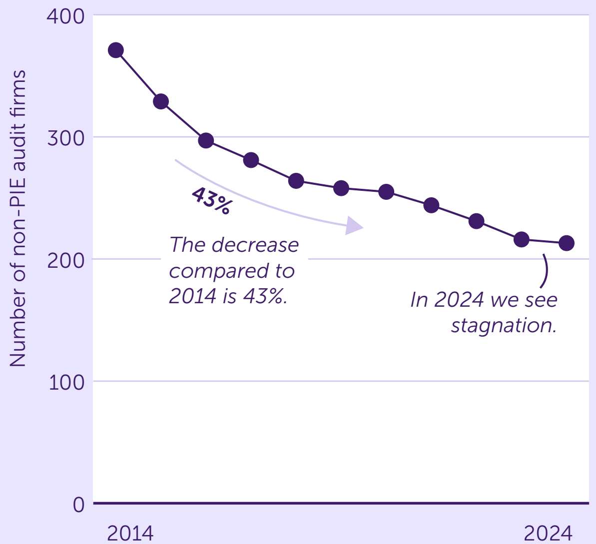
4. Accountancy and reporting

THIS CHAPTER IN 1 MINUTE

- The **consolidation of non-PIE audit firms** is continuing and can provide a quality boost. However, there are also developments that put pressure on the quality of audits, such as a lagging learning culture in terms of root cause analyses and an increasing share of private equity parties.
- Audit firms indicate that they are increasingly **using advanced and innovative tooling**, which offers opportunities but also entails risks for the performance of statutory audits.
- The delayed implementation of the Corporate Sustainability Reporting Directive (CSRD) in Dutch legislation and the proposals for burden reduction in the Omnibus package are creating uncertainty in the market and **decreasing availability of reliable sustainability information** for stakeholders.
- Geopolitical turmoil may increase uncertainty about the future financial situation of companies. This requires **extra vigilance** from statutory auditors with regard to testing the **going concern assumption**.
- If statutory auditors do not follow up sufficiently on identified fraud risks, the **gatekeeper role of audit firms** will come under pressure. Involvement of statutory auditors in exam fraud can have negative consequences for the **credibility of and trust in the sector**.

The number of non-PIE audit firms is still falling due to mergers and acquisitions (consolidation) but seems to be stabilising.



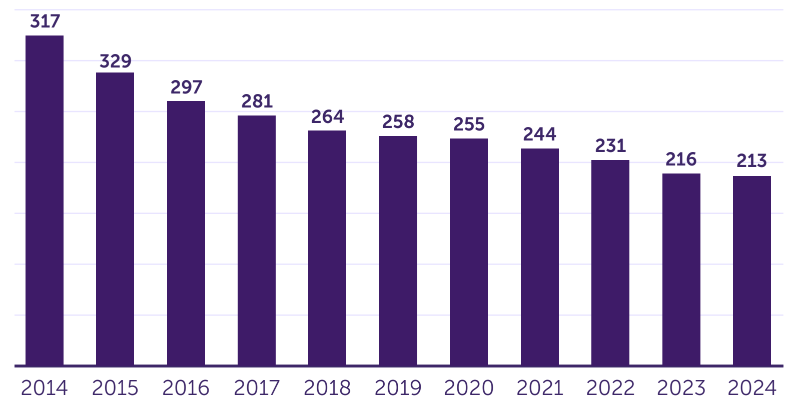
Sources: AFM Market Monitor 2014-2021; data on non-PIE audit firms 2022-2024.

General developments

Various general developments in the accountancy sector may improve the quality of statutory audits, but they also entail new risks. In this section, we share the main findings of our analysis of developments that may affect the quality of statutory audits. We take as our basis the data reported by audit firms, both those with a regular licence to perform statutory audits (hereinafter: non-PIE audit firms) and those with a licence that also extends to the performance of statutory audits of public interest entities (hereinafter: PIE audit firms).[46] We discuss the consolidation of non-PIE audit firms, learning from root cause analyses, the use of quality controls in statutory audits, the market share of private equity parties and the establishment of an internal supervisory body. More in-depth information and other developments can be found in the publication titled State of the Auditing and Reporting Industry 2025.

