cartography
- 7.5. Communications and opinions of the BAOB

In addition to the quality control conducted by the BAOB, the latter also fulfils its public oversight mandate by addressing supervisory dossiers, including complaints, whistleblowers' reports, notifications of early termination of auditors' mandates or publications regarding companies declared bankrupt. For the last two categories, the BAOB uses a risk-based approach to examining the auditor's work with regard to continuity.

When launching a dossier at her own initiative, the Secretary General may take into consideration information received from other authorities or third parties. The decision to initiate a dossier may also be the result of other indicators such as disputes or allegations of fraud received by the BAOB from complaints or press releases, for example.

This latter category includes a number of dossiers with a considerable social impact that were often front-page news in 2021. Though limited in number, these dossiers take up much of the BAOB's supervisory resources. The investigation of these dossiers is very important in order to underpin trust in company auditors.

Although the question often arises in supervisory dossiers about what lessons could be learned from past experience, it is important to stress that the BAOB's mandate consists exclusively in overseeing the audit quality and compliance with obligations arising from the legal and regulatory framework.

The BAOB attaches great importance, when handling supervisory dossiers, to assessing each dossier on its individual merits, without bias and without taking account of later events.

The results of these dossiers varied, ranging from closing the case without further action through measures being imposed by the BAOB Committee to the initiation of an investigative dossier by the Secretary General, in cases where the Secretary General found strong indications of a practice liable to give rise to an administrative measure or fine<sup>39</sup>. A number of cases were closed because the auditor in question had already resigned as auditor before the BAOB could take a decision about the work performed by that auditor.

## 7.1. Handling complaints

The BAOB considers all complaints received to be valuable. Every complaint can, of course, make a useful contribution to public oversight. The BAOB examines all complaints and whistleblowers' reports it receives (see below 7.2).

The procedure for submitting a complaint to the BAOB is available on its website<sup>40</sup>.

The number of complaints received has seen a significant decrease. In 2020, the BAOB received a total of 27 complaints. In 2021, there were 7. In absolute terms, these are modest numbers. However, the number of complaints is not representative as to the importance of the problems they report.

<sup>39</sup> Article 59 of the Law of 7 December 2016 provides that the Sanctions Committee of the FSMA is the competent body that can impose administrative measures and fines in the event of an infringement of the applicable legal, regulatory or normative provisions.

<sup>40</sup> Submitting a complaint – BAOB (available in [Dutch](#) and [French](#) only).

The BAOB may thus decide that a complaint it has received is inadmissible<sup>41</sup>. The BAOB is not competent, for example, to rule on the fees charged or to intervene in disputes regarding unpaid fees. The complaints received in 2020 concerned a wide range of situations. A few of those received in 2021, by contrast, had a wide social impact.

One complaint does not always result in a measure taken in respect of the auditor in question. In 2021, the BAOB decided that the majority of the complaints was unfounded.

In 2021, the BAOB issued a decision in 11 complaint cases. One complaint turned out to be inadmissible because the matter at hand was too far in the past.

In other complaint dossiers, the BAOB issued a call to order to the auditor. The allegations had to do, for example, with a failure to take note of the existence of a consortium and its consequences, or with the lack of the necessary rectitude legal and validity in the auditor's communications, among other things by neglecting to speak only on the known facts and limiting the use of assumptions.

## 7.2. Handling whistleblowers' reports

The Law of 18 September 2017 and the Law of 7 December 2016 provide that there must be mechanisms for reporting (potential) infringements to the BAOB. More specifically, Article 90 of the Law of 18 September 2017 requires the BAOB to set up efficient and reliable mechanisms for the reporting, by managers, staff members, agents and distributors of the auditors or audit firms, or by third parties, of potential or actual infringements.

The said article provides not only for protection against reprisals against the whistleblower, but that these mechanisms must include specific procedures for receiving reports of infringements and for following up on them in such a way that the supervisory authority may not inform the obliged entity or third parties of the whistleblower's identity.

Moreover, whistleblowers may be an important source of information for the supervisory authority.

The procedure for submitting a whistleblower's report to the BAOB is available on its website<sup>42</sup>.

The BAOB is not competent to intervene in disputes with an employer that fall within the domain of labour law with a view to obtaining damages or where another authority is competent.

In 2021, the BAOB received 2 whistleblowers' reports: one of which it did not appear competent to handle, and one that the BAOB deemed admissible, but not well founded.

<sup>41</sup> Article 53, § 2, of the Law of 7 December 2016.

<sup>42</sup> BAOB whistleblowers' procedure (available in [Dutch](#) and [French](#) only).



## 7.3. Continuing professional development

In a world that is constantly changing, lifelong learning has become a basic requirement for every professional. This is certainly also the case for auditors. The legal framework is evolving, various international organizations are helping to shape the relevant standards and technological innovations seem to be following each other in rapid succession.

The public must be able to rely at all times on the expertise of the auditor, who has to stay on top of these many changes. The European and national parliaments have therefore made continuing professional development mandatory for all auditors, and has delegated the specifics and the practical organization to the IBR/IRE. The BAOB bears ultimate responsibility for overseeing continuing professional development<sup>43</sup>.

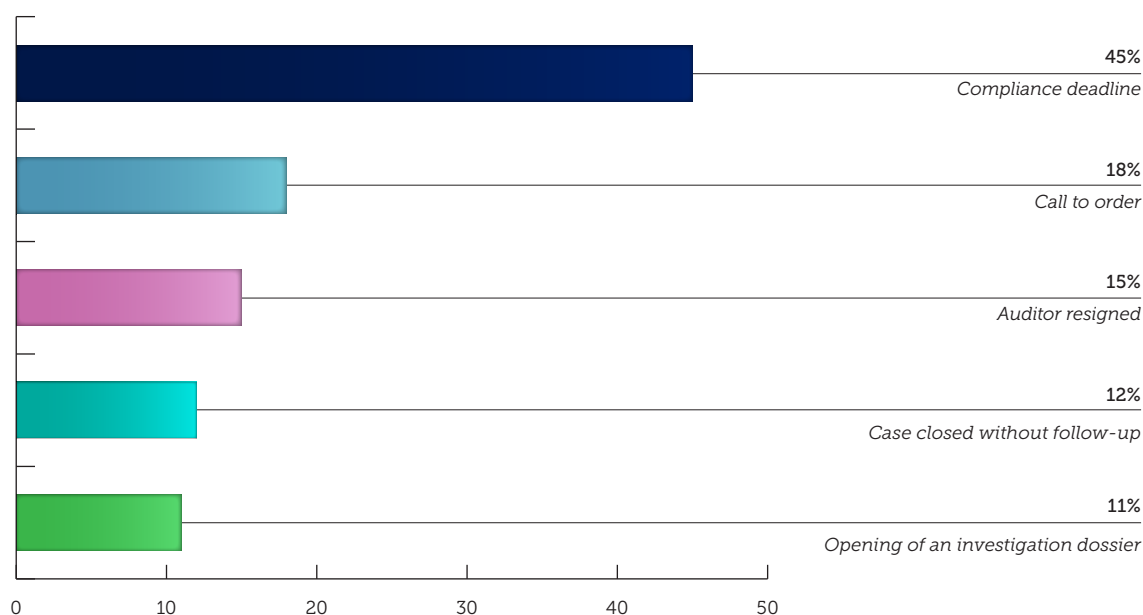
### 7.3.1. Evaluation campaign 2017-2019

