

## Highlight of the oversight in 2022

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# Overview

- Overview of the sector in figures
- Highlights of the oversight in 2022
- Disclaimer regarding the interpretation of the results
- Quality reviews
- Combating money laundering and terrorist financing
- Oversight
- Enforcement

A close-up photograph of a person's hands working at a desk. The person is wearing a white button-down shirt. Their right hand is holding a black pen over a calculator, while their left hand is holding a small white card. The desk is cluttered with papers, a notebook, and a calculator. The background is softly blurred, showing a window with natural light.

## Overview of the sector in figures

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## Overview of the sector < IBR-IRE Public Register\*



**864**

active auditors



**677**

active audit firms

*\*Register at the end of 2022*

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## Overview of the sector < IBR-IRE Public Register\*



**33%**

French-speaking auditors



**67%**

Dutch-speaking auditors

*\*Register at the end of 2022*

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## Overview of the sector < Auditors Annual Cartography\*



**473.651**

Income from the professional  
activities of PIE auditors\*\*  
(in EUR '000)



**177.761**

Income from the professional  
activities of non-PIE-auditors  
(in EUR '000)



**651.411**

**Total income of the sector  
(in EUR '000)**

*\*End 2022*

*\*\*PIE: public-interest entities, i.e. credit institutions, insurers and listed companies*

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## Overview of the sector: Interpretation of the figures

The previous data were reported by the auditors in the Auditors Annual Cartography. The latter is the annual survey conducted by the BAOB within the sector at the end of each calendar year for the purpose of collecting relevant data pertaining to the past calendar year. This is an oversight tool managed and used exclusively by the BAOB that allows it to gain insight into the activities of the sector. It provides important information based on which the BAOB can continually update its risk-based oversight process.

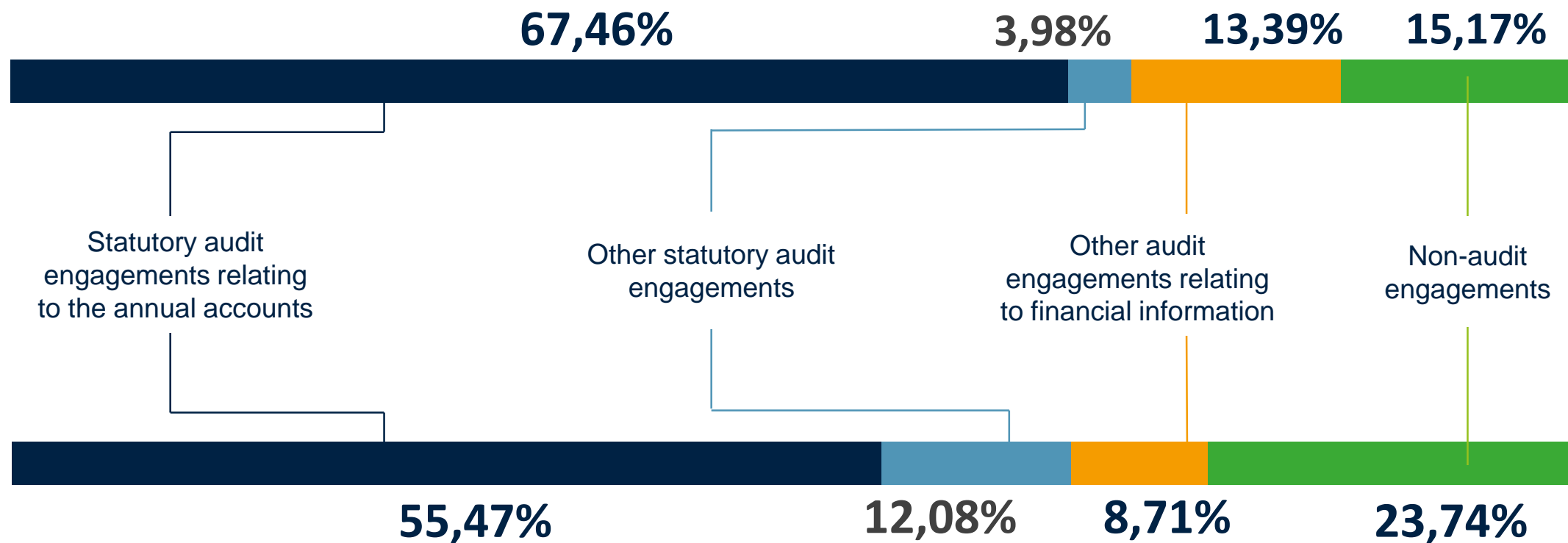
In its Annual Report, the BAOB publishes aggregated data based on the auditors' self-declarations in the Auditors Annual Cartography to help the public gain an insight into the sector. As a result, these data may possibly differ from the sector data found by readers in other sources.

The figures do not take into consideration auditors who are natural persons and audit firms that have been late in submitting their Auditors Annual Cartography.

Neither do they take into consideration income from activities carried out for other auditors on a subcontract basis.

