

IIA Netherlands Regulations Concerning External Quality Assessment of Internal Audit Functions

Adopted at the General Membership Meeting IIA Netherlands on May 13, 2024.

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:
 - Assessing entity or assessor: A party that, taking into account the conditions laid down in these regulations, may perform external quality assessments.
 - Board: The board of IIA Netherlands.
 - Chief Audit Executive (CAE): A person who is a member of IIA Netherlands and is ultimately responsible for the IAF and with that for the compliance with this regulation.
 - Engagement team: All persons who execute the assessment including external persons hired to do work for the assessment
 - External quality assessment (hereafter: 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. The obligation to have an external quality assessment carried out applies regardless of the size of the IAF.
 - IIA Netherlands: The Institute of Internal Auditors Netherlands.
 - Internal Audit Function (IAF): The independent, objective function, established in the Netherlands, providing assurance and advisory services to add value and improve the operations 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 employed by an IAF in the Netherlands.
 - 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
 - Quality Assessments Supervisory Authority: The Quality Assessments Supervisory Authority monitoring external quality assessments (hereafter: TKT).
 - Quality control system: The measures and procedures established by the IAF to ensure the quality of the work of internal auditors employed by the IAF.
 - Regulations: The IIA Netherlands regulation for external quality assessments of internal audit functions.
 - 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
 - Standards Framework ('IIA Standards'): The international professional practice framework of internal auditors (IPPF) of the IIA is the basis for quality assessment of IIA members. The assessment is carried out against the Code of Conduct and International Standards for the Professional Practice of Internal Auditing included therein. As of 9 January 2025, the new Global Internal Auditing Standards (GIAS) will apply instead of the International Standards for the Professional Practice of Internal Auditing.
 - Ultimately responsible: 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 ultimately responsible;

Chapter II General Provisions for 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 will assess whether the internal quality control system, in both design and operation, complies with the standards defined in Article 3.
3. Based on the regulation for external quality assessment of internal audit functions, the TKT monitors compliance with the regulation on behalf of IIA Netherlands.
4. The board may, upon recommendation from the TKT, establish additional guidelines regarding topics covered by this regulation. Additional guidelines 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 standards framework of IIA Netherlands.
2. The General Assembly of IIA Netherlands, as referred to in Article 9 of the articles (Statuut) of IIA Netherlands, establishes the framework upon recommendation from the board. The framework is communicated to members on the IIA Netherlands website.
3. The standards mentioned in section 2 are defined in the IPPF (International Professional Practices Framework) of The IIA Institute of Internal Auditors Inc. The Code of Ethics and applicable standards from the IPPF serve as the framework for the external quality assessment.
4. Additional relevant standards may be considered in the quality assessment after consultation between the assessing entity and the CAE. These standards, however, are not part of the judgment as described in Article 11.
5. The agreed-upon framework is documented in an engagement letter between the CAE and the assessing entity.

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. For a decentralized IAF in the Netherlands that is part of a foreign organization and has been subjected to a quality assessment there, the head of the IAF in the Netherlands can suffice by providing the TKT with access to the report of this quality assessment, so that it can take note of the scope, the frequency and the results of the quality assessments performed abroad. The TKT will then verify that the IAF in the Netherlands was included in the scope of the quality assessment and that it has been examined whether the IAF in the Netherlands, in design and operation, conforms with the IIA Netherlands framework as stated in Article 3.
3. In conducting the quality assessment, the specific scope of the IAF's activities is taken into account.

Chapter III Quality Assessments Supervisory Authority (TKT)

Article 5

1. The TKT is charged with implementing these regulations.
2. The board determines the number of TKT members and appoints them from among the members of IIA Netherlands. These members cannot be employed by an assessing entity.
3. The board appoints the chairman from the members of the TKT.
4. Members are appointed for a term of two years. Reappointment is possible twice, up to a maximum term of six years.
5. The TKT is administratively supported by the IIA Bureau.
6. Members of the TKT are reimbursed for travel and accommodation expenses. Necessary training and refresher courses costs are also reimbursed.

Article 6

The duties of the TKT include:

1. Ensuring that all IAFs subject to assessment according these regulations (specifically Article 8, paragraph 1 and 2) have been evaluated within the required time frame based on the applicable framework.
2. Confirming that the ultimately responsible people within the assessing parties meet the requirements for independence and expertise, as outlined in Article 9.
3. Managing the assessment schedule so that, among other things, it can be ascertained that quality assessments do, in fact, take place
4. Ensuring that the reports, as referred to in Article 11, are logically structured and substantiate the final judgment based on the applicable framework.
5. Monitoring that a re-assessment is conducted on time, if the judgment indicates "does not conform" or "partially conform" with the standards.
6. Informing the board about members of IIA Netherlands who have not submitted an assessment report within the set time frame or whose IAF still does not meet the standards after a re-assessment.
7. Publishing the positively assessed organizations on the IIA Netherlands website.

Article 7

1. The TKT is authorized to contact the relevant members of IIA Netherlands directly.
2. Upon request from the IIA Bureau, on behalf of the TKT, the CAE provides information about the scope, nature of activities, available expertise (specifically professional certifications such as CIA, RA, AA, RE, and RO), and when and by which assessing entity the most recent external quality assessment was conducted. The CAE must provide this information within four weeks of receiving the request.
3. Each year, the TKT determines which IAFs, based on the applicable IPPF and selection criteria established by the board, must be assessed in the following year, as stated in Article 8.
4. The TKT informs the selected IAFs by October of the year preceding the year in which the assessment must be completed.
5. The selected IAF has the option to choose from multiple assessing entities that can perform the quality assessment and will bear the assessment costs itself.
6. The CAE informs the TKT as soon as possible after receiving the notification in paragraph 3 about which assessing entity will conduct the quality assessment.
7. The CAE ensures that the assessing entity acknowledges in writing that the work performed for the quality assessment may be subject to a quality review by the TKT, and that all relevant documentation will be made available to the TKT without reservation and upon request.
8. Following receipt of the reports of the completed quality assessments, the TKT may contact the responsible party for the assessment and may request access to the assessment file. This documentation must be provided to the TKT without reservation and upon request. The CAE of the assessed IAF will be informed by the TKT if necessary.
9. The TKT may issue general instructions to the assessing entities to improve the quality of the assessments and to ensure consistency in judgment. These general instructions will be discussed with the assessing entities and published on the IIA Netherlands website.