In 2020, the BAOB examined compliance with the continuing professional development requirements for the 2017-2019 period. More specifically, the BAOB selected two requirements from the standard set out by the IBR/IRE dated 30 August 2007<sup>44</sup> and checked whether the auditors under its oversight were in compliance.

The BAOB noted that 101 auditors did not meet at least one of the two following training requirements:

- The auditor attended at least 84 hours of continuing professional development over a three-year period;
- The auditor attended at least 24 hours of training in the form of seminars and study days organized by the IBR/IRE or the ICCI.

In 2021, the BAOB followed upon these observations. It decided to impose the measure to be taken on all 101 auditors, in accordance with the seriousness of the infringement. This led to the following decisions:



<sup>43</sup> Article 32 of the Law of 7 December 2016.

<sup>44</sup> Standard 7359-7360 on continuing professional development by the Institute of Registered Auditors (available in [Dutch](#) and [French](#) only).

In almost half of the cases (45 dossiers), the BAOB imposed on the auditors a deadline for remedying the situation. The majority of the auditors had fulfilled their obligations by the time of that deadline. A small minority of auditors (9) did not or did not fully comply with the conditions of the deadline for a remedy. In these dossiers, the Committee took a final decision in 2022.

The BAOB issued a call to order to 18 auditors.

In 11 dossiers, the Secretary General found strong indications of the existence of a practice that may give rise to the imposition of an administrative measure or fine<sup>45</sup>. She drew up an investigation report as provided for in Article 56 of the Law of 7 December 2016. The BAOB Committee will decide in 2022 on the action it wishes to take in response to the Secretary General's final report, and whether or not to refer the matter to the FSMA Sanctions Committee.

In the case of 12 auditors, the BAOB closed the dossier without further steps, given the special circumstances of each of those cases.

Lastly, 15 of the 101 auditors had tendered their resignation as auditor without awaiting the BAOB's final decision.

### 7.3.2. Concerns identified

During this oversight campaign, the BAOB noted some frequently recurring issues regarding continuing professional development.

A number of auditors invoked their status of temporarily inactive auditors in order to justify not attending the mandatory continuing professional development, although that obligation is laid down by law<sup>46</sup>. **The training requirements are also intended to keep enhancing the knowledge of temporarily inactive auditors.** Auditors who wish to resume active work in their profession after a period of inactivity must of course be able to demonstrate the same high quality to their clients as those auditors who have exercised their profession without interruption. After all, temporarily inactive auditors may ask the IBR/IRE to be allowed to take up audit tasks again within a period of five years. After the five-year period, the IBR/IRE may accede to such a request by an inactive auditor only if the auditor passes an oral exam<sup>47</sup>.

*In almost half of the cases, the BAOB imposed on the auditors a deadline for remedying the situation.*

The BAOB also identified repeated cases of late registration of the training courses taken. Auditors are required to **register the training they have taken on the IBR/IRE's website at the latest by 31 March following the year in which he or she took the training**. Timely registration is important. A training session that is not registered in good time does not count towards the calculation of the number of training hours required per year.

<sup>45</sup> Article 59 of the Law of 7 December 2016 provides that the Sanctions Committee of the FSMA is the competent body that can impose administrative measures and fines in the event of an infringement of the applicable legal, regulatory or normative provisions.

<sup>46</sup> Article 30, § 3 of the Law of 7 December 2016.

<sup>47</sup> Article 20 and 21 of the Royal Decree of 21 July 2017 on the granting of the status of auditor and on enrolment and registration in the public register of auditors.

### 7.3.3. New standard

On 1 January 2022, the IBR/IRE's Continuing professional development standard<sup>48</sup> entered into force. The standard replaces the IBR/IRE standard of 30 August 2007 and includes a number of important changes, such as:

- A good balance in terms of the content of the training has become more important. Henceforth, a minimum of 84 hours of training is required in the core competencies of the auditor<sup>49</sup>;
- The prior consent of the IBR/IRE Board is not only required for training programmes run by audit firms, but also for those programmes offered by training providers who are not officially recognized;
- The obligation to register the training programmes taken by 31 March of the following year at the latest has been reinforced.

## 7.4. Auditors Annual Cartography

The quality of the data used by the BAOB for performing its tasks, and the availability of detailed, complete and up-to-date information is of utmost importance to the BAOB.

Article 55 of the Law of 7 December 2016 provides that the BAOB may require that auditors submit to the BAOB, periodically or systematically, reports on the activities that fall within its oversight. Auditors are required to send this information or documents to the BAOB within the deadline and in the form determined by the BAOB. The Decision of the BAOB on 13 December 2018 and updated by Decision 2021/01 has laid down rules on the information that must be submitted annually to the BAOB as part of the Auditors Annual Cartography<sup>50</sup>. The BAOB uses that information in the performance of its tasks regarding public oversight.

The information available to the BAOB is often the basis of its oversight work. That is why it expects to receive high quality and accurate information. This applies to the information provided as part of the Auditors Annual Cartography, as well as to the replies to any questions posed by the BAOB or any other information submitted to the BAOB in other circumstances. Lastly, this obligation also applies to the information entered in the register, all the more so since that information is publicly accessible.

The BAOB noted on 26 February 2021 that 38 auditors had not provided any information for the Auditors Annual Cartography for the 2020 calendar year. These auditors were given a deadline by which they were expected to comply with their obligations.