## Overview of the sector < Auditors Annual Cartography

### Audit and non-audit activities of PIE auditors



### Audit and non-audit activities of non-PIE auditors





## Highlights of the oversight in 2022

# Highlights of the oversight in 2022



## PERIODIC (AUDIT) QUALITY REVIEWS

OF ASSURANCE OPINIONS  
OF AUDITORS:

**31 PIE auditors/audit firms**  
**173 measures**

**66 non-PIE auditors/audit firms**  
**228 measures**



## RISK-BASED OVERSIGHT

- ON OWN INITIATIVE OR AFTER COMPLAINT OR WHISTLEBLOWERS' REPORTS
- BREACHES OF ANTI-MONEY LAUNDERING LAW

**11 complaints**

**4 whistleblowers' reports**



## INVESTIGATION FILES

ON THE INITIATIVE OF THE  
SECRETARY-GENERAL

In case of serious indication of  
breaches that could lead to  
administrative sanctions

**16 files were handled**

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# Disclaimer regarding the interpretation of the results

Since the selection of auditors changes each year, the results of the oversight process are not directly comparable from year to year. In addition, the annual random sample of auditors subject to the oversight may include some auditors who have been selected because of the targeted selection of high-risk auditors, which may affect the interpretation of the results.

The BAOB's risk-based method for selecting files (and specific parts of those files) for inspection is not intended for collecting a representative sample of an auditor's audit procedures. It is aimed at selecting those audit files with a potentially higher risk of lower audit quality, for example, files relating to more complex entities, more high-risk sectors or for which low fees were invoiced. In addition, the selection always includes a number of randomly chosen audit files.

Our inspections do not investigate every aspect of every file. The inspection results should not be extrapolated to the entire audit population but should be considered as an indication of how auditors approach their potentially high-risk audit engagements.



## Audit Quality reviews

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# Quality reviews

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- Methodology
- Themes and frames of reference
- Quality reviews at PIE auditors/audit firms
- Quality reviews at non-PIE auditors/audit firms

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## Methodology (1/2)

- **Use of risk- and network-based approach to quality reviews**
  - Quality review at least once every 6 years for non-PIE auditors and audit firms
  - Quality review at least once every 3 years for PIE auditors and audit firms
  - Annual risk assessment
- **Oversight based on the proportionality principle**
  - Appropriate and proportionate to the complexity of the auditor's activities
  - Oversight of smaller auditors/audit firms not as detailed as in the case of larger ones
  - Documentation requirement remains
  - Application of the relevant professional standards by the auditor commensurate with the scale and complexity of the activities of the entity being audited

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## Methodology (2/2)

- **Adversarial system applicable to the performance of reviews**
  - The BAOB hears the auditor on its preliminary findings
- **The BAOB upholds the auditor's opinion**
  - Substantiation based on legitimate arguments
  - Taking into account all material risks

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# Themes and frames of reference (1/2)

## Themes

- Acceptance and continuance of client relationships (including relevant aspects of compliance with the AML Law) and specific engagements
- Internal monitoring of the quality control system
- Audit quality of selected files

Organisation of the firm

Procedures applied in individual files  
< Audit quality standards



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## Themes and frames of reference (2/2)

### Frames of reference

- Law of 7 December 2016 (oversight of auditors)
- Companies and Associations Code
- Law of 18 September 2017 on the prevention of money laundering and terrorist financing
- International standard ISQC 1
- International Standards of Audit (ISA)
- Applicable standards proposed by the IBR-IRE and approved by the Minister competent for Economy

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## Quality reviews at **public-interest entity (PIE)** auditors/audit firms

- **2 types of deficiencies were identified:**
  1. Deficiencies in the organisation of the firm
  2. Deficiencies in the audit files
- **In 2022, the BAOB handled quality review files of:**
  - 27 PIE auditors
  - 5 PIE audit firms
  - **173 measures** imposed by the BAOB
    - 16 points of order
    - 8 compliance deadlines
    - 42 orders
    - 107 recommendations