The number of non-PIE audit firms is still declining (Figure 4.1), but the number of licence applications has recently increased. The number of non-PIE audit firms fell by roughly 1% in the past financial year. Compared to the 2014 financial year, the decrease is approximately 43%. This development is the result of mergers and acquisitions, in which private equity is also playing an increasingly important role. Because there are fewer non-PIE audit firms, the remaining firms perform more statutory audits. This increase in scale may contribute to a higher quality of the statutory audits. Since last year, the number of applications for a new regular licence has increased, resulting in 10 licences being granted in 2024. This seems to be curbing the decline in the number of non-PIE audit firms.

Figure 4.1 The number of non-PIE audit firms is still falling but seems to be stabilising.

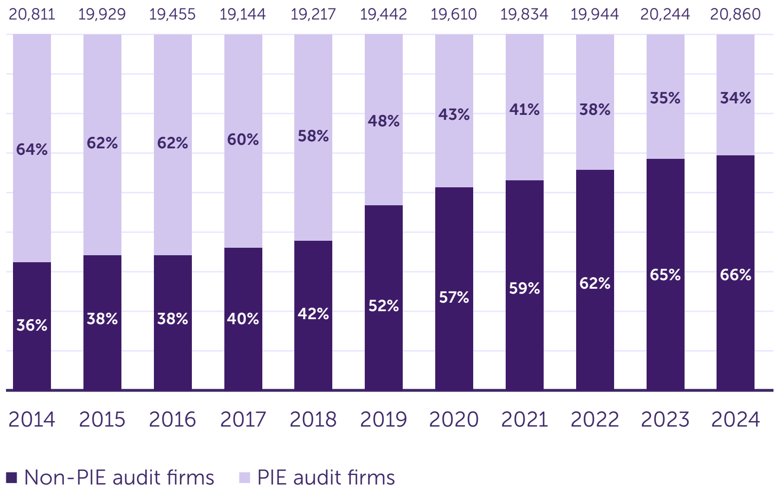


Sources: AFM Market Monitor 2014-2021; data on non-PIE audit firms 2022-2024. Note: Due to corrections in the data quality, there are small deviations compared to previous publications, but this does not affect the conclusion.

The market share of non-PIE audit firms compared to PIE audit firms is still increasing (Figure 4.2). The number of statutory audits carried out has fluctuated around 20,000 for many years. PIE audit firms performed approximately 7,051 statutory audits in the 2024 financial year (34%), compared to 7,104 in 2023 (35%). Non-PIE audit firms performed 13,809 statutory audits in 2024 (66%), compared to 13,140 in 2023 (65%). This can be explained by the fact that PIE audit firms have become more selective in their client acceptance policy, partly due to capacity pressure and quality requirements, as a result of which clients switch to non-PIE audit firms. This can put pressure on the quality of statutory audits.

46 The data used in this publication have been updated to mid-September 2025.

Figure 4.2 The market share of non-PIE audit firms based on the number of statutory audits is still rising.



Sources: AFM Market Monitor 2014-2021; data on non-PIE and PIE audit firms 2022-2024.
Note: The years refer to financial years and the numbers above the bars represent the total number of statutory audits.

Audit firms miss opportunities to learn from root cause analyses. Analysing completed statutory audits or specific themes provides insight into factors that influence the quality of statutory audits. This insight helps to take targeted quality measures and offers starting points for learning what is going well and what can be improved in statutory audits. Although there are good examples of such root cause analyses (with attention paid to technical, process-related and behavioural aspects), there are also audit firms that do not yet or hardly ever use this instrument. An analysis of the data for 2024 shows that PIE audit firms perform an average of 13 root cause analyses. Non-PIE audit firms perform an average of 1.7 root cause analyses. A sufficient number of root cause analyses are needed to recognise patterns and learn from statutory audits. Although there is no fixed standard and average figures are difficult to compare, this helps to achieve structural improvements.