Of the 38 auditors, 29 fulfilled the measure imposed by the BAOB and completed the Auditors Annual Cartography.

<sup>48</sup> Continuing professional development standard 2021 of the Institute of Registered Auditors (available in [Dutch](#) and [French](#) only).

<sup>49</sup> The total number of hours of training that must be taken remains unchanged.

<sup>50</sup> Auditors must enter and validate the information annually at the latest on 20 February of the year following the calendar year to which the information refers. The manual for the Auditors Annual Cartography is an integral part of the Decision.

In light of this and other aspects of their file, the Secretary General opened for 7 auditors a case on the grounds of strong indications of a practice that may give rise to the imposition of an administrative measure or fine.

For 2 of the auditors in question, the BAOB took no further action: they had decided to leave the sector.

## 7.5. Communications and opinions of the BAOB

As part of its public oversight function, the BAOB seeks to communicate proactively about important topics<sup>51</sup>.

The BAOB publishes information on the results of its oversight campaigns. For example, it has published a summary of good and bad practices based on the results of its oversight campaign on bankruptcies. It also published its main findings from its inspections of PIE audit firms.

In addition, the BAOB informs the public of national and international trends on the audit market, as investigated by European (CEAOB) and international (IFIAR) bodies.

The BAOB also wishes to communicate with auditors about its public procurements for the recruitment of inspectors. Thus, in 2021, we saw growing interest in performing inspection tasks at non-PIE auditors on behalf of the BAOB.

The BAOB's opinions played a particular role in its communications approach. First, because the BAOB wishes in this way to contribute to improving audit quality, above all where it has identified recurring nonconformities, but also because published opinions, which clarify the BAOB's expectations, help increase the predictability of its oversight.

In 2021, the BAOB also published communications on its website under the heading 'Opinions'<sup>52</sup>. These are included in full hereafter. The IBR/IRE also drew attention to these opinions on its website.

<sup>51</sup> 21/04/2021 Reporting to the audit committee under the terms of the CCA – Main findings by the BAOB during quality control at PIE audit firms (available in [Dutch](#) and [French](#) only).

20/04/2021 Growing interest on the part of the sector in conducting quality control and other inspections at non-PIE audit firms on behalf of the BAOB (available in [Dutch](#) and [French](#) only).

30/03/2021 Supervision of continuing professional development over the three-year period of 2017-2019 (available in [Dutch](#) and [French](#) only).

04/03/2021 Oversight campaign in respect of bankruptcies filed in the second half of 2019 and the first quarter of 2020 – main findings – summary of good and bad practices (available in [Dutch](#) and [French](#) only).

03/03/2021 European Commission – Report on developments in the EU market for statutory audit services to public-interest entities between 2015 and 2018.

03/03/2021 CEOAB - PIEs - Analysis of the requirements for audit committees contained in both Regulation (EU) No 537/2014 and Directive 2006/43/EC.

<sup>52</sup> Opinions (available in [Dutch](#) and [French](#) only).

### 7.5.1. The importance and the four characteristics of a well documented audit file

The BAOB regularly notices that some auditors do not adequately document their audits. Considerations of time or profitability, or the idea that auditors know their clients sufficiently, may be the reasons for this.

This observation prompted the BAOB to publish an opinion in this regard<sup>53</sup>. A well documented audit file is certainly no mere formality.

#### **The audit file as cornerstone of statutory supervision of the annual accounts**

The audit file is the foundation for the internal and external presentation showing that the audit was carried out appropriately.

Internal presentation is to be understood first of all as meaning that the auditor who signs the audit report must be able to demonstrate, via the audit file, that he or she has conducted the audit in a professional manner and that he or she was able reach a well-founded conclusion on whether or not the annual accounts give a true and fair view of the financial position of the audited company.

Internal presentation also refers to the justification in the context, amongst other things, of an internal task-oriented quality control or in the context of monitoring by the reviewer.

External presentation is to be understood as meaning that any third party should be able to rely on the audit file, for example before a court of law or in the context of the BAOB's oversight<sup>54</sup>.

The audit file's documentation of the auditor's activities is thus no mere formal requirement, but is intended to support the judgment in the audit report and to demonstrate that the audit of annual accounts was conducted taking into account the legal and regulatory requirements and professional standards.

A key question is whether the audit file makes it possible to determine which audit activities form the basis of the auditor's judgment regarding the question whether the client's figures reflect its real situation.

To do so requires that the audit file contain the following elements with regard to that judgment:

- how did the auditor reach his or her judgment (what audit steps were taken);
- how is this judgment undergirded (what reasonings and evidence were used); and
- whether the audit took place in accordance with the regulatory requirements.

<sup>53</sup> BAOB Communication, The importance and the four characteristics of a well documented audit file (available in [Dutch](#) and [French](#) only).

<sup>54</sup> Art. 3:79, § 1, second subparagraph of the CCA.

The auditor bears the burden of proof in this regard. Supervisory authorities in the European Economic Area are familiar with the principle of “Not documented, not done”. It thus follows that auditors must be able to demonstrate, on the basis of the documents contained in the audit file, what audit activities they conducted.

#### Four essential characteristics of a good audit file

A good audit file must have at least the following four essential characteristics:

**1° A good audit file contains all the relevant steps of the audit and their interconnections.**

An audit is a logically coherent set of steps. The documents in the audit file must describe these steps and their interconnections clearly and logically.

Obtaining knowledge about the client is the first step carried out by the auditor in the audit process. The importance of doing so is all the greater in the first year of the mandate. But even if an auditor knows his or her client well, it is important to update that knowledge year after year. The audit file must also document the fact and the manner in which this was done. Reading the audit file should enable a third party to see that the auditor has a good knowledge of the client: both in terms of the latter’s activities and the interconnections among them, its administrative organization and the internal processes for managing those activities, its financial administration and the preparation of the annual accounts.

*Obtaining knowledge about the client is the first step carried out by the auditor in the audit process.*

This thorough knowledge of the client forms the basis for the second step: planning the audit activities. The planning is closely linked to the auditor’s risk assessment. A good audit file should indicate that the auditor has insight into the potential risks or materially significant deviations. It must also make clear why the auditor opted for a system-oriented, data-oriented or combined audit approach. The planning is the basis for the performance of the audit activities.

