



IIA Netherlands Regulations Concerning External Quality Assessment of Internal Audit Functions

Adopted at the General Membership Meeting of IIA Netherlands of May 16, 2019.

Chapter I Definitions

Article 1

1. These regulations apply to all members of IIA Netherlands who are employed as internal auditors.
2. The following terms have the following meaning for the application of these regulations and the provisions based thereon:
 - IIA Netherlands the Institute of Internal Auditors Netherlands association;
 - Board: the Board of IIA Netherlands;
 - Quality Assessments Supervisory Authority: the Quality Assessments Supervisory Authority monitoring the external quality assessments;
 - organization: each organization acting as an independent unit in society where work is performed pursuant to employment agreements or pursuant to appointments under public law;
 - Internal Audit Function (hereinafter: IAF): the independent, objective function that provides certainty and performs consultancy assignments, to provide added value and improve the operational activities of the organization. If the IAF has been outsourced to a service provider, in full or in part, such service provider is also considered an IAF for the purpose of these regulations;
 - internal auditor: a person, member of IIA Netherlands, working at an IAF;
 - Chief Audit Executive (hereinafter CAE): the person ultimately responsible for the IAF;
 - quality control system: the measures taken and procedures introduced by the IAF that must guarantee the quality of the work of the internal auditors working at the IAF;
 - party performing the assessment or assessors: a party that, taking into account the conditions laid down in these regulations, may perform external quality assessments;
 - engagement leader: the person in the assessing party who is responsible for the overall quality of the external quality assessment, for the performance thereof and for the conclusion that is drawn on behalf of the party performing the assessment. If the assessing party forms its opinion by means of a committee or collegial body, the relevant members are also considered as being the engagement leaders;
 - engagement team: all persons who execute the assessment as well as external persons hired to do work for the assessment;
 - external quality assessment (hereinafter quality assessment): the assessment of the quality of the professional conduct at the IAF, by assessors not affiliated with the IAF, on the basis of generally accepted professional conduct standards;
 - stakeholders: persons, bodies or organizations involved in the IAF on account of their position. Internal stakeholders may include the Management Board, the Supervisory Board (and the audit committee). External stakeholders may include supervisors (such as the Netherlands Authority for the Financial Markets and De Nederlandsche Bank) and the external accountant;
 - regulations: The IIA Netherlands regulations concerning external quality assessment of internal audit functions.

Chapter II General provisions external quality assessment

Article 2

1. In order to assess the quality of the professional conduct of an internal auditor, IAFs are periodically subjected to an external quality assessment.



2. The quality assessment verifies whether or not the internal quality control system conforms with the standards referred to in article 3, as far as the structure and functioning is concerned.
3. The internal auditor must cooperate in the quality assessment of the quality control system of the IAF for which he works.
4. On the basis of the IIA Netherlands regulations concerning external quality assessment of internal audit functions the Quality Assessments Supervisory Authority monitors compliance with the regulations on behalf of IIA Netherlands.
5. On the recommendation of the Quality Assessments Supervisory Authority the Board may adopt additional requirements regarding the matters regulated in these regulations. Additional requirements will be communicated to the members of IIA Netherlands by publication on the IIA Netherlands website.

Article 3

1. The CAE ensures that the IAF has a quality control system that conforms with the IIA Netherlands system of standards.
2. The general membership meeting of IIA Netherlands, as referred to in article 9 of the articles of IIA Netherlands, adopts the system of standards on the recommendation of the Board and the Quality Assessments Supervisory Authority. The system of standards will be communicated to the members by publication on the IIA Netherlands website.
3. The standards referred to in the second paragraph are defined in the International Professional Practices Framework (IPPF) of The IIA Institute of Internal Auditors Inc. In the quality assessment, the mandatory parts of the IPPF, i.e. The Code of Ethics and the Standards, are considered as the system of standards.
4. The strongly recommended parts of the IPPF, i.e. IIA's Core Principles, Definition of Internal Auditing, Implementation Guidance, and Supplemental Guidance, are included as being 'good practices'.
5. Where applicable, the NBA and NOREA rules will be added to the system of standards to be assessed.
6. Additional relevant standards may be included in the quality assessment in consultation with the CAE.
7. The agreed system of standards will be recorded in a confirmation of the assignment.