Audit firms are slightly more likely to use quality controls in statutory audits. These quality controls consist of engagement quality reviews (EQR), file coaching, interim reviews of the audit file, deployment of a second auditor in the audit team and/or other measures. Audit firms that systematically deploy and monitor their quality controls can better control the quality of their statutory audits.[47] At non-PIE audit firms, the percentage of statutory audits with one or more reported quality controls increased from 61.5% in 2023 to 62.0% in 2024. There also seems to be an increase in the use of quality controls at PIE audit firms.[48]

Private equity parties are gaining an increasing market share in non-PIE audit firms, which entails risks. It is estimated that by 2025 36% of the total number of statutory audits by non-PIE audit firms will be performed by organisations that are fully or partly owned by private equity, compared to 11% in 2023 and 21% in 2024. The AFM still considers that the risks of private equity outweigh the opportunities. A key risk is that the commercial pressure entailed by private equity could put pressure on the quality of statutory audits. That is why the AFM keeps a close eye on the influence of private equity. It monitors indicators in the areas of quality controls, significant risks, statutory auditor involvement and threats to independence – both before and after working with private equity.[49] In its supervision, the AFM also pays attention to compliance with the voting rights requirement and the requirement concerning the day-to-day policy of audit firms with private equity.[50]

47 'https://www.afm.nl/nl-nl/sector/actueel/2019/jun/gebruik-kwaliteitswaarborgen-accountants', AFM, June 2019.
48 The picture may still change because not all PIE audit firms have provided all data for 2024.
49 'https://www.afm.nl/nl-nl/sector/actueel/2025/apr/sb-private-equity', AFM, April 2025.
50 According to Sections 16 and 16b of the Audit Firms Supervision Act.

The number of large non-PIE audit firms with an internal supervisory body is increasing. The Accountancy Sector Amendment Act obliges the largest non-PIE audit firms to establish an internal supervisory body. This body must consist of at least three independent members, who – like other policymakers – are assessed for suitability.[51] Based on our data for the financial year from 2022 to 2024, 15 non-PIE audit firms met the criteria for the mandatory establishment of the supervisory body. Many of the audit firms involved are already preparing for the governance requirements of the Accountancy Sector Amendment Act. The websites of these audit firms and the AFM register show that 10 of the 15 non-PIE audit firms have an internal supervisory body. The average number of members is four. Although an internal supervisory body can give a positive impulse to safeguarding the public interest in performing statutory audits, not all large non-PIE audit firms meet the requirement of at least three members, and it will be necessary to see in practice to what extent these supervisory bodies function according to the requirements of the Accountancy Sector Amendment Act.

Digitalisation

The importance and the impact of technological developments are increasing. Due to the sustainability transition, technological advances and increasingly complex value chains, audit clients are increasingly opting for future-proof business models. As a result, their IT processes are becoming more complex. This requires IT solutions at audit firms, different expertise in performing statutory audits and integration of emerging technology into audit practice. In PIE audit firms, the international networks play an important guiding role in this regard. In the case of non-PIE audit firms, the growing market share of private equity firms and the discontinuation of licence updates for a number of audit software tools may contribute to an increase in the use of new technology in performing statutory audits.

More and more audit firms are using advanced data analysis tools and cloud solutions for statutory audits, which makes it possible to perform audits more efficiently and effectively. The use of data analysis in statutory audits by non-PIE audit firms has increased sharply: from 74% in 2022 to 91% in 2025 (Figure 4.3).[52] Advanced data analysis is also being used more often, with an increase from 4% to 9%. An incidental survey in 2024 shows that 49% of non-PIE audit firms use innovative tooling, with most combining multiple forms.[53] PIE audit firms have been using these types of tools for some time, but they are now increasingly using them for risk analyses and other non-routine audit work. They are also experimenting more and more with new technologies such as AI. [54] The use of innovative tools can make statutory audits more effective. Although setting up technological applications takes extra time in the initial phase, automation saves time in the long run because routine tasks are taken over. This leaves the audit team more time for more complex audit work, which can directly and indirectly improve the quality of statutory audits.

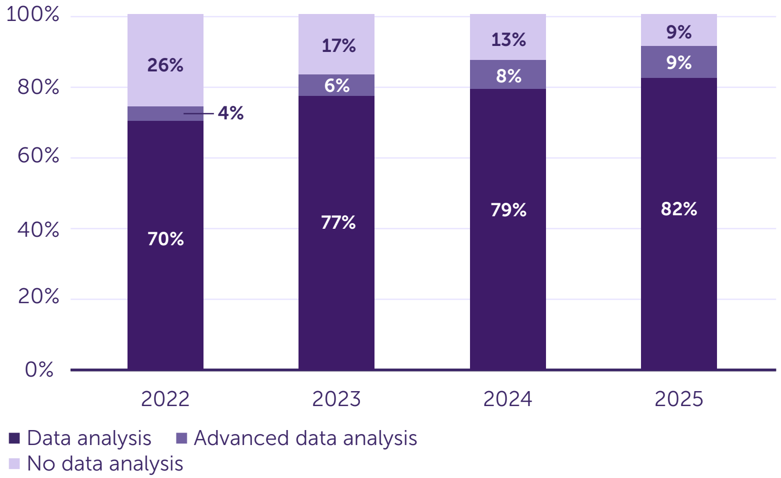
51 The cumulative criteria for this are that non-PIE audit firms generate at least €3 million in turnover per financial year from statutory audits and perform at least 150 statutory audits per financial year during three consecutive financial years.