In the audit file, the third step, the implementation of the planned audit activities, must be laid down clearly together with the findings of those activities, and the conclusion resulting from the audit, per procedure or per item.

The audit report is the fourth and final step in the audit and must flow logically from all the previous steps, by way of wrapping up the audit file. The report sums up the findings, indicating any errors or uncertainties, and on the basis of these derives the right and logical conclusions for the auditor’s statement.

A well conducted audit enables all third parties to see that the auditor had gathered sufficient information and given it structure and coherence as the logical underpinning of his or her statement. The structure is logical and well thought-out. The audit trail is easy to follow throughout the audit file. Cross-references between documents can help make the file easier to read.

**2° A good audit file contains sufficient justification of the choices made by the auditor in the process of forming his or her professional opinion.**

An important factor in determining the content of the audit documentation is the extent to which professional judgment is applied when carrying out the activities and evaluating the results.

Logically, the audit process requires the auditor to make judgments continually based on his or her professional knowledge. In the audit file, the auditor explains his or her choices and justifies the approach taken.

- Why did the auditor identify or fail to identify something as a finding?
- Why does the auditor rely or not rely on the internal audit measures taken by his or her client?
- Why did the auditor not carry out the planned activities?
- Why did the auditor issue or not issue an unqualified judgment?
- ...

A good audit file clarifies the choices made by the auditor and the justification of the approach taken. Documenting the professional judgment reached helps the auditor explain his or her conclusions and improve the quality of his or her own judgment process. In this regard, auditors must remain alert when using checklists. There is often a strong temptation to just tick 'yes' or 'no', when in fact a more detailed explanation would be warranted. These elements are important for those who are responsible for reviewing or evaluating the audit documentation.

**3° In a good audit file, the audit activities carried out are set out in sufficient detail.**

In the work plan, the auditor indicates that the planned activities have been carried out. This includes a reference to the underlying documentation, which shows that the activities were indeed carried out adequately.

The BAOB notes that such a reference to the underlying documentation is sometimes partially or completely absent. The auditor cannot show that the audit activities were in fact carried out. The documentation of the work done is sometimes too summary in nature. In such cases, an external, but sometimes even the auditor who reviews the work of his or her audit team, cannot determine whether the activities were carried out adequately and with a sufficiently professional and critical eye.

**4° A good audit file is complete and gives a good overview.**

A file is complete if all the relevant documents are included. If the auditor considers that the audit documentation collected in previous years is still relevant as an underpinning for the audit of the current financial year, then he or she can reuse the documentation from the past (in full, or its conclusions) in the audit file. In that case, a clear reference to the relevant passages and items in the audit documentation of the past is necessary, along with a description of its relevance for the current audit.



An audit file is only complete when it clearly indicates who carried out, and where applicable, reviewed the activities, and when. In the case of manual files, this requires discipline, but this is also a matter that requires attention with electronic files. Which information is stored in the file; the date when a document was added to the file or the last date when the dossier was consulted? What name is stored in the file: the name of the person who placed a document in the file, or the name of the person who drew up the document?

For purposes of ease of use of an audit file, the aforementioned audit trail and the cross references are important. A logical index also helps make the file easier to use. It is important that all documents in an audit file have a unique identifier.

*An audit file is only complete when it clearly indicates who carried out the activities, and when.*

### **Archiving as the final step of a legally valid audit file**

Partly with a view to the internal and external justification of the smooth performance of the audit, all documents must be entered in the audit file at the latest 60 days after the signing of the auditor's statement, and the audit file is to be closed<sup>55</sup>.

Archiving is the final step in a legally constituted audit file, and its storage without change or alteration of the file or its contents must be guaranteed.

If the auditor considers it necessary, after the definitive audit file has been put together, to make changes or add new items, he or she must document in the audit file:

- the specific reasons for making changes or additions;
- when and by whom the changes or additions were made and reviewed<sup>56</sup>.

### **Adding falsified documents to the audit file runs against the essence and credibility of the profession**

A supervisory dossier is legally valid only if it gives a fair view of the performance of the engagement.

Any change to the final audit file (by making changes to documents or adding new ones) without valid reasons for doing so, such as an attempt to mislead a third party, such as the reviewer or the supervisory authority, about audit activities that have (not) actually been carried out, is completely inconsistent with the essence and integrity of the profession as laid down in Article 29 of the Law of 7 December 2016.

In such a case, the BAOB will take the harshest possible measures. In the worst case, this may be deemed to constitute the offence of making and using false documents.

<sup>55</sup> ISQC 1 and Article 17, § 3, of the Law of 7 December 2016.

<sup>56</sup> ISA 230.16.

### 7.5.2. Rotation rules for the auditor of a PIE

The entry into force of Regulation (EU) No 537/2014 was an important step in European harmonization of the rotation rules for auditors who carry out audits at PIEs. This Regulation lays down, among other things, the maximum duration of consecutive engagements and the applicable rules governing exceptions. The Regulation is thus the origin among other things of the rules found in company law that provide that an audit engagement must be limited to a total of 9 years.

The Regulation entered into force on 16 June 2014. For auditor engagements already underway at the time of its entry into force, the Regulation contains a few transitional provisions to prevent all PIEs from having to rotate their auditors at the same time of the Regulation's entry into force.

The transitional provisions provide for three phases of rotation<sup>57</sup>:

1. Rotation after the 2016 financial year for audit engagements entered into between 17 June 2003 and 17 June 2006;
2. Rotation after the 2020 financial year for audit engagements entered into before 17 June 1994;
3. Rotation after the 2023 financial year for audit engagements entered into between 17 June 1994 and 16 June 2003.

In the course of 2021, the BAOB received a few questions from audit firms as to the correct interpretation of the transitional provisions of Regulation (EU) No 537/2014<sup>58</sup>.

Given that these audit engagements will gradually come to a (mandatory) end, the BAOB decided to publish its interpretations of these matters in a formal opinion<sup>59</sup>.

#### **Application of the transitional provisions of Regulation (EU) No 537/2014**

Article 41(2) of Regulation (EU) No 537/2014 applies to all PIE auditors that had an engagement on 17 June 2014 of which the first audited financial year began between 17 June 1994 and 17 June 2003.

All PIE auditors who find themselves in this situation and wish to extend their audit engagement must take the following into account:

- the reappointment of the auditor must take place at the latest on 16 June 2023; and
- the last financial year to which the engagement applies must be one that begins before 17 June 2023.