# Quality reviews at PIE auditors/audit firms

## Deficiencies in the organisation of the firm

7.69% - Relevant ethical requirements

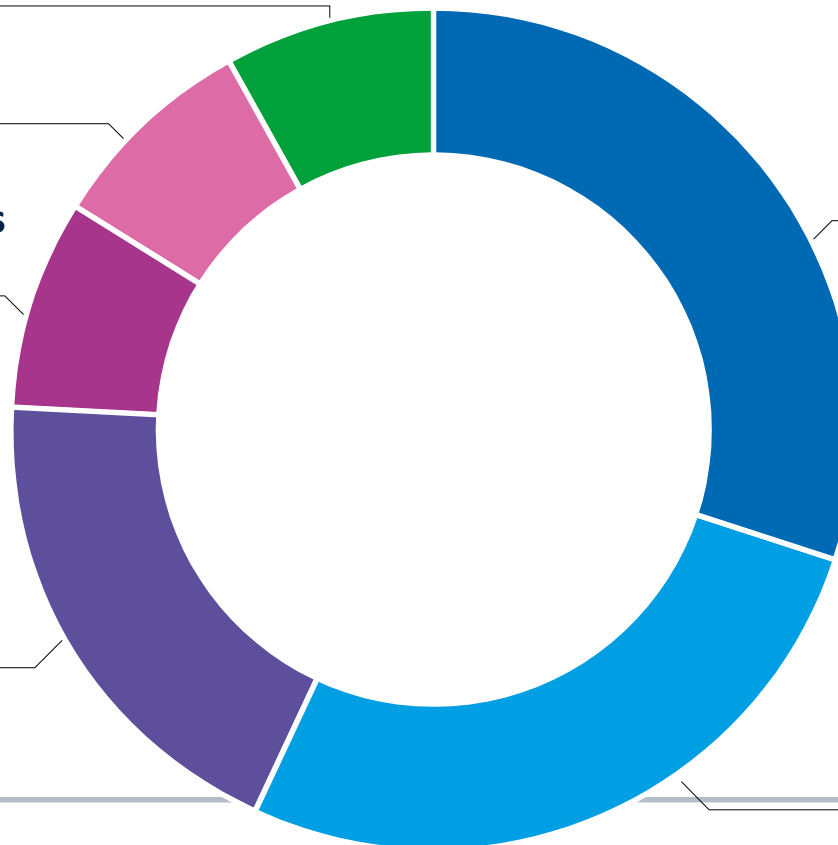
7.69% - Transparency report

7.69% - Organisational procedures  
- ISA

19.23% - Organisational  
procedures - other

30.78% - Monitoring

26.92% - Acceptance and continuance  
of client relationships and specific  
engagements



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## Quality reviews at PIE auditors/audit firms

### Top 3 organisational deficiencies of PIE auditors/audit firms

1. Lack of a complete and adequate implementation of the monitoring process
2. Lack of detailed organisational procedures relating to the acceptance and continuance of client relationships and specific engagements
3. Lack of detailed organisational procedures relating to relevant ethical requirements

# Quality reviews at PIE auditors/audit firms

## Deficiencies in audit engagements

4.81% - Statutory auditor's report (CAC + additional standard)

4.81% - Professional scepticism

5.77% - Engagement letter

6.73% - Estimates

6.73% - Other regulations

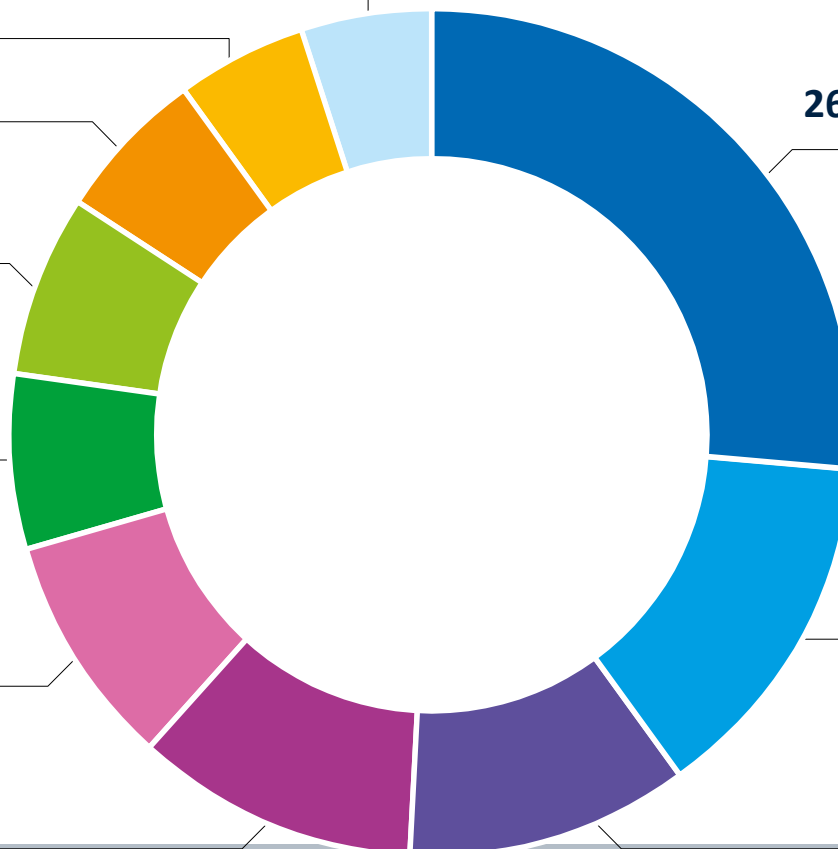
8.65% - Audit evidence

10.58% - Responding to fraud

26.92% - Acceptance and continuance

14.42% - Other ISAs

10.58% - Audit documentation



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## Quality reviews at PIE auditors/audit firms

### Top 3 deficiencies in the audit engagements of PIE auditors/audit firms

1. Late or incomplete implementation of (or unclear conclusion regarding) the client acceptance or continuance process
2. Insufficient procedures to test the appropriateness of the journal entries recorded in the general ledger and other adjustments made during the preparation of financial statements
3. Incomplete audit documentation

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## Quality reviews at non-PIE auditors/audit firms

- **2 types of deficiencies were identified:**
  1. Deficiencies in the organisation of the firm
  2. Deficiencies in the audit files
- **In 2022, the BAOB handled quality review files to examine the following:**
  - Organisational set-up of 37 auditors (natural persons and firms)
  - At least one audit engagement of 66 auditors
  - **228 measures** imposed by the BAOB
    - 5 points of order
    - 68 compliance deadlines
    - 37 orders
    - 118 recommendations