52 In accordance with NBA Guideline 1141, we use the following definition for data analysis: "Data analysis is the discovery of patterns, deviations and inconsistencies, and the extraction of other useful information about the object of the research by means of analysis, modelling and visualisation for the purpose of planning or carrying out the assignment". ('https://www.afm.nl/~/profmedia/files/doelgroepen/accountantsorganisaties/2024/aanleverspecificaties-uitvraag-wettelijke-controles-2024-v14.pdf').

53 The possible answers for this question are: 1. Process mining, 2. Robotic process automation, 3. Artificial intelligence, 4. Continuous auditing, 5. PowerBI, 6. Big data/data lakes, 7. Other. Audit firms could indicate at their own discretion whether they use this innovative tooling.

54 'https://media.frc.org.uk/documents/Thematic_Review_on_the_Certification_of_Automated_Tools_and_Techniques.pdf', FRC, June 2025; 'https://www.ifiar.org/?wpdmdl=18273', IFIAR, March 2025.

Figure 4.3 The use of data analysis and advanced data analysis by non-PIE audit firms is increasing.



Source: Data on statutory audits of non-PIE audit firms. Note: The data for 2025 have been updated to mid-September.

However, the use of advanced or innovative tools also poses risks to the quality of statutory audits. Research shows that auditors are susceptible to an automation bias: auditors assess work less well if it is created by automated tools than if the same work is done by a colleague.[55] The risk is therefore that statutory auditors have too much confidence in the correct operation and outcomes of these tools (overreliance). It is therefore essential that audit firms implement safeguards to guarantee the security and correct functioning of the tooling. This is also relevant to AI tools that can produce outcomes and/or conclusions without human intervention. This can lead to situations in which tools generate non-traceable and/or non-reproducible outcomes without the user being aware of this. This can compromise the quality of statutory audits, according to inspection findings by other international regulators.[56]

Audit firms report few cyber incidents, and non-PIE audit firms seem to underestimate their own cyber risks. Although audit firms are not covered by the Digital Operational Resilience Act (DORA), information security is an important theme for them. After all, audit firms and their suppliers of software tools and cloud solutions hold large amounts of confidential information. In addition, the use of advanced and innovative tools is increasing. Despite the increasing importance of cybersecurity, audit firms report few cyber incidents in our data request. However, 143 non-PIE audit firms have shared their cyber risk level: 5% indicate that they have a high or critical risk level, 36% a medium level and 59% a low level.

Sustainability

The delayed implementation of the CSRD in Dutch legislation and the proposals for burden relief in the Omnibus package are causing uncertainty in the market. At the beginning of 2025, the European Commission published the Omnibus package with proposals for simplifying the CSRD with the aim of reducing the burden on companies.[57] The proposal to postpone the reporting obligation for large companies (second wave) and small listed companies (third wave) by two years has now been adopted.[58] In the proposals of the Omnibus package, the criteria for companies subject to the CSRD have been increased. The European Council then made a proposal to increase these criteria even further.[59] The final scope of the CSRD is still uncertain, as it has yet to be determined through trilogue negotiations between the Commission, the Council and the European Parliament.

55 'http://dx.doi.org/10.2139/ssrn.4309348', Peters, June 2025.

56 'https://www.ifiar.org/?wpdmdl=18273', IFIAR, March 2025.

57 'https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en', European Commission, February 2025.

58 'https://www.consilium.europa.eu/en/press/press-releases/2025/04/14/simplification-council-gives-final-green-light-on-the-stop-the-clock-mechanism-to-boost-eu-competitive-ness-and-provide-legal-certainty-to-businesses/', European Council, April 2025.

59 'https://data.consilium.europa.eu/doc/document/ST-10276-2025-INIT/en/pdf', European Council, June 2025.