Article 4

1. The IAF is assessed as a single entity. If the organization includes entities with decentralized IAFs that fall under the responsibility of the CAE, these will also be included in the quality assessment.
2. As regards a decentralized IAF in the Netherlands that is part of a foreign organization and is subject to a quality assessment abroad, it is sufficient for the head of the IAF in the Netherlands to allow the Quality Assessments Supervisory Authority to inspect the report of such quality assessment, so that it can take note of the scope, the frequency and the results of the quality assessments performed abroad. The Quality Assessments Supervisory Authority will investigate whether or not the IAF in the Netherlands was included in the scope of the quality assessment and whether or not the IAF's compliance with the IIA Netherlands system of standards in the Netherlands was verified.
3. The quality assessment referred not paragraph 2 of this article may not replace the quality assessments on the basis of the NBA and NOREA systems of standards as referred to in article 14.
4. In performing the quality assessment, the specific scope of the IAF's work will be taken into account.



Chapter III Quality Assessments Supervisory Authority

Article 5

1. The Quality Assessments Supervisory Authority is charged with implementing these regulations.
2. The Board determines the number of members of the Quality Assessments Supervisory Authority and appoints these from among the members of IIA Netherlands. The members may not work for an organization that performs assessments.
3. The Board appoints a chairman from among the members of the Quality Assessments Supervisory Authority.
4. The members are appointed by the Board for a period of two years. Members may be reappointed two times, with a maximum term of office of six years. The members of the Quality Assessments Supervisory Authority will retire by rotation, as determined by the Board.
5. The Quality Assessments Supervisory Authority will receive administrative support from the IIA Office.
6. The members of the Quality Assessments Supervisory Authority will receive a travel and accommodation allowance for their work. Costs of required training and refresher courses will be reimbursed.

Article 6

The duties of the Quality Assessments Supervisory Authority are:

- ascertaining that all members of the IIA who are employed as internal auditors are assessed on the basis of the system of standards applicable to them, within the fixed period;
- making sure that parties performing the assessments meet the independence and expertise requirements, as specified in article 9 paragraph 1 and 2;
- managing an assessment calendar, so that, among other things, it can be ascertained that quality assessments do, in fact, take place;
- ascertaining that the reports from the organizations performing the assessments are structured logically and include information supporting the overall conclusion that refers to the applicable system of standards;
- making sure that a reassessment is performed in case of a 'does not comply' conclusion;
- informing the Board of members of the IIA who refuse to have a quality assessment performed within the set term or of IAFs with a 'does not comply' conclusion, even after a reassessment; and
- publishing the status of the external assessments of all IAFs qualifying therefore on the IIA Netherlands website.

Article 7

1. The Quality Assessments Supervisory Authority is authorized to contact the members in question of IIA Netherlands directly.
2. Should the IIA Office so demand, the CAE will provide, on behalf of the Quality Assessments Supervisory Authority, information about the scope, the nature of the work, the present experts (in particular CIA, RA, AA, RE and RO) and the number of members of IIA Netherlands at the IAF and when the last external quality assessment took place and which party performed it. The CAE must provide this information within four weeks of receipt of the request.
3. The Quality Assessments Supervisory Authority annually selects the IAFs that qualify for a quality assessment on the basis of the selection criteria set by the Board, subject to the provisions in article 8. The internal auditors falling under the scope of the regulations will be notified of the criteria by the Board.
4. The Quality Assessments Supervisory Authority will inform the selected IAF that it is up for assessment. This will preferably take place at such time so that the fixed assessment costs can be included in the annual budget of the organization.
5. The selected IAF can choose between a number of parties that can perform this assessment and will bear the assessment costs itself.



6. The CAE informs the Quality Assessments Supervisory Authority, within three months of the notice referred to in paragraph 3, of which party will perform the quality assessment.
7. The CAE ensures that the party performing the assessment acknowledges in writing that the performed assessment work can be subjected to a quality review by the Quality Assessments Supervisory Authority and the record of this work will, on demand, be provided to the Quality Assessments Supervisory Authority without delay and without reservation.
8. The Quality Assessments Supervisory Authority may wish to contact the party performing the assessment in response to received reports on performed quality assessments. The CAE of the organisation that was assessed will be informed of this intention by the Quality Assessments Supervisory Authority.
9. The Quality Assessments Supervisory Authority can give general instructions to the assessors to improve the quality of the assessments and the uniformity of the conclusions drawn in the assessments performed.