# Quality reviews at non-PIE auditors/audit firms

## Deficiencies in the organisation of the firm

5.00% - Decision of the BAOB regarding the Auditors

Annual Cartography

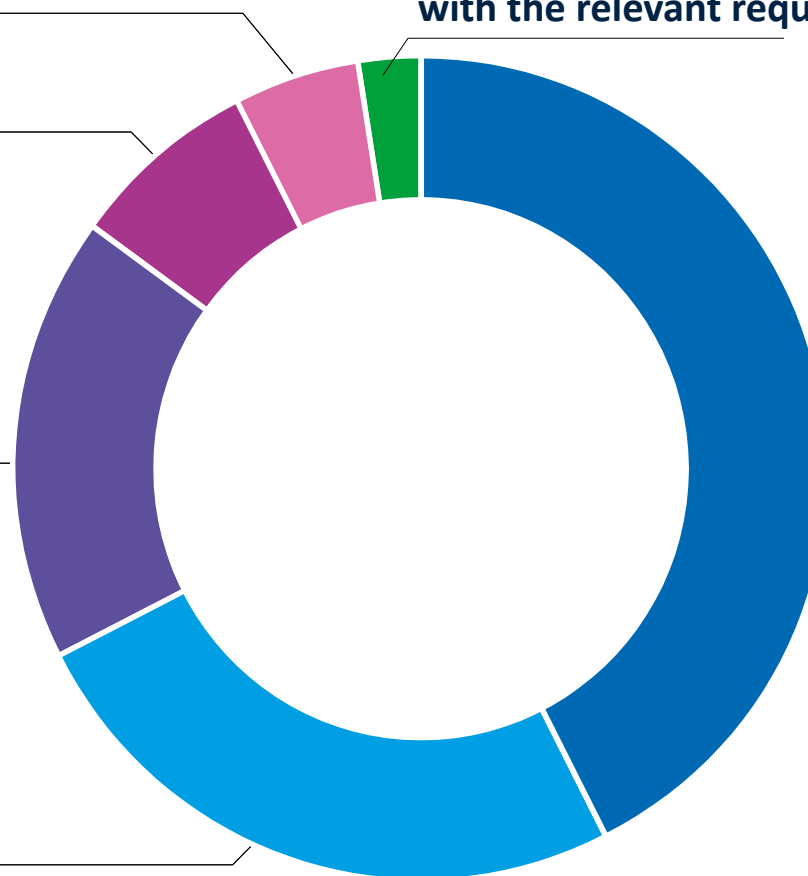
7.50% - Quality control system  
documentation

17.50% - Acceptance and  
continuance

25.00% - Relevant ethical  
requirements

2.50% - Application of and compliance  
with the relevant requirements

42.50% - Monitoring





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## Quality reviews at non-PIE auditors/audit firms

### Top 3 organisational deficiencies of non-PIE auditors/audit firms

1. Failure to actually implement the monitoring process
2. Lack of detailed organisational procedures relating to relevant ethical requirements
3. Lack of adequate organisational procedures in case of problems in continuing the engagement

# Quality reviews at non-PIE auditors/audit firms

## Deficiencies in audit engagements

1.27% - Materiality

3.16% - Assembling the final audit file

4.43% - Audit documentation

4.43% - Professional standard for statutory audit engagements

5.06% - Audit evidence

5.70% - Data-oriented analytical procedures

6.96% - Second part of the statutory auditor's report

6.96% - Tests of internal control measures

7.59% - Audit planning

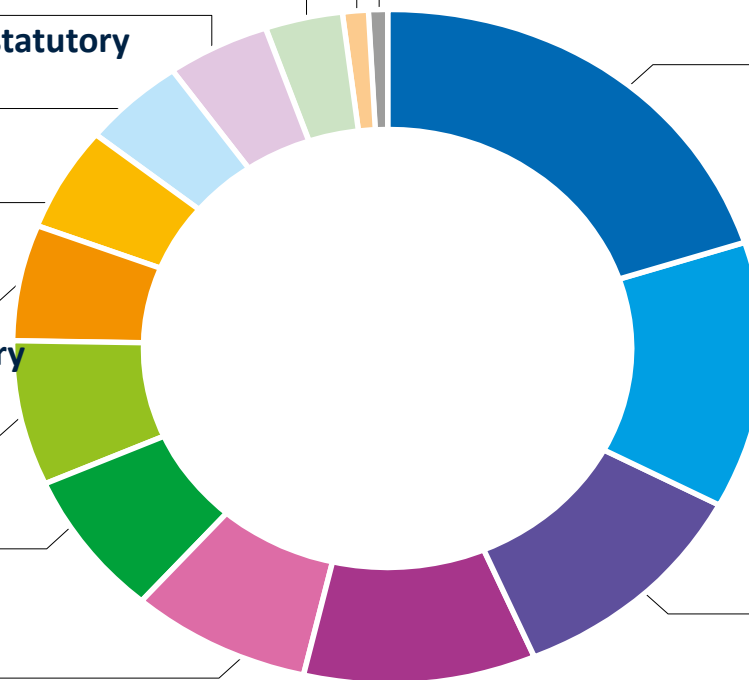
0.63% - External confirmations

20.26% - Risk assessment activities

12.66% - Responding to fraud

10.76% - Pre-audit procedures

10.13% - Use of sampling



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## Quality reviews at non-PIE auditors/audit firms