Despite the delayed implementation of the CSRD, many issuers have published a sustainability report based on the CSRD for 2024. Companies have made good strides by making their sustainability reports more structured, accessible and visual.[60] More and more good examples of sustainability reports based on the CSRD are becoming available, but there are also points to be addressed in order to better highlight the place of the company in the world. A global internal analysis by the AFM shows that almost all sustainability reports of issuers for 2024 have been issued with a practitioner's report with limited assurance.

The proposals of the European Commission and the European Council reduce the number of companies subject to the CSRD and reduce the availability of sustainability information to stakeholders. These proposals may lead to sustainability reporting increasingly being carried out by a small group of specialised statutory auditors and employees. This concentration of expertise may improve the quality of the sustainability report and assurance work. At the same time, this reduction in the number of assurance engagements may be an obstacle for statutory auditors and employees seeking to become proficient in this form of assurance. In addition, the removal of the proposed transition to a reasonable degree of assurance may lead to less in-depth assurance procedures and possibly less reliable sustainability reporting. In addition, the fully voluntary nature of sustainability reporting (VSME standard) for large listed companies with fewer than 1,000 employees results in a decrease in information for stakeholders.

The proposals to increase the criteria for companies subject to the CSRD may lead to market shifts. Our analysis shows that most non-PIE audit firms with companies subject to the CSRD in their client portfolio are expected to have only one or two of these companies. This may lead to shifts in the market: companies may switch to an audit firm with more CSRD expertise, organisations may collaborate to provide assurance for sustainability information or companies may choose to have the assurance carried out by a party other than the auditor of the financial statements.

Internationalisation

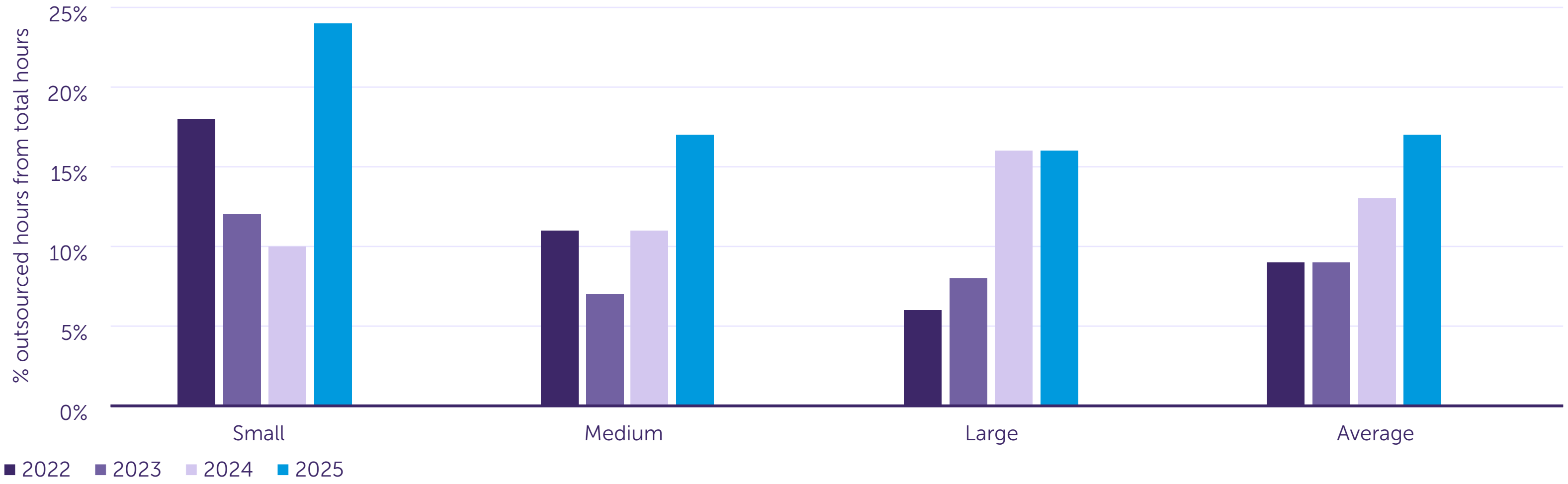
The volume of outsourced audit work is increasing and requires audit firms to safeguard the quality of this work. This concerns the outsourcing of audit work to, for example, service delivery centres, possibly abroad. Although the percentage of statutory audits reported at non-PIE audit firms with outsourced hours remains virtually the same, the percentage of outsourced hours relative to the total number of hours of these audits increased from 9% in 2022 to 17% in 2025 (Figure 4.4). At PIE audit firms, the reported percentage of statutory audits with outsourced hours is increasing, but the share of outsourced hours of these audits remains approximately the same at around 15% for both 2023 and 2024.[61] Outsourcing audit work can increase the quality of statutory audits, for example because more time is available for the more complex parts of the audit. At the same time, it can also put pressure on quality by potentially requiring more coordination and alignment depending on the risk profile of the audit client, the nature of the outsourced work and the experience with the outsourced party. In addition, outsourcing may limit the development of junior employees. They have less opportunity to build up the basic skills needed to properly review audit work carried out.[62] In the long term, this can have consequences for the quality of the audit team.