Chapter IV Provisions external quality assessment

Article 8

1. All IAFs with members of IIA Netherlands will be subjected to a quality assessment once per period of 5 years, subject to the proviso that this period may be reduced by a period to be determined by the Quality Assessments Supervisory Authority in case the overall conclusion for the most recent quality assessment is as stated in article 11 paragraph 1 under b and c. Other special circumstances may also be cause for a shorter period.
2. The Quality Assessments Supervisory Authority is authorized to grant a one-time postponement for an individual quality assessment for a period of one year.

Article 9

1. The CAE must convince himself that the engagement leader and the engagement team of the assessing party jointly have the appropriate competences and capacities to execute the assessment in accordance with the professional standards and enable a conclusion that is appropriate in the given circumstances. To achieve this, the CAE determines that the engagement leader has or has had practical experience as a CAE or at an equivalent level and is sufficiently involved to be able to evaluate the findings of the engagement team. The CAE considers that the engagement leader and the engagement team have insight in and practical experience with external quality assessments, obtained by means of appropriate training and participation, at least have management experience, are CIA qualified and have insight into IPPF standards, have knowledge of the relevant industry in which the IAF operates, and are subject to a system of quality control. For quality assessments to the NBA and NOREA systems of standards additional requirements are in place.
2. The CAE must ensure that:
 - a. the party performing the assessment is sufficiently independent from the IAF, and/or
 - b. the party performing the assessment does not have conflicting interests as a result of involvement in the current and the previous two calendar years in:
 - the audit of the annual accounts of the organization;
 - the support of the IAF, and/or
 - recommendations given to the organisation concerning relevant areas such as internal control, governance, risk management and/or compliance.

In the situations listed under b., or in case of other, perceived conflicting interests, the CAE must ensure that measures have been taken to guarantee the independence of the party performing the assessment. these measures must be explicitly in the engagement letter.
3. The CAE safeguards that in accordance with article 9, paragraphs 1 and 2, in an appendix to the quality assessment report, the relevant experience, competences and capacities and composition of the engagement team, the time spent and the lead time of the assessment and the confirmation of the assessing party of its independence of the IAF are set out.
4. After completion of the quality assessment and regardless of the final result, the CAE will ensure that the Quality Assessments Supervisory Authority receives the full report of the quality



assessment, including the conclusions of the investigation and the overall conclusion on the compliance with the system of standards, as referred to in article 3 and the appendix as referred to in article 9, paragraph 3, within one month of completion of the quality assessment.

5. If the conclusion of the party performing the assessment is that the IAF partially conforms, or does not conform with the system of standards, an improvement plan must be drawn up under the responsibility of the CAE. A reassessment must take place following the implementation of the improvement plan. The report on the reassessment will also be made available to the Quality Assessments Supervisory Authority in accordance with paragraph 4.

Article 10

1. The CAE will provide the assessors with all the information they consider necessary for the performance of their work.
2. A duty of confidentiality applies to the parties performing assessments, members of the Quality Assessments Supervisory Authority, and involved IIA Board members and staff members, who are involved in the implementation of these regulations and who, in the process, take note of facts or circumstances which they know or should reasonably assume to be of a confidential nature. Confidential information acquired in connection with the quality assessment may not be made use of more and in a different manner than required by or pursuant to these regulations.
3. All parties involved as referred to in paragraph 2 must sign a standard non-disclosure agreement one time, prior to the start of their work.
4. The retention period of the quality assessment records is 7 years.

Article 11

1. The overall conclusion of a quality assessment pertains to the mandatory component of the International Professional Practices Framework and can be one of the following:
 - a. the internal quality control system generally conforms with the system of standards of IIA Netherlands, as referred to in article 3 of these regulations;
 - b. the internal quality control system partially conforms with the system of standards of IIA Netherlands, as referred to in article 3 of these regulations;
 - c. the internal quality control system does not conform with the system of standards of IIA Netherlands, as referred to in article 3 of these regulations;
2. The overall conclusion as described in paragraph 1 is accompanied by recommendations or instructions for improvement measures, where applicable.
3. The CAE will make the assessment report with overall conclusion known to the Management Board and the audit committee (or comparable bodies) of the organization, including improvement plan if applicable.