### Top 3 deficiencies in the audit engagements of non-PIE auditors/audit firms

1. Insufficient risk assessment procedures for assessing and identifying risks of material misstatement due to an insufficient understanding of the entity's information system relevant to financial reporting
2. Insufficient written record in the audit file about the procedures performed by the statutory auditor to address fraud
3. Lack of a timely or complete engagement letter



## Combating money laundering and terrorist financing



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# Combating money laundering and terrorist financing

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- Sectoral risk assessment for 2022
- AML Survey 2022
- Thematic and risk-based inspections
- Deficiencies related to AML obligations among PIE auditors/audit firms
- Deficiencies related to AML obligations among non-PIE auditors/audit firms

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# Sectoral risk assessment for 2022

- **Objective**
  - Guiding tool for oversight activities of the BAOB
  - The results are a source of information for auditors for preparing their overall risk assessment
- **First drafted in 2018**
- **Updated and published on the website of the BAOB in 2022**

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## AML Survey 2022

- The BAOB uses a risk assessment to oversee compliance with the AML Law, which helps it gain an **understanding of the money laundering and terrorist financing (ML/TF) risks in Belgium** and determine the frequency and intensity of the supervision depending on the risk profile of the auditors
  - To be able to define the auditors' risk profile, the BAOB needs to obtain relevant information
  - The AML Survey was made compulsory for all auditors as of 2018
  - The AML Survey was updated in 2022
- Based on the responses to the AML Survey, the BAOB assigns a **risk score to each auditor**

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## AML Survey 2022 – 10 key insights

- The overall risk score in the audit sector has decreased
- The risk management score in the audit sector has decreased noticeably
- The inherent risks have not changed significantly since 2018
- The sector activities consist of a significant share of accounting activities and frequent engagements involving contributions in-kind or quasi-contributions
- More than 50% of auditors with their own activities say they do not always perform procedures to identify politically exposed persons during their relationship with the client
- Some audit firms have significantly more clients from outside the European Union or from high-risk countries than their peers
- In 2021, auditors submitted a total of 86 reports to the Financial Intelligence Processing Unit (CTIF-CFI), where a significant proportion of these reports originated from a small number of firms; in fact, 52 of the 88 reports were made by 3 audit firms
- The audit sector drew up 129 reports under the responsibility of the Anti-Money Laundering Compliance Officer (AMLCO) regarding atypical transactions, half of which were reported to the CTIF-CFI as “suspicious”
- The real estate sector is most important sector within the high-risk sectors (based on the number of statutory auditor mandates)
- The vast majority of auditors report having general risk assessment procedures in place



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## Thematic and risk-based inspections

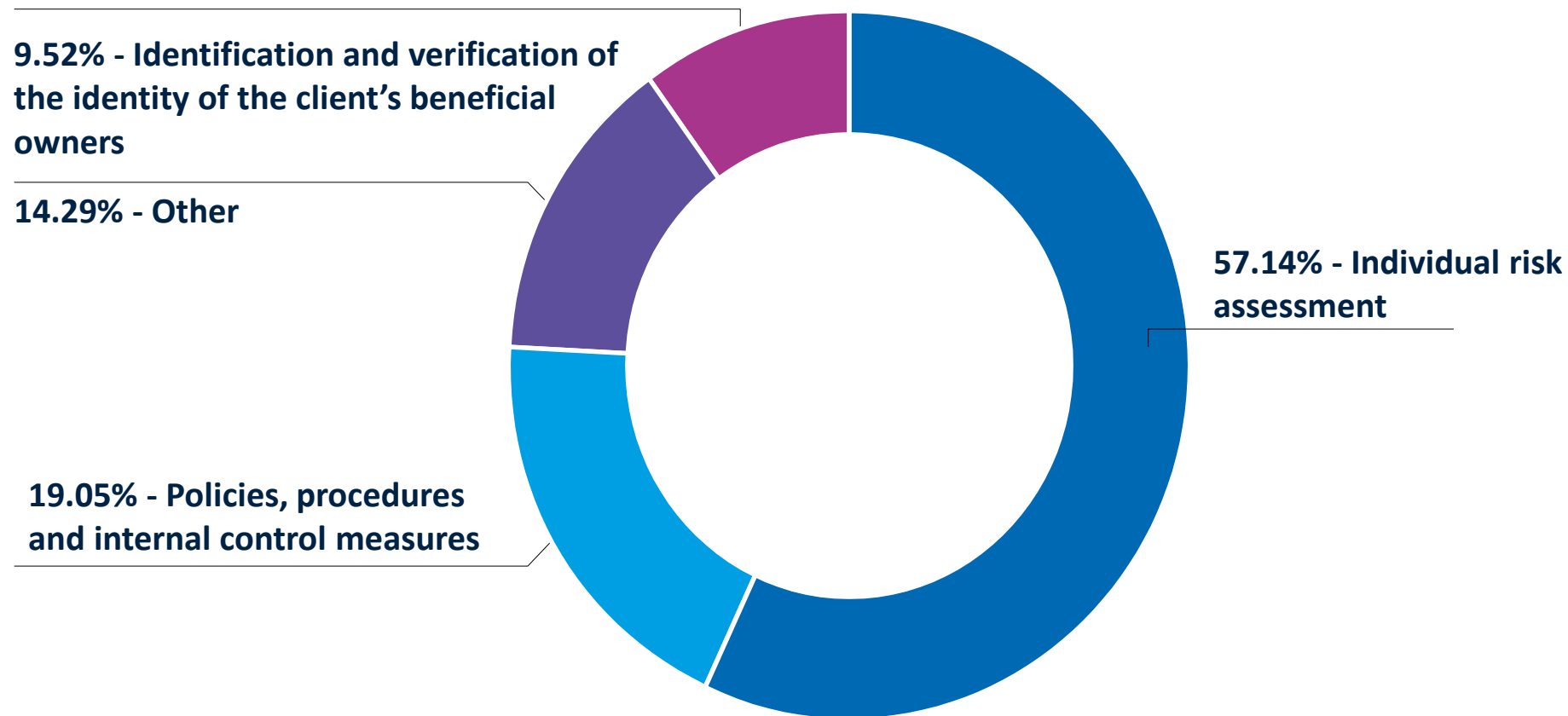
- **In 2022: start of inspections in high-risk sectors**
  - Sectors characterised by a high risk of money laundering, according to the national and supranational risk assessments
  - Number of inspections by the BAOB of mandates in high-risk sectors