Regulation (EU) No 537/2014 has priority over national law. This means that Article 41(2) of the Regulation must be complied with at all times, including if it would lead to an early termination of the audit engagement. Where applicable, the audit engagement must be terminated early on legal grounds, as provided for in Article 3:66 of the CCA.

<sup>57</sup> Question for written answer E-009001/2015 to the Commission; available on the website [https://www.europarl.europa.eu/doceo/document/E-8-2015-009001-ASW\\_EN.html](https://www.europarl.europa.eu/doceo/document/E-8-2015-009001-ASW_EN.html).

<sup>58</sup> More specifically about the application of Article 41(2) of Regulation (EU) No 537/2014.

<sup>59</sup> BAOB Opinion 26/01/2022, available in [Dutch](#) and [French](#) only.

The company under audit and the auditor must inform the BAOB of the early termination and of the reasons for it, namely, the application of the transitional provisions of Article 41(2) of Regulation (EU) No 537/2014.

### Example

The General Meeting of 15 March 1999 of a PIE appointed an auditor for the statutory period of three years. The auditor carried out the statutory audit of the PIE's financial statements for the financial years ending on 31 December 1999, 2000 and 2001. The General Meeting of the PIE later reappointed the auditor, in each case for a period of three years.

The current audit engagement comes to an end at the General Meeting that will decide on the PIE's financial statements for the 2022 financial year.

In order to be compliant with Article 41(2) of Regulation (EU) No 537/2014, the PIE will be able to reappoint the auditor one last time at the General Meeting of 15 March 2023, that is, the last General Meeting before 17 June 2023. Article 3:61, § 1 of the CCA provides that an audit engagement runs for three years. In this example, the completion of the audit engagement would, however, result in a breach of the European legislation and therefore the engagement must be terminated after one year.

The decision to reappoint must state explicitly that the audit engagement must, for legal reasons, be terminated early after the end of the 2023 financial year. At the time when the engagement ends, both the auditor and the PIE must inform the BAOB.

### 7.5.3. Approval by a company's audit committee of the provision of non-audit services that are not prohibited

With regard to the treatment of quality control files at PIE auditors, the BAOB has published an opinion<sup>60</sup> about the modalities governing the prior approval by the audit committee of the provision of non-audit services that are not prohibited. The BAOB wishes thereby to align itself with the opinions issued by foreign supervisory authorities.

Although Article 3:63, § 5 of the CCA lays down the principle that, for public interest entities, the approval of the audit committee is required in order for the auditor or a member of his or her network to be allowed to provide non-audit services that are not prohibited, that article does not set out the modalities for doing so.

Without prejudice to the conditions laid down in Article 3:63, §§ 4 and 5 of the CCA, the BAOB considers that the legislation does not rule out the possibility for the audit committee to draw up a policy on the basis of which it may, for a specific period, give its prior approval of a limited list of categories of non-audit services, each category of which is based on activities of the same nature.

<sup>60</sup> BAOB Opinion 24/09/2021 (available in [Dutch](#) and [French](#) only).

An audit committee can thus give its consent for each category of non-audit services, including permitted valuation and tax services, by means of what is known as a pre-approval policy. Such a policy must meet the strict cumulative conditions that are intended to provide an effective approval of non-audit services by the audit committee while also safeguarding the auditor's independence.

The BAOB emphasizes that such an approval procedure, just like a case-by-case investigation, requires great vigilance.

In order to be in line with both the letter and the spirit of Regulation (EU) No 537/2014 and the CCA, the BAOB takes the view that a **prior general approval procedure must fulfil at least the following cumulative conditions:**

- 1° The audit committee's policy is to be drawn up by the full audit committee and be sufficiently detailed as to the nature of the services to be provided. This means that it must be made sufficiently clear which services have been given prior approval. Services for which the only limitation may be a quantitative ceiling or services that are defined in (excessively) broad categories, such as "tax compliance" services without further description or details, do not meet this requirement.

*An audit committee may give approval by category of non-audit services.*

A detailed description accompanying the above-mentioned general approval is intended to ensure that, on the one hand, the audit committee is aware of which precise service it is approving - and therefore can form a well-founded judgment about its compatibility with the principles of independence to which auditors and their networks are bound - and on the other hand, the auditor can determine in detail whether a given service falls within a pre-approved general category.

Examples of relevant information regarding a given category of non-audit services that must be provided to the audit committee:

- the nature and scale of the service to be provided;
- the basis and the structure of the remuneration, and criteria and/or parameters to be used to determine said remuneration;
- if the auditor has identified risks to his or her independence that might result from the provision of the proposed service, the basis on which the auditor relies to determine that the risks are acceptable or, if not, the measures that the auditor or his or her network will take to eliminate the said risks to independence or reduce them to an acceptable level;
- when the combined effect of the provision of several services may pose a risk to independence or change the level of previously determined risks.

The auditor must, therefore, provide the audit committee with all elements that are necessary for it to reach its decision.

- 2° The audit committee will be informed of each individual service that is in fact provided under the prior approval. This generally takes place at the next meeting of the audit committee.

**3°** The audit committee's policy may not involve the delegation of tasks to persons other than the members of the audit committee. Delegation to the management (e.g. the CFO or head of internal audit) is not permitted.

**4°** The period for which the services are approved must be limited in time, for example for the current financial year and in any case no longer than one year, in order to take account regularly of the developments in the environment of the entities in question, and the effectiveness of the prior approval procedure adopted.

**5°** For the non-audit services referred to in Article 3:63, § 2, 4° and § 3, 1°, a) and d) through g) of the CCA, the following cumulative conditions must also be met:

- the services, individually or jointly, must not have any direct effect on or be of material importance to the audited financial statements;
- the estimate of the effect on the audited financial statements must be extensively documented and explained in the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014;
- the auditor must abide by the general principles of independence;
- the chair or another delegated member of the audit committee must be informed at least of the considerations included under this point 5° (as regards the specific service to be provided) before this service is provided.

It goes without saying that the pre-general approval of the provision of the services in question must come first, and a service that does not come under one of the pre-approved categories must be approved individually.