Article 12

1. If the overall conclusion is the conclusion as described in article 11 paragraph 1 b, the IAF must ensure that the quality control system of the IAF conforms with the standards as referred to in article 3 within 12 months, confirmed by a reassessment based on the observed points for improvement.
2. If the overall conclusion is the conclusion as described in article 11 paragraph 1 c, the IAF must ensure that the quality control system of the IAF conforms with the standards as referred to in article 3 within 12 months, confirmed by a reassessment.
3. The CAE will report the overall conclusion of the reassessment to the Quality Assessments Supervisory Authority, as well as the NBA and NOREA professional associations, if applicable.
4. If the reassessment results in the conclusion that the IAF still does not comply with the system of standards, the Quality Assessments Supervisory Authority will provide the assessment report to the Board in order to make further decisions.



5. In response to the overall conclusion the Board may decide to terminate the membership of the CAE or to institute disciplinary proceedings against the responsible CAE. The Board will inform the Quality Assessments Supervisory Authority of the measures taken.

Article 13

1. The Quality Assessments Supervisory Authority will take note of the results of the quality assessment and/or the reassessment, which may require further analysis. The scope and depth of such further analysis depends on the specific situation, but will in any case include an analysis of the assessment report, possibly supplemented by an interview with the party performing the assessment and, where necessary, a review of (parts of) the assessment record.
2. The Quality Assessments Supervisory Authority will report the analysis results to the CAE.
3. If the Quality Assessments Supervisory Authority is of the opinion that the party performing the assessment did not perform it properly, the IIA Board will be informed of this and act as it sees fit. The Board will inform the Quality Assessments Supervisory Authority of the measures it has taken.

Chapter V Other provisions

Article 14

1. IIA Netherlands has been accredited by the NBA and NOREA to perform the quality assessments, as described in the regulations of the NBA and NOREA, in respect of IAFs with IIA Netherlands members who have the title RA, AA and/or RE.
2. The CAE of an IAF with IIA Netherlands members who hold the title RA, AA and/or RE is responsible for compliance with the regulations of the NBA and NOREA, including the periodic assessment of compliance with the NBA and NOREA systems of standards. If the CAE decides to have the assessment on the basis of the standards specified in article 3 performed by an assessing party other than IIA Netherlands, IIA Netherlands may, in conformity with the acquired accreditation, if applicable, carry out a separate investigation at the relevant assessing party into compliance with the NBA and NOREA systems of standards.
3. On behalf of the IIA Netherlands Board, the Quality Assessments Supervisory Authority periodically informs the NBA Board and/or the NOREA Board of IAFs where IIA Netherlands has members who hold the title RA, AA and/or RE, where an external quality assessment has been performed with or without a quality assessment as described in the NBA and NOREA regulations.

Article 15

1. The Quality Assessments Supervisory Authority is accountable to the Board. The Quality Assessments Supervisory Authority will present a report on its work to the Board at least once a year, including a summary of the overall conclusions of the assessments performed in the last year. The summary will state which assessments were performed by which parties.
2. The Quality Assessments Supervisory Authority will meet at least once per quarter, in the presence of a delegated IIA Board member and IIA Office for assistance purposes.
3. Each year, the Board, after having received the report referred to in the first paragraph, will present an anonymized report to the members of IIA Netherlands on the work of the Quality Assessments Supervisory Authority and the results of the assessments performed by the parties.

Article 16

1. Any complaints with regard to the implementation of the regulations must be submitted to the Board in writing and must include an explanation of the reason for the complaint. The complaint must specifically refer to elements in the regulations to which the complaint relates.



2. The Board will give the complainant written notice of receipt of the complaint, will inform the complainee, and will assess the admissibility of the complaint. Based on this, the Board can decide to declare the complaint inadmissible, to conduct a further preliminary investigation before handling the complaint, or to handle the complaint.
3. In case of an admissible complaint, the Board will further investigate the complaint, hear the parties involved, and reach a decision and communicate this within a reasonable period. Depending on the nature of the complaint, the Board can delegate the handling of the complaint to the Quality Assessments Supervisory Authority.
4. In addition to the option to submit complaints to the Board, each stakeholder can submit a complaint to the Disciplinary Board of IIA Netherlands, which is charged with handling complaints against members of IIA Netherlands in accordance with the Regulations on Disciplinary Proceedings for members of IIA Netherlands.

Article 17

The general membership meeting of IIA Netherlands is, as referred to in article 9 of the articles of IIA Netherlands, authorized to adopt the regulations and additional requirements regarding the matters regulated in these regulations on the recommendation of the Board and the Quality Assessments Supervisory Authority.

Article 18

These regulations take effect on May 16, 2019.