Sector	Number of inspections
Professional football	7
Games of chance and betting offices	3
Leisure sector	1
Virtual Asset Providers	1

- **Results will be processed in 2023**

## Deficiencies related to AML obligations among PIE auditors/audit firms

- 27 PIE auditors
- 5 PIE audit firms

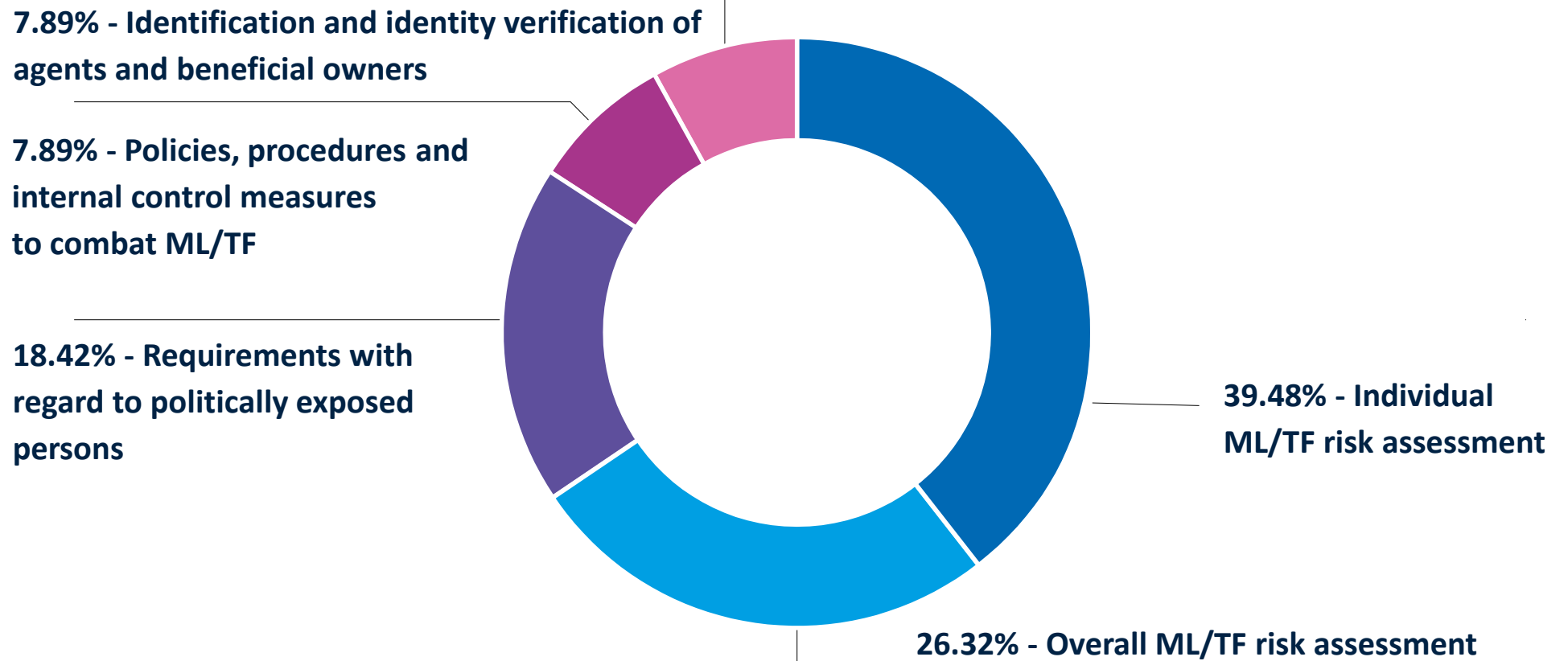


## Top 3 deficiencies related to AML obligations among PIE auditors/audit firms

1. Lack of adequate implementation of the individual risk assessment:
  - (1) in terms of timeliness of implementation; and
  - (2) because it did not result in a concrete ML/TF risk level and appropriate due diligence measures based on the identified risk level
2. Policies, procedures and internal control measures inconsistent with the legal provisions, i.e. an unlawful exemption from the obligation to verify the identity of agents, incorrect criteria for determining whether there is an increased risk or inclusion of risk categories in the procedures that differ from those applied in practice
3. Late identification and verification of the identity of the client's beneficial owners

