



Insights

Thursday, 14 December 2023

Entry into force of the International Standards for Quality Management (ISQM)

The Minister responsible for the Economy approved, on 17 November 2023, the standard implementing the international standards for quality management 1 and 2 (ISQM 1 and 2)¹.

These international standards are intended to further improve and strengthen the quality of audits, and apply to all company auditors.

The sector has already taken major steps to prepare for this, in part through their own efforts and those of their networks, and in part thanks to the important support of the Institute of Registered Auditors for smaller audit firms and sole practitioners.

1. What are the ISQM?

ISQM 1 addresses the responsibilities of audit firms to design, implement and operate a system of quality management for audits as defined in Article 3, 10° of the Law of 7 December 2016 on the organization of the profession and the public oversight of registered auditors. All assurance engagements fall within the scope of an 'audit assignment' as defined in Article 3, 10° of that Law.

The objective of the standard is to provide firms with reasonable assurance that the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, that they conduct their engagements in accordance with such standards and requirements, and that the engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer and his responsibilities relating to the performance and documentation of an engagement quality review.

The aim of appointing a suitable engagement quality reviewer is to carry out an objective evaluation of the significant judgments made by the engagement team and of the conclusions reached thereon.

¹ Published in the Belgian Official Gazette on 27 November 2023.

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

2. Entry into force of the ISQM

2.1. ISQM 1

Auditors must have taken the necessary steps by 15 December 2023 at the latest to design and implement a quality management system for audit assignments in accordance with ISQM 1.

Auditors must conduct an evaluation of the quality management system within one year of 15 December 2023. Thereafter, an evaluation must be performed at least annually.

2.2. ISQM 2

ISQM 2 applies to audit engagements for financial periods beginning on or after 15 December 2023.

2.3. Transitional provision

ISQC² 1, the predecessor of ISQM, remains in force for audit engagements for which the planning phase was concluded before the entry into force of ISQM 1 and 2.

2.4. Expectations of the Belgian Audit Oversight Board (BAOB)

The BAOB expects the sector to have implemented the new quality management system so that the sector can draw conclusions from the results of this dynamic quality management system.

The BAOB intends to take a pedagogical approach to its oversight in 2024.

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² International Standard on Quality Control.