

## IFIAR 2022 Member Profile – BAOB

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Belgium
<b>2. Member<sup>1</sup></b>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>College van toezicht op de bedrijfsrevisoren/Collège de supervision des réviseurs d'entreprises (CTR/CSR)</p> <p>Belgian Audit Oversight Board (BAOB)</p> <hr/> <p><b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b></p> <p>Rue du Congrès 12 -14          1000 Brussels, Belgium  <u>Tel:</u> +32 2 220 54 98  <u>Email:</u> info@ctr-csr.be  <u>Website:</u> <a href="http://www.ctr-csr.be">www.ctr-csr.be</a></p> <hr/> <p><b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b></p> <p>Article 32 of the Belgian law of 7 December 2016 (hereafter “the Law”) provides that the mission of the BAOB is to ensure that the legal and regulatory framework is correctly applied and that it supervises its application. In particular, the BAOB has the ultimate responsibility for the oversight of:</p> <ul style="list-style-type: none"> <li>- the approval and registration of statutory auditors and audit firms;</li> <li>- continuing education;</li> <li>- quality assurance systems;</li> <li>- investigative systems.</li> </ul>

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p><b>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>Article 35 of the Law provides that the committee of the BAOB is the central decisional body of the BAOB. The committee of the BAOB is composed of six members that are non-practitioners in the sense of the EU Directive 2006/43/CE, i.e. independent from the audit profession.</p>
	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>Article 35 of the Law provides that the committee of the BAOB is composed of the following 6 members :</p> <p>1° two members designated by the National Bank of Belgium, amongst the members of the Management Committee or the managers of the National Bank of Belgium ;</p> <p>2° two members designated by the FSMA, amongst the members of the Management committee or the managers of the FSMA ;</p> <p>3° one member that has been but no longer is an auditor, designated by the King;</p> <p>4° one member that is an expert and has never been an auditor, designated by the King.</p> <p>All members of the committee of the BAOB must be non-practitioners with appropriate skills as regards statutory audits of accounts.</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: center;">N/A</p> <hr/> <p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>According to article 3, 28° and article 35 of the Law, members of the committee of the BAOB must be non-practitioners in the sense of article 2, 15° of the European Directive 2006/43 i.e. ‘non-practitioner’ means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p>It seems useful to underline that, for the quality assurance, article 52 of the Law provides that the BAOB may designate members of the profession for the execution of the inspection of non-PIE auditors. The BAOB makes use of this possibility by contracting registered auditors to do the on-site inspection of non-PIE auditors. On the basis of the on-site inspection that the inspector has to conduct in accordance with the inspection guide of the BAOB, the inspector submits the filled-in inspection guide to the BAOB. The conclusions of the quality control of non-PIE auditors have to be and is drawn and decided by the BAOB.</p>

<b>4. Funding Arrangements</b>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>According to article 40 of the Law, the costs necessary for the functioning of the BAOB is covered by fees from the profession. It is a legal obligation for the members of the profession to contribute to the cost of the supervisor.</p> <p>The budget is integrated in the budget of the FSMA, that also provides administrative and IT support to the BAOB.</p> <p>The board of the FSMA approves the budget, as well as the board of BAOB.</p> <hr/> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>Please refer to the answer to question 4.1.</p>
<b>5. Inspection System</b>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> <li>• If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.).</li> <li>• If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</li> </ul> <p>The BAOB organizes itself recurring inspections of audit firms undertaking the control of public interest entities. The fieldwork is done by the inspection team. Based on the draft inspection report, the BAOB draws the conclusions and, where appropriate, decides on the measures to be imposed on the auditor/audit firm.</p> <hr/> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>Article 52 of the law provides that the BAOB performs controls of auditors and audit firms on the basis of a methodology developed by BAOB. Quality controls are required at least every 6 years for auditors controlling other</p>