## Deficiencies related to AML obligations among non-PIE auditors/audit firms

- Organisational set-up of 37 auditors/audit firms
- Control of at least 1 audit engagement of 66 auditors/audit firms



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## Top 3 deficiencies related to AML obligations among non-PIE auditors/audit firms

1. Undated or late individual assessment of ML/TF risks
2. Failure to update the overall ML/TF risk assessment
3. Incomplete design or application of procedures concerning politically exposed persons



# Oversight

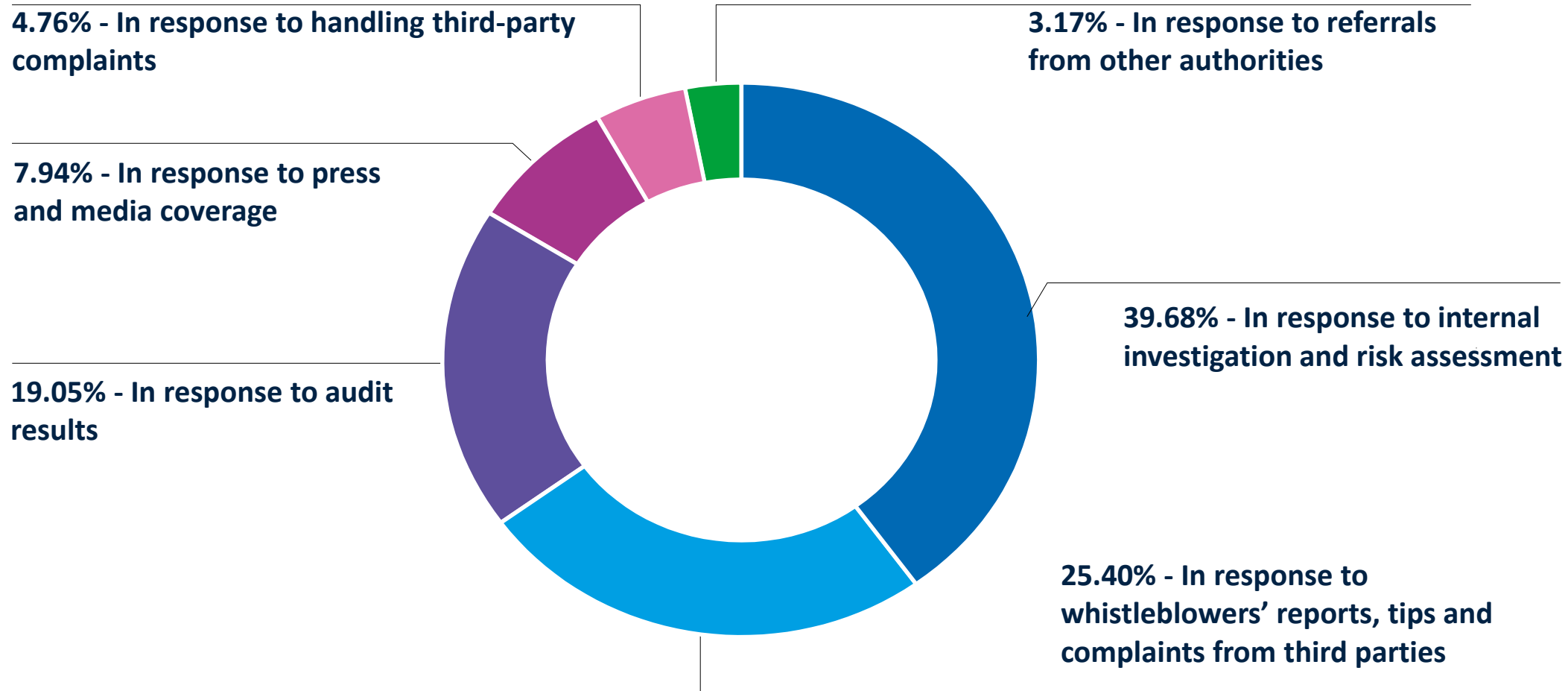
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# Oversight

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- Oversight files opened in 2022
- Handling of complaints
- Handling of whistleblowers' reports

## Oversight files opened in 2022





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## Handling of complaints

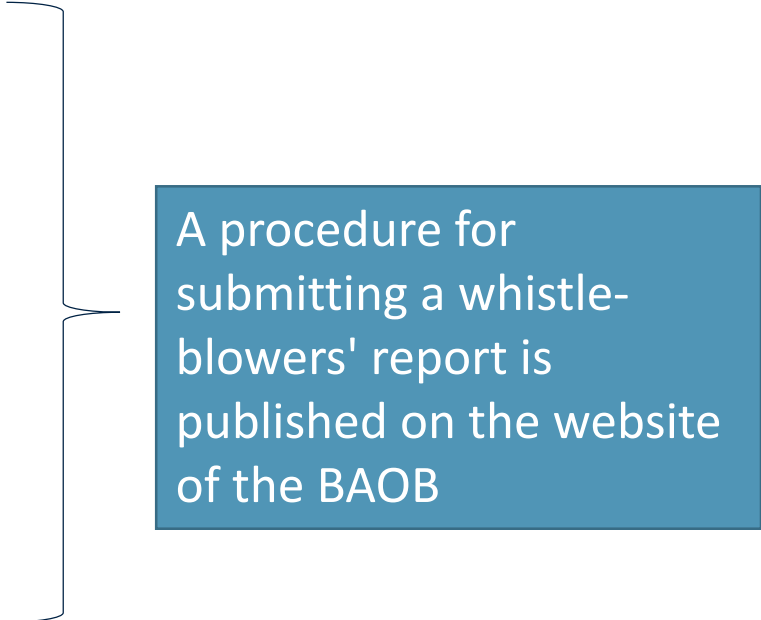
- **The BAOB attaches importance to all the complaints it receives**
- **A procedure for submitting a complaint is available on the website of the BAOB**
- **In 2022:**
  - 11 complaints received
  - 7 opinions issued with regard to complaint files
  - In 1 case the BAOB issued a point of order
  - In 2 cases it decided to open an investigation