60 'https://www.afm.nl/nl-nl/sector/actueel/2025/juli/sb-rapport-onderneming-3-focuspunten-CSRD', AFM, July 2025.

61 In contrast to non-PIE audit firms, the share of outsourced hours at PIE audit firms includes hours of self-employed persons. However, additional analyses show that the majority of outsourced hours at PIE audit firms consist of hours from service centres and that this share increased in 2024.

62 'https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/culture-spotlight.pdf?sfvrsn=d0a0346e_1', PCAOB, December 2024.

Figure 4.4 Percentage of total hours that non-PIE audit firms outsource in statutory audits in which hours are outsourced (>0) is increasing.



Note: Small refers to small non-PIE audit firms, medium to medium-sized non-PIE audit firms, large to large non-PIE audit firms and average to the average across all non-PIE audit firms.

Source: Data on statutory audits of non-PIE audit firms. Note: The data for 2025 have been updated to mid-September.

Geopolitical turmoil is causing more instability and uncertainty, which requires extra vigilance from statutory auditors when testing the going concern assumption of companies. Increasing geopolitical tensions may raise valuation issues that are relevant to corporate reporting and the performance of statutory audits. In addition, these geopolitical developments may increase uncertainty about the future financial position of companies. Statutory auditors must then be extra vigilant about checking the going concern assumption and possibly including an explanatory paragraph in the auditor's report stating a material uncertainty about the going concern assumption.

Integrity and criminal behaviour

Statutory auditors are increasingly identifying fraud risks in statutory audits, but are still not following up on them enough.[63] An analysis of the data for 2022 to 2025 shows that the number of statutory audits by non-PIE audit firms in which more than two fraud risks have been identified increased from 55% in 2022 to 68% in 2025 (Figure 4.5).[64] At the same time, the number of statutory audits by non-PIE audit firms with fewer than two identified fraud risks decreased from 12% in 2022 to 4% in 2025. A similar trend is visible at PIE audit firms. AFM investigations show that the audit procedures to respond to fraud risks

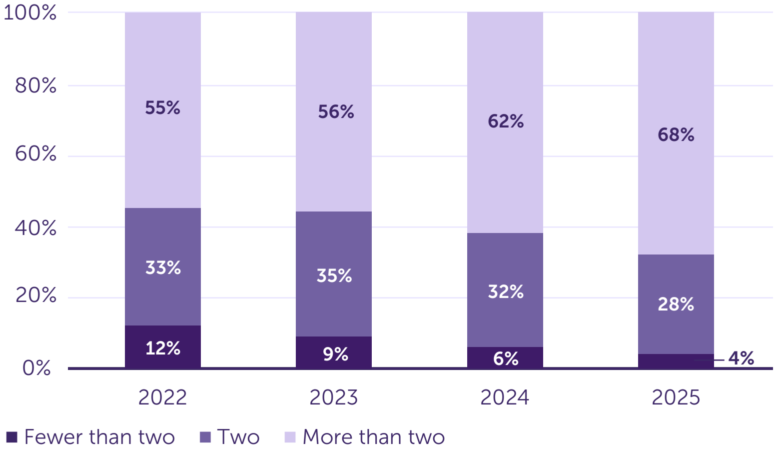
63 Fraud risks are risks of material misstatement due to fraud.

64 The average number of fraud risks per statutory audit by non-PIE audit firms rose from 2.8 to 3.2 in this period.

are often insufficiently specific and insufficiently thorough.[65] Audit firms have an important gatekeeper role in detecting material fraud and should use their professional scepticism when performing audit procedures that address identified fraud risks.