	<p>than public interest entities (PIE) and at least every 3 years for auditors controlling PIE.</p>
<p><b>6. Audit and Financial Market</b></p>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</b></p> <p>The BAOB is empowered to inspect any of the auditors and audit firms registered in Belgium (about 611). There are around 300 PIE audit engagements out of around 30.000 audit engagements on a yearly basis.</p> <hr/> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</b></p> <p>The Big Four control around 83% of all PIE audit engagements.</p>
<p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p><input checked="" type="checkbox"/> Registration/Licensing  <input type="checkbox"/> Audit and/or Ethics Standard Setting  <input checked="" type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____</p> <hr/> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input checked="" type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> <li>• If directly, please describe the responsibility with an appropriate level of detail.</li> <li>• If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</li> </ul> <p>The tasks for registration/licensing are delegated by article 41 of the Law to the Institute of Registered Auditors (professional body). The BAOB is responsible for the supervision of the execution of those tasks by the professional body.</p> <p>Article 41 of the law provides for a process that ensures that the BAOB could object to a proposed decision of licensing of the professional body. At the end of the process, the licensing decision will be reputed to be a decision of the BAOB.</p>

	<p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> <li>• If directly, please describe the responsibility with an appropriate level of detail.</li> <li>• If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</li> </ul>
	<p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input checked="" type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> <li>• If directly, please describe the responsibility with an appropriate level of detail.</li> <li>• If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</li> </ul> <p>According to article 41, the Institute of Registered Auditors (professional body) organizes the permanent education of auditors. The BAOB is responsible for the supervision of this delegated task.</p>
	<p><b>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</b></p> <p><input type="checkbox"/> Directly                      <input checked="" type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> <li>• If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action.</li> <li>• If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</li> </ul> <p>The BAOB can take a number of measures/sanctions:</p>

- Recommendations
- Suspension in case of extreme urgency: In case of extreme urgency, the BAOB can prohibit the exercise of all or part of the activity of an auditor for a given period and can suspend registration in the public register.
- Reprimand: The BAOB identifies an infringement and reprimands the auditor. A reprimand serves primarily as a warning, drawing the auditor's attention to the reprehensibility of his or her conduct and urging him or her to modify that conduct in the future.
- Recovery period: The BAOB expects the auditor to comply with the above-mentioned request within a deadline set by the BAOB, and to abstain from further such conduct. If the auditor fails to do so by the end of the deadline set, the BAOB can:
  - publish its standpoint on its findings;
  - impose a penalty that may not be more than EUR 50,000 per calendar day in which the warning has not been complied with, and may not exceed a total of EUR 2,500,000; or
  - instruct the auditor to abstain temporarily from providing any professional service or a specific professional service for a period set by the BAOB.

In certain cases, the BAOB can also decide to launch proceedings before the Sanctions Committee of the FSMA. The Secretary General of BAOB will investigate cases potentially leading to imposing administrative measures and sanctions and the BAOB board will decide to refer the case or not to the Sanctions Committee of the FSMA (articles 56 and 58 of the Law).

If the BAOB board refers the case to the Sanctions Committee of the FSMA, the latter may apply one of the following administrative sanctions:

- a) a warning;
- b) a reprimand;
- c) a public statement which indicates the person responsible and the nature of the breach, published on the website of competent authorities;
- d) a temporary prohibition, of up to three years' duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or signing audit reports;
- e) a declaration that the audit report does not meet the requirements of Article 28 of this Directive or, where applicable, Article 10 of Regulation (EU) No. 537/2014;
- f) a temporary prohibition, of up to three years' duration, banning a member of an audit firm or a member of an administrative or management body of a public-interest-entity from exercising functions in audit firms or public interest entities;
- g) the withdrawal of approval; or
- h) the imposition of administrative pecuniary sanctions on natural and legal persons.

	<p>For the competences related to audit, the Sanctions Committee of the FSMA is composed of six magistrates and two persons with knowledge in relation to statutory audits of accounts, all legally required to be non-practitioners in the sense of article 2, 15° of the Directive 2006/43.</p> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p style="text-align: center;">N/A</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p style="text-align: center;">N/A</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>In 2021, the BAOB started the first joint inspections with the PCAOB, the US Public Company Accounting Oversight Board.</p>