## 8.

# ENFORCEMENT

- 8.1. Overview of measures that the BAOB can take
- 8.2. Measures taken by the BAOB in 2021
- 8.3. Investigative dossiers

## 8.1. Overview of measures that the BAOB can take

The BAOB has a number of measures at its disposal following an inspection. Based on all the relevant aspects of an individual case, if it identifies nonconformities, the BAOB decides on the most appropriate measure to take.

### **Call to order**

Pursuant to Article 57, § 5 of the law of 7 December 2016, the BAOB may issue a call to order to the auditor if the latter is reproached of actions that have been proven, but that do not warrant the imposition of a compliance deadline.

If the BAOB considers issuing a call to order to the auditor, the auditor has the right to be heard in writing before the BAOB takes its final decision about the actions in question and about the measure it is considering taking in response to those actions.

### **Compliance deadline**

If the BAOB imposes a compliance deadline on an auditor in accordance with Article 57, § 1, first paragraph of the Law of 7 December 2016, the auditor must take the necessary measures to remedy the nonconformities and to ensure that he is compliant with the provisions in question.

The auditor must demonstrate to the BAOB that he or she has duly remedied the nonconformities, by presenting, within the set deadline, the details of the measures taken as well as the relevant evidentiary documents.

As regards nonconformities that are the subject of a compliance deadline, the BAOB reserves the right to evaluate, in the course of a new inspection, the proper implementation and application of the legal and regulatory provisions in question.

If the auditor remains in default after the compliance deadline has passed, the BAOB may, pursuant to Article 57, § 1, third paragraph of the law of 7 December 2016 and after having heard or invited the auditor to be heard, publish its opinion on its observations, impose a non-compliance penalty or instruct the auditor temporarily to refrain from providing any professional services or from providing one particular service during a set period.

### **Order**

If the BAOB issues an order to an auditor pursuant to Article 116/2; § 1 of the Law of 18 September 2017, the auditor must take the requisite measures to remedy the nonconformities that were identified and to ensure that it is compliant with the provisions in question.

The auditor must demonstrate to the BAOB that he or she has duly remedied the nonconformities, by presenting, within the set deadline, the details of the measures taken as well as the relevant evidentiary documents.



As regards nonconformities that are the subject of an order, the BAOB reserves the right to evaluate, in the course of a new inspection, the proper implementation of the legal and regulatory provisions in question.

If an auditor to whom an order has been issued remains in default after the set deadline has passed, the BAOB may, pursuant to Article 116/2, § 2 of the Law of 18 September 2017 and on condition that the auditor has been able to put forward his or her arguments, publish its opinion on its observation, impose a non compliance-penalty or instruct the auditor temporarily to refrain from providing any professional service or from providing one particular service during a set period.

### **Recommendation**

If the BAOB, pursuant to Article 52, § 6, second paragraph of the Law of 7 December 2016 makes a recommendation, the auditor must take the requisite measures to remedy the nonconformities identified and ensure that it is compliant with the provisions in question.

In order to show the BAOB that the auditor has duly remedied the shortcomings that were the subject of the recommendation, the auditor must, by a set deadline, present the details of the measures as well as the supporting documents.

If the auditor does not abide by the recommendation addressed to him or her, in certain cases and depending on the seriousness of the nonconformities observed this may give rise to the imposition of measures as referred to in Article 57 and/or administrative measures or fines as referred to in Article 59 of the Law of 7 December 2016.

*The auditor must demonstrate to the BAOB that he or she has duly remedied the nonconformities.*

### **Point requiring attention**

If the BAOB formulates a point requiring attention, it expects the auditor in question to take the necessary measures to improve his or her procedures and/or activities. The auditor is not required to inform the BAOB after the quality control of the details regarding the measures he or she has taken in order to remedy the nonconformities identified.

### **Referral to the FSMA Sanctions Committee**

In the case of serious infringements, the BAOB may also decide to refer the matter to the Sanctions Committee of the FSMA and initiate proceedings, which may give rise to administrative measures and administrative fines. A specific chamber has been established within the Sanctions Committee for measures and fines for auditors or audit firms. That chamber is composed of six magistrates and two other members with expertise in audit matters.

In exercising its ability to refer cases to the Sanctions Committee, the BAOB pays particular attention to infringements that could have an impact on users' proper understanding of financial information, to infringements that relate to the audit of listed companies or entities with material social or financial impact, as well as to infringements of ethical rules and to repeated infringements. The BAOB also ensures that the auditor conducts sufficient and suitable audits to be able to formulate an appropriate opinion on the financial statements.

## 8.2. Measures taken by the BAOB in 2021

The following sets out the status of the measures taken by the BAOB Committee in the year 2021 in comparison with the total for the measures taken in 2020.

**Table 2:** Measures taken by the BAOB in 2021 and 2020

Type of dossier	Call to order		Compliance deadline		Order		Recommendation	
	2020	2021	2020	2021	2020	2021	2020	2021
<b>Quality control dossiers</b>	<b>10</b>	<b>19</b>	<b>60</b>	<b>99</b>	<b>0</b>	<b>50</b>	<b>198</b>	<b>106</b>
Of which non-PIE	9	11	60	83		14	116	61
Of which PIE	1	8	0	16		36	82	45
<b>Supervisory dossiers</b>	<b>3</b>	<b>20</b>	<b>134</b>	<b>95</b>	<b>0</b>	<b>1</b>	<b>12</b>	<b>16</b>
<b>Total number of measures</b>	<b>13</b>	<b>39</b>	<b>194</b>	<b>194</b>	<b>0</b>	<b>51</b>	<b>210</b>	<b>122</b>

Each year, the BOAB subjects various auditors or audit firms to a quality control. The selection consists of randomly selected auditors and audit firms to fulfil the three-year (PIE auditors/audit firms) or six-year (non-PIE auditors/audit firms) supervisory cycle. It also includes auditors and audit firms that are identified as those with a higher risk of lower audit quality. Since the selection of auditors and audit firms changes each year, the results of the oversight are not directly comparable from year to year.

Moreover, the annual sample of supervised auditors and audit firms may include a number of these as a result of the targeted selection of auditors and audit firms that are considered risky. This is to be taken into account when interpreting the results.

These figures do not take into account the points requiring attention that the BAOB noted in previous years. The BAOB noted a total of 130 points requiring attention in the year 2020, as compared to 66 points in 2021. Of those, 47 points in 2020 related to PIE audit files and 73 points in non-PIE audit files. In the course of the year 2021, the BAOB noted 40 points requiring attention in PIE audit files and 25 in non-PIE audit files. The points requiring attention noted by the BAOB in supervisory dossiers fell from 10 in 2020 to 1 in 2021.