Exam fraud affects the integrity of the accountancy sector and may undermine confidence in statutory audits. After a joint investigation with the AFM, the PCAOB has imposed several fines on PIE audit firms for the involvement of employees in exam fraud.[66] These organisations are now under intensified supervision by the AFM. In addition, the non-PIE audit firms were informed about our expectations regarding exam fraud.[67] Audit firms have a crucial role in society, so it is important to understand how exam fraud could have arisen and why it has been able to continue for so long. A reflection on the design of the system in which auditors operate and their own organisation, paying attention to vulnerabilities and measures, is therefore essential.[68] The AFM expects audit firms to take responsibility in this regard and supervises their handling of it. After all, audit firms operate in a market structure in which they perform a public task in a private environment in which commercial interests can play a role. Integrity and exemplary behaviour are then important preconditions for trust in the system.

Figure 4.5 The percentage of statutory audits by non-PIE audit firms with more than two fraud risks is increasing.



Note: The number of observations in 2022 = 1,648, 2023 = 8,449, 2024 = 12,536 and 2025 = 7,545. Source: Data on statutory audits of non-PIE audit firms. Note: The data for 2025 have been updated to mid-September.

Audit firms must take responsibility for combating financial crime. Audited companies can try to use audit firms to mask investment fraud, money laundering and/or tax fraud by having financial statements wrongly approved and receiving advice on circumventing supervision. If audit firms cooperate in this, there will be negative consequences for confidence in the accountancy sector and the financial sector as a whole. That is why it is important that they fulfil their gatekeeper role properly, for example by identifying fraud and other risks and/or reporting unusual transactions.

65 'https://www.afm.nl/nl-nl/sector/actueel/2025/jan/pb-rapport-frauderisicos', AFM, January 2025.
66 'https://www.afm.nl/nl-nl/sector/actueel/2025/jun/pb-pcaob', AFM, June 2025.
67 'https://www.afm.nl/en/sector/actueel/2024/december/sb-brief-verwachtingen-rondom-examenfraude', AFM, December 2024.
68 'https://fd.nl/opinie/1559563/scherp-en-tijdig-optreden-in-kwetsbaar-systeem', Van Beusekom & Van den Bergh, FD, June 2025.

Risk Map for **Accountancy and reporting**

The risk maps describe risks that may arise or accelerate as a result of the above trends and developments.

Risk assessment
Risk magnitude
- High
- Raised
- Very high

Probability of materialisation in the next two years
- ↗ Increase
- → Remain the same
- ↘ Decrease

Keyword	Specific risk	Risk drivers	Importance
Root cause analyses	Audit firms do too little root cause analysis. As a result, they miss opportunities to learn what is going well and what can be improved in statutory audits, and targeted quality measures are not taken.	• Laws and regulations • Integrity and criminal behaviour	→
Private equity	The explicit growth and return ambitions of private equity parties put increased commercial pressure on the audit firms they finance, which may compromise the quality of statutory audits.	• Laws and regulations • Macroeconomic developments	↗
Technology	Statutory auditors rely too much on technology without critically assessing the security, operation and outcomes of the tools and ensuring their correct creation. This may put pressure on the quality of statutory audits.	• Digitalisation • Integrity and criminal behaviour	→
Sustainability	The CSRD has not yet been implemented in legislation in the Netherlands, unlike many other countries, and may look different because of the proposals in the Omnibus package. As a result, there remains considerable uncertainty for the market and less sustainability information may become available to stakeholders.	• Preservation • Laws and regulations	↗
Continuity	Geopolitical developments may increase uncertainty for the future financial position of companies. Statutory auditors may then erroneously fail to include an explanatory paragraph in the auditor's report indicating a material uncertainty about the going concern assumption, as a result of which the users of reports miss out on important information.	• Internationalisation • Geopolitics • Laws and regulations	→
Fraud	Statutory auditors miss obvious fraud risks and/or do not follow up on identified fraud risks when performing statutory audits, as a result of which they fall short in their gatekeeper role in identifying fraud.	• Laws and regulations • Integrity and criminal behaviour	→
Integrity risks	Integrity incidents at multiple audit firms, such as exam fraud, may undermine confidence in statutory audits.	• Integrity and criminal behaviour	→