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# Handling of whistleblowers' reports

- **New legislative framework**

- Law of 28 November 2022 on the protection of reporters of breaches of Union or national law established within a legal entity in the private sector
- Royal Decree of 22 January 2023 designating the competent authorities for the implementation of the Law of 28 November 2022 on the protection of reporters of breaches of Union or national law established within a legal entity in the private sector



A procedure for submitting a whistleblowers' report is published on the website of the BAOB

- **In 2022: 4 whistle-blowers' reports received**



# Enforcement

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# Enforcement


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- Overview of the decisions taken by the BAOB
- Decisions of the BAOB
- Investigations
- Decisions of the FSMA Sanctions Committee

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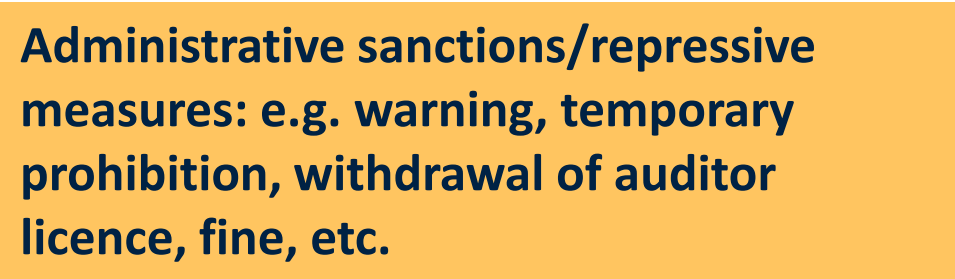
# Overview of the decisions taken by the BAOB

- Recommendation
- Compliance deadline
- Order (AML-related matters)
- Suspension
- Penalty payment



**Preventive measures to protect the public**

- Point of order
- Referral to FSMA Sanctions Committee based on investigation by the Secretary-General



**Administrative sanctions/repressive measures: e.g. warning, temporary prohibition, withdrawal of auditor licence, fine, etc.**

## Decisions of the BAOB

	Point of order		Compliance deadline		Order		Recommendation	
	2022	2021	2022	2021	2022	2021	2022	2021
Quality review files	18	19	84	99	87	50	215	106
<i>Of which non-PIE</i>	8*	11	79*	83	52*	14	131*	61
<i>Of which PIE</i>	10	8	5	16	35	36	84	45
Oversight files	2	20	4	95	0	1	0	16
<b>Total number of decisions</b>	<b>20</b>	<b>39</b>	<b>88</b>	<b>194</b>	<b>87</b>	<b>51</b>	<b>215</b>	<b>122</b>

*\*These figures differ from those in the “Quality reviews of non-PIE auditors” section because the decisions taken by the BAOB in 2022 are dealt with here, while the “Quality reviews of non-PIE auditors” section only relates to the quality review files of the control campaign 2022*

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# Investigations

- In case of serious indications of the existence of a practice liable to give rise to an administrative measure or an administrative fine
- At the beginning of 2022: about **30 ongoing investigations**
- In 2022: **decision in 16 cases**
  - 14 cases were referred to the FSMA Sanctions Committee
  - 1 case was closed without action, due to the withdrawal of the auditor's licence
  - 1 case was closed without action, because the infractions under investigation were deemed as not proven or insufficiently proven

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## Decisions of the FSMA Sanctions Committee (1/2)

**In 2022, 5 decisions were published and are available on the website of the BAOB:**

- Decision of 12 July 2022 - Administrative fine - Publication by name
- Decision of 12 July 2022 - Administrative fine - Publication by name
- Decision of 13 July 2022 - Withdrawal of auditor licence - Anonymous publication
- Decision of 19 October 2022 - Withdrawal of auditor licence - Publication by name for a period of six months
- Decision of 19 October 2022 - Withdrawal of auditor licence - Publication by name for a period of six months



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## Decisions of the FSMA Sanctions Committee (2/2)

- **3 decisions were not published**, one of which concerned a temporarily inactive auditor
  - In 2 proceedings it was decided to impose a warning
  - In 1 proceeding it was decided to impose an administrative fine
- In 5 proceedings the Sanctions Committee **declared itself incompetent and declared these proceedings to be devoid of purpose** after the licence of the concerned auditor was revoked by the IBR-IRE during the proceedings at the auditor's request and without opposition from the BAOB Committee



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