The files examined by the BAOB about which it decided that the file was adequate (quality control dossier) or unjustified (complaint file) are not reflected in the above table.

The table above shows that in 2020, the BAOB took a total of 417 measures, whereas in 2021 that figures was 406. It should be noted in this regard that figures for the measures taken in supervisory dossiers fluctuate sharply. The reason for this is the launch and implementation of specific (one-time) supervisory campaigns, the impact of the number of supervisory dossiers or the efforts required to complete the various dossiers.

The BAOB took 268 measures in quality control dossiers in 2020, as compared to 274 measures in 2021.

It should be noted in general that five years after the establishment of the BAOB, the pedagogical approach of its first few years is now a thing of the past. Auditors have had plenty of time to familiarise themselves with the BAOB's methods. This has led, certainly by the beginning of 2020, to a stricter approach. The reason for this is the higher number of calls to order (13 in 2020 and 39 in 2021), stagnation in compliance deadlines (194 in both 2020 and 2021) and a steep increase in the number of orders, as a result of stricter AML/CFT supervision (51 in 2021 and none in 2020) (the latter year having seen more recommendations made for these types of nonconformities). This trend is reflected in the fall in the number of recommendations from 210 in 2020 to 122 in 2021.

## 8.3. Investigative dossiers

The BAOB Secretary General opens an investigative dossier if she finds strong indications of the existence of a practice liable to give rise to the imposition of an administrative measure or an administrative fine. In such cases, the Secretary General carries out an investigation, after which she submits a report to the BAOB Committee.

In 2021, the Secretary General opened 23 dossiers in which there were strong indications of the existence of a practice liable to give rise to the imposition of an administrative measure or an administrative fine. The year 2021 ended with some thirty investigative dossiers. This particularly large pipeline of dossiers is due to a large number of dossiers with a wide variety of nonconformities.

The BAOB Committee is competent to decide on how to follow up appropriately on the final investigative reports drawn up by the Secretary General. It can decide to refer the matter to the Sanctions Committee, and even impose appropriate measures or close the case without further action.

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## 9. CHALLENGES FOR 2022



The pandemic has led, in the past two years, to increased attention to the importance of the audit carried out by auditors and to the quality of the auditor's report.

Many companies have, due to coronavirus measures - both those limiting contacts and financial measures, experienced sharp fluctuations in their staffing levels and turnover, and have faced supply problems. The resulting price increase and the success of new market players have impacted their profit margin and even their business model.

The economic impact of the pandemic, with variable intensity in the various sectors, has made for insecurity in the financial figures of economic players, the recovery of their receivables and the valuation of both their tangible and intangible assets. The same is true when it comes to the geopolitical effects.

*Cybersecurity is a universal operational risk against which audit firms need to be constantly vigilant.*

This situation, in combination with the increasing number of remote audits by auditors, heightens the risks. Risks that need to be managed.

The Covid crisis itself constituted an operational risk for auditors, certainly at smaller audit firms. They need to make sure they invest sufficient time and resources in their audits. Digitalisation is changing the nature of the audited entity and requires adjustments to the audit process.

An increasingly digital business process makes possible real-time reporting, for example, and makes data available aside from the formal reporting that provides insight into a company's performance. This enables auditors to increase the efficiency and effectiveness of their audit of the annual report, among other things by means of data analysis. The audit firms, especially the larger ones, are thus investing increasingly in digitalization, making greater use of technology and data analysis to carry out their audits.

This served as motivation last year as well to financial investors to become shareholders in certain medium-sized audit firms. This can, however, lead to problems of insufficient protection of independence and requires appropriate internal control measures at such audit firms. The BAOB will pay special attention to this matter.

Technology and data analysis can increase the quality of the audit, but also raise questions regarding the reliability of these techniques, governance the IT environment and vulnerability to cybercrime.

Cybersecurity is a universal operational risk against which audit firms need to be constantly vigilant. Protecting data security and the proper storage of audit files, by means of an appropriate office organization, must therefore be a primary concern of every auditor. In this regard, the BAOB will devote increased attention to the timely assembly of the final audit file and to respect by auditors of the integrity of the data in their audit files.

New trends in value creation among economic players account for the growing importance of the disclosure of non-financial information and give rise to new risks, such as sustainability and cyber incidents. These trends in turn lie at the source of delicate valuations of intangible fixed assets linked to intellectual property rights and know-how in supply chain and digital business management.

The importance of non-financial reporting is most certainly growing. The current regulatory framework is focused primarily on the reliability of financial reporting. Non-financial performance is attracting ever more attention.

Employees are also more interested in the way in which their company is developing, and expect the auditor to provide sufficient information, for example within the works council.

The topic of sustainability is gradually becoming a permanent aspect of every business; for investors, sustainability aspects constitute an ever more important factor in determining the long-term value of a company. At European level, new rules and standards have entered into force or are being developed in order to standardize non-financial reporting so that they will be more easily accessible for end users. This makes digital reporting possible (XBRL).

The expansion of reporting and the technological changes in reporting methods also have an impact on the statutory audit. The objective and the target group for an audit are widening, and the auditor may have to do more work in the area of non-financial information and IT governance. Pursuant to the CSRD<sup>61</sup>, audit firms may in future also have the opportunity to give assurance as to sustainability reporting, based on standards that have yet to be developed. This provides opportunities, but also presents challenges to the profession. The expansion of the scope of reporting also gives rise to new questions as to the quality, comparability and coherence of information.

These shifts are, moreover, taking place against the background of existing challenges such as the need to raise audit quality, greater attentiveness to fraud and continuity risks, as well as recruiting and retaining suitable staff.

An ongoing concern of the BAOB is the involvement of audit firms in integrity incidents at their clients. The risk of money-laundering, financing fraudulent organizations or other forms of white collar crime (organized or not) is always present. This integrity risk is present whenever there is globalization. As a consequence, more international activities, whether or not carried out with foreign firms or firms with limited economic activity or that are active in riskier sectors, may well heighten the risks involved.

The BAOB is carefully monitoring these risks and trends and taking them into account in its oversight policy, as set out in its 2022 Action plan<sup>62</sup>.

*The topic of sustainability  
is gradually becoming  
a permanent aspect  
of every business.*

<sup>61</sup> Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (CSRD).