Chapter IV Provisions for External Quality Assessment

Article 8

1. All IAFs where a CAE (as defined in Article 1) is employed will undergo an external quality assessment once every five years. This term may be shortened by the TKT if the final judgment of the last quality assessment, as stated in Article 11, paragraph 2, was negative. Other special circumstances may also justify a shorter term.
2. The TKT may grant a one-time postponement of an external quality assessment, for a maximum period of one year.
3. If no quality assessment is conducted within the set term, the TKT will inform the board and provide advice on possible actions or sanctions. The board will decide based on this advice and inform the TKT accordingly.

Article 9

1. Qualified assessing parties are listed on the IIA Netherlands website. At the request of IIA Netherlands, the TKT determines in advance¹ whether the ultimate responsible persons of the assessing parties have the appropriate competencies and capacities to conduct the quality assessment in accordance with professional standards and to make a judgment that is appropriate under the given circumstances. For this purpose, the TKT establishes that a responsible person of the assessing party:
 - Has practical experience as a CAE or at an equivalent level; and
 - Is sufficiently involved to assess the findings of the assessment team.

The TKT considers whether the responsible person of the assessing party:

- Has insight into and practical experience with external quality assessments, obtained through appropriate training (the "Quality Assurance Review" course by IIA Netherlands) and participation in quality assessments;
- Has insight into the IPPF and the standards included therein (such as CIA); and
- Is subject to a quality control system.

It is the responsibility of the ultimate responsible person:

- To ensure that at least one member of the assessment team holds the CIA qualification;
- To assess to what extent they (in combination with the assessment team) have sufficient knowledge of the industry in which the IAF operates; and

¹ The TKT will set up a procedure to enable this assessment in advance.

- To monitor the expertise of the assessment team. Members of the assessment team who have a judgmental role must have at least followed the "Quality Assurance Review" course by the IIA.
- 2. The CAE must ensure that the assessing party is listed on the IIA Netherlands website.
- 3. The CAE must ensure that:
 - a. The assessing party is independent of the IAF.
 - b. The assessing party does not face any threats to integrity and objectivity in accepting and performing the assignment.
 - c. The assessing party has no conflicting interests due to involvement in the current and past calendar year in:
 - The audit of the organization's financial statements;
 - Supporting the IAF; and
 - Providing advice to the organization on relevant areas such as internal audit, internal control, governance, risk management, and/or compliance.

In the situations mentioned under c, or in the case of other apparent conflicting interests, the CAE must ensure that measures are taken to safeguard the objectivity of the assessing party. These measures must be explicitly included in the engagement letter and the report.
- 4. After the completion of the quality assessment, regardless of the final outcome, the CAE ensures that the TKT receives the full report of the quality assessment within one month of its completion, including the conclusions of the investigation and the final judgment on compliance with the framework, as referred to in Article 3.
- 5. If the assessing party determines that the IAF partially or does not comply with the framework, an improvement plan must be drawn up under the responsibility of the CAE. After its implementation, a reassessment must take place. The report on the reassessment is also made available to the TKT 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 TKT, 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. In addition to paragraph 2, information obtained from the quality assessment may be used for IIA purposes². Then the results will be reported anonymous and aggregated (so that it is not possible to trace back to the sector, organizations and assessors) by the IIA for research purposes.
4. 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. The retention period of the quality assessment records is 7 years.

Article 11

1. The quality assessment results in a report. This report can be read independently and is accompanied by an overall conclusion.
2. 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;
3. The final judgment as described in paragraph 2 is accompanied by recommendations or instructions for improvement measures, where applicable.
4. 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.

² The members of the IIA are supported in professional matters. This mainly concerns the development and maintenance of standards for professional practice and expertise requirements. The IIA conducts research within the professional field and publishes study reports for the benefit of the members.

Article 12

1. If the overall conclusion is the conclusion as described in Article 11 paragraph 2b, 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 1c, 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 TKT if applicable.
4. If the reassessment results in the conclusion that the IAF still does not conform with the system of standards, the TKT will inform the board about this and advise on the possible action and/or sanction. The board decides on the basis of the advice of the TKT and will inform the TKT about this.
5. The board can decide on the basis of the overall conclusion to terminate the membership of the CAE or to initiate disciplinary proceedings against the responsible CAE. The board informs the TKT about the measures it has taken.

Article 13

1. The TKT 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 TKT will report the analysis results to the CAE.
3. If the TKT is of the opinion that the party performing the assessment did not perform it properly, the IIA board will be informed and advised. The board will inform the TKT of the measures it has taken.

Chapter V Other Provisions

Article 14

1. TKT is accountable to the Board. TKT 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 TKT meets on a regular basis and at least once every quarter, in the presence of a delegated IIA board member and IIA Office for administrative support.
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 TKT and the results of the assessments performed by the parties.

Article 15

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 TKT.
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 16

The general membership meeting of IIA Netherlands is, as referred to in Article 9 of the articles (Statuut) 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 TKT.

Article 17

These regulations takes effect on May 13, 2024.