



IIA Netherlands regulations concerning external quality assessment of internal audit functions

Adopted at the General Membership Meeting of IIA Netherlands of December 10, 2018.

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 Assessment Board: the external assessments Quality Assessment Board;
 - 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;
 - assessing party or assessors: a party that, taking into account the conditions laid down in these regulations, may perform external quality assessments;
 - 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 complies 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 Assessment Board monitors compliance with the regulations on behalf of IIA Netherlands.



5. On the recommendation of the Quality Assessment Board the Board may adopt further rules regarding the matters regulated in these regulations. Further rules 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 complies 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 Assessment Board. 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. The mandatory components of the IPPF (IIA's Core Principles, Definition of Internal Auditing, Code of Ethics and Standards) are considered the system of standards for quality assessments.
4. The strongly recommended components of the IPPF (Implementation Guidance, and Supplemental Guidance) are taken into account, as '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 Assessment Board 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 Assessment Board 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 Assessment Board

Article 5

1. The Quality Assessment Board is charged with implementing these regulations.
2. The Board determines the number of members of the Quality Assessment Board and appoints these from among the members of IIA Netherlands. The members may not work for an assessing party.
3. The Board appoints a chairman from among the members of the Quality Assessment Board.
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 Assessment Board will retire by rotation, as determined by the Board.
5. The Quality Assessment Board will receive administrative support from the IIA Office.



6. The members of the Quality Assessment Board 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 Assessment Board 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 assessing parties 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 final verdict that refers to the applicable system of standards;
- making sure that a reassessment is performed in case of a 'does not comply' verdict;
- informing the Board of members of the IIA who refuse to have a quality assessment performed within the set period or of IAFs with a 'does not comply' verdict, even after a reassessment; and
- publishing the status of the external quality assessments of all IAFs qualifying therefore on the IIA Netherlands website.

Article 7

1. The Quality Assessment Board 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 Assessment Board, 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 Assessment Board 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 Assessment Board 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 Assessment Board, within four weeks of the notice referred to in paragraph 3, of which party will perform the quality assessment.
7. The CAE ensures that the assessing party acknowledges in writing that the performed assessment work can be subjected to a quality review by the Quality Assessment Board and will, on demand, be provided to the Quality Assessment Board without delay and without reservation.
8. The Quality Assessment Board may wish to contact the assessing party in response to received reports on performed quality assessments. The CAE of the organization that was assessed will be informed of this intention by the Quality Assessment Board.

Chapter IV Provisions for External Quality Assessment

Article 8

1. All IAFs with members of IIA Netherlands will be subjected to an external 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 Assessment Board in case the final verdict for the most recent



external quality assessment is as stated in article 11 paragraph 1 under b Other special circumstances may also be cause for a shorter period.

2. The Quality Assessment Board is authorized to grant a one-time postponement for an individual external quality assessment for a period of one year.

Article 9

1. The CAE must ensure that the assessing party has sufficient expertise. The CAE must ascertain that all assessors involved have the IIA qualified assessor certificate and qualify as an assessor under the aforementioned IPPF standards.
2. The CAE must ensure that:
 - a. the assessing party is sufficiently independent from the IAF, and/or
 - b. the assessing party 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 organization 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 assessing party. these measures must be explicitly included in the engagement letter.
3. The CAE will provide the Quality Assessment Board with the engagement letter containing the conditions in paragraph 1 and paragraph 2 prior to the quality assessment;
4. After completion of the quality assessment, the CAE will ensure that the Quality Assessment Board receives the full report of the quality assessment, including the conclusions of the investigation and the final verdict on the compliance with the system of standards, as referred to in article 3, within one month of completion of the quality assessment.
5. If the assessing party is of the opinion that the IAF does not comply 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 be made available to the Quality Assessment Board in conformity 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 assessing parties, members of the Quality Assessment Board, 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 final verdict 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 complies with the system of standards of IIA Netherlands, as referred to in article 3 of these regulations;
 - b. the internal quality control system does not comply with the system of standards of IIA Netherlands, as referred to in article 3 of these regulations;
2. The final verdict 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 final verdict 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 final verdict is the verdict as described in article 11 paragraph 1 b, the IAF must make sure that the quality control system of the IAF complies with the standards as referred to in article 3 within 6 months, confirmed by a reassessment.
2. The CAE will report the final verdict of the reassessment to the Quality Assessment Board, as well as the NBA and NOREA professional associations, if applicable.
3. If the reassessment results in the conclusion that the IAF still does not comply with the system of standards, the Quality Assessment Board will provide the assessment report to the Board in order to make further decisions.
4. In response to the final verdict 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 Assessment Board of the measures taken.

Article 13

1. The Quality Assessment Board 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 assessing party and, where necessary, a review of (parts of) the assessment record.
2. The Quality Assessment Board will report the analysis results to the CAE.
3. If the Quality Assessment Board is of the opinion that the assessing party did not perform the assessment properly, the IIA Board will be informed of this and act as it sees fit. The Board will inform the Quality Assessment Board 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. 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, in conformity with the acquired accreditation, can, if applicable, carry out a separate investigation of the compliance with the NBA and NOREA systems of standards.

Article 15

1. The Quality Assessment Board is accountable to the Board. The Quality Assessment Board will present a report on its work to the Board at least once a year, including a summary of the final verdicts of the external quality assessments performed in the past year. The summary will state which assessments were performed by which assessing parties.
2. The Quality Assessment Board 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 Assessment Board 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 complainant, 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 Assessment Board.
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 further rules regarding the matters regulated in these regulations on the recommendation of the Board and the Quality Assessment Board.

Article 18

These regulations take effect on January 1, 2019.