<sup>62</sup> BAOB Action plan 2022.

A person wearing a white t-shirt and a light blue and white striped blazer is holding a white document with both hands. The document is slightly crumpled and has some faint, illegible text. The person is standing behind a light-colored wooden desk. On the desk, there is a brown cardboard box and the corner of a silver laptop. The background is blurred, showing what appears to be an office or indoor setting with large windows.

CTR  
CSR





## 10. LIST OF ABBREVIATIONS

<b>Advisory meeting</b>	Advisory meeting for the public supervision of the profession of statutory auditors, as referred to in Article 63 of the Law of 7 December 2016
<b>AML/CFT</b>	Anti-money laundering and countering the financing of terrorism
<b>AMLCO</b>	Anti-Money Laundering Compliance Officer or AMLCO, as referred to in Article 9, § 2 of the Law of 18 September 2017. The AMLCO is, inter alia, tasked with ensuring the implementation of AML/CFT policies, procedures and internal control measures, conducting the analysis of atypical transactions and preparing the relevant written reports in order to provide appropriate follow-up, where necessary, and with reporting suspicions and additional information to the CFI-CTIF
<b>BAOB</b>	Belgian Audit Oversight Board, established by Article 32 of the Law of 7 December 2016
<b>Beneficial owner</b>	Beneficial owner, as defined in Article 4, 27° of the Law of 18 September 2017, refers to the natural person(s) who ultimately own(s) or control(s) the customer, the customer's agent or the beneficiary of the life insurance contracts and/or the natural person(s) on whose behalf a transaction is carried out or a business relationship is established
<b>Big Four</b>	The biggest four audit firms, i.e. PricewaterhouseCoopers, Deloitte, KPMG and ERNST & YOUNG
<b>CCA</b>	Code on Companies and Associations
<b>CEAOB</b>	Committee of European Auditing Oversight Bodies, as referred to in Article 30 of Regulation (EU) No 537/2014
<b>Continuing professional development standard</b>	Standard on continuing professional development adopted by the IBR/IRE on 30 August 2007
<b>CSRD</b>	Corporate Sustainability Reporting Directive
<b>CTIF-CFI</b>	Financial Intelligence Processing Unit, as referred to in Article 76 of the Law of 18 September 2017
<b>Data Protection Authority</b>	The authority established by the Law of 3 December 2017 establishing the Data Protection Authority
<b>Directive 2006/43/EC</b>	Directive (EU) 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC. Text with EEA relevance; <a href="http://data.europa.eu/eli/dir/2006/43/oj">http://data.europa.eu/eli/dir/2006/43/oj</a>
<b>EEA</b>	European Economic Area
<b>EC</b>	European Commission
<b>EQCR</b>	Engagement Quality Control Review
<b>EU</b>	European Union
<b>FATF</b>	Financial Action Task Force
<b>FPS Economy</b>	Federal Public Service Economy, SMEs, the Self-Employed and Energy
<b>FSMA</b>	Financial Services and Markets Authority

GDPR	General Data Protection Regulation
HREB/CSPE	High Council for the Economic Professions, established by Article 54 of the Law of 22 April 1999 concerning the accounting and tax professions
IBR/IRE	Institute of Registered Auditors
ICCI	Informatiecentrum voor het bedrijfsrevisoraat/Centre d'information du révisorat d'entreprises [Company auditor information centre]
IFIAR	International Forum of Independent Audit Regulation
ISAs	International Standards on Auditing
ISAE	International Standard on Assurance Engagements
ISQC 1	International Standard on Quality Control 1
ITAA	Institute for Tax Advisors and Accountants
Law of 7 December 2016	Law of 7 December 2016 on the organization of the profession and the public supervision of auditors
Law of 18 September 2017	Law of 18 September 2017 on the prevention of money laundering and terrorist financing and on the restriction of the use of cash
ML/TF	Money laundering and terrorist financing
4th ML/TF Directive	Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on preventing the use of the financial system for purposes of money-laundering or terrorist financing. For the text with EEA relevance; <a href="https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32015L0849">https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32015L0849</a>
NBB	National Bank of Belgium
non-PIE	Entities other than public-interest entities
non-PIE auditor	Auditors who do not audit a PIE that individually exceeds more than one criteria, as referred to in Article 1:26 of the CCA
PCAOB	Public Company Accounting Oversight Board
PIE	Public-interest entity as defined in Article 1:12 of the CCA as " <i>listed companies whose shares, profit-sharing notes or certificates relating to these shares are admitted to trading on the regulated market, companies whose securities, as referred to in Article 2, 31°, b) and c) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, are admitted to trading on a regulated market, credit institutions, insurance or reinsurance companies, settlement institutions and institutions equivalent to settlement institutions</i> "
PIE auditor	Auditors who audit one or more PIEs that individually exceed more than one criteria, as referred to in Article 1:26 of the Belgian Code on Companies and Associations

#### Politically exposed persons

A politically exposed person is defined in Article 4, 28° of the Law of 18 September 2017 as: "A natural person who holds or held a prominent public position, namely:

- a) heads of state, heads of government, ministers and deputy or assistant ministers;
  - b) members of parliament or of similar legislative bodies;
  - c) members of the governing bodies of political parties;
  - d) members of supreme courts, of constitutional courts or of other high-level judicial bodies, including administrative judicial bodies, the decisions of which are not subject to further appeal except in exceptional circumstances;
  - e) members of courts of auditors or of the boards of central banks;
  - f) ambassadors, consuls, chargés d'affaires and high-ranking officers in the armed forces;
  - g) members of the administrative, management or supervisory bodies of State-owned enterprises;
  - h) directors, deputy directors and members of the board or persons in an equivalent function of an international organisation;
  - i) natural persons holding functions considered to be important public functions on the list published by the European Commission in accordance with Article 20bis, third subparagraph, of Directive 2015/849;
- Mid-level or lower positions do not fall under the public functions referred to in points a) through i).

#### Regulation (EU) No 537/2014

Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. Text with EEA relevance; <http://data.europa.eu/eli/reg/2014/537/oj>

#### Sanctions Committee

Sanctions Committee of the FSMA, as referred to in Article 47 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services



Legal responsibility for this publication  
Ann De Roeck, Congresstraat / rue du Congrès 12-14, 1000 Brussels  
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Bredero Graphics







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