

IAASB
Attn. Mr. Thomas Seidenstein, Chairman
529 fifth Avenue, 6th Floor
10017 New York
USA

Date	Re	Our ref	Attachment
5 juli 2019 (extended deadline)	ED for Quality Management Covering EM	KvH	1

Direct dial nr
020-3010302

Dear Mr. Seidenstein,

The NBA appreciates the opportunity to share our views and provide input on the *Quality Management Standards*.

Introduction and General Comments

We will start our input with our general comments which relate to all the four exposure drafts and afterwards we will provide our responses to the IAASB's specific questions as mentioned in the Covering Explanatory Memorandum.

This project is a good initiative. It is positive that the IAASB pays attention to this important topic. In the Netherlands, based on the ITC we have already incorporated the pro-active quality management approach into our Dutch regulation for engagements not covered under the EU regulation for statutory audits. Therefore we would like to share our lessons learned with the IAASB. We have added a translation of our standard as an appendix.

Our general comments

- 1 In general a quality management system as proposed is scalable, because it should be tailor made. At the same time, there are a lot of detailed required quality objectives and responses in ISQM 1. We recommend considering a "think simple first approach" by having less requirements for sole practitioners and 'micro' firms ("light version").

As mentioned in our letter on ISQM 1 we have some ideas how to improve the standard that we are willing to discuss with the taskforce in more detail if that would be helpful.

- 2 In our opinion a quality management system should be only applicable to firms where there is something to manage. We do not believe that such a system is effective in a firm where for instance a sole practitioner is involved with all engagements. He either takes care of quality on an engagement basis or he doesn't. Therefore we suggest clear exceptions from most of the requirements for 'micro' firms. In the Netherlands we already have experience with a "light version" for firms with a maximum of 7 persons (2 engagement partners and 5 other staff). For them only a few high level requirements are applicable.

- 3 It may be difficult to determine when a quality management system provides “Reasonable assurance” as mentioned in the objective of ISQM 1. We wonder whether there are two possible ways to define reasonable assurance. Is the objective in ISQM1 meant to be primarily process oriented, which recognizes that due to errors in the risk assessment process and new circumstances deficiencies might occur that need to be recognized by the monitoring system and should be solved within a reasonable period of time? Or is the process primarily outcome oriented and are deficiencies only acceptable when they have limited impact (acceptable low level)? We recommend to further clarify this..

Furthermore deficiencies cannot always be solved directly. Therefore the firm should be given a certain period of time to solve identified deficiencies. The standard should be clear what in general is seen as an acceptable period to solve deficiencies.

- 4 The various responsibilities between the firm, engagement partner, engagement quality reviewer, networks and service providers could be further clarified. The engagement partner is responsible for the opinion/conclusion for which he uses professional judgment. However, he is dependent on the support of the firm, the network and service providers to be able to do so. We recommend to make clear that networks and service providers can be very useful if their services are designed appropriately and operate effectively.

The firm is responsible for the system of quality management to enable the engagement partner taking responsibility for the engagement. As such the firm requires engagement quality reviews for certain engagements and this is a quality measure to achieve reasonable assurance at firm level. Although the need for a review is set at firm level, the engagement quality reviews are performed at the engagement level and as such are also an important quality measure at an individual engagement. Although the report for an audit may not be provided before the approval of the reviewer, the responsibility of the engagement partner is not reduced by the engagement quality reviewer. We recommend to make this more clear.

- 5 Finally, we recommend to further clarify the responsibilities of an engagement quality reviewer in a complex group audit where many component auditors are involved.

Overall questions

1) Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board? If not, what is an appropriate implementation period?

We endorse the need for a revised standard. To achieve the effect that is necessary it is important that networks have enough time to work on network wide systems and that local firms go to a thorough process of setting quality objectives, risks and responses, while evaluating whether they can rely on systems developed by networks or (local) service providers where applicable. Therefore we think that an implementation period of 18 months might not always be sufficient. Even in the Netherlands where we have already proactively implemented the quality management approach for other engagements than statutory audits, firms will need sufficient time to adapt their organization and systems for the implementation of these standards, especially when they operate in a network. Furthermore, firms (and sole practitioners) in the Netherlands providing statutory audits will have to take other (national and European) laws and regulations relating to quality management into account as well and need to consider the differences with these proposals and the effect thereof on their quality systems already in place. They will need a transition plan and the effective operation of the revised system will take more time than the design thereof. Therefore we recommend to extend the implementation period for firms who need this extension, for instance with a period of 6 to 12 months.

At the same time we feel that networks and firms have a moral obligation in the public interest to implement QMA's as soon as realistically possible and therefore the IAASB should encourage firms to implement a QMA as soon as possible. We are not worried about a

phased approach with regards to early adoption as long as firms meet the final implementation date for their whole system.

2) *In order to support implementation of the standards in accordance with the IAASB's proposed effective date, what implementation materials would be most helpful, in particular for SMPs?*

The Standards itself should be clear. Then not much guidance will be necessary. The Standards are very detailed. We recommend considering whether they could be described on a higher level and more principles based, especially for sole practitioners and 'micro' firms. We further consider the FAQ to be useful. However, we do not consider the example of scalability regarding independence requirements very useful. This seems quite obvious and a lot of attention is being given to ethical requirements. We consider an example for SMP's on how to apply other components such as monitoring and remediation in practice to be more useful. Ultimately, the figures presented in the various explanatory memoranda, especially in ISQM 1 are also helpful. These can be presented in the standards or as an appendix to the standards.

General questions

(a) *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposals, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

N/A

(b) *Public Sector*—The IAASB welcomes input from public sector auditors on how the proposed standards affect engagements in the public sector, particularly regarding whether there are potential concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.

Within the public sector there should be the possibility to incorporate the proposals into another organization wide quality system which fits into the structure of the public sector organizations.

(c) *Translations*—Recognizing that many respondents may intend to translate the final ISQMs and ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed standards.

We reiterate our general remark that long, complex sentences are difficult to translate. We recommend to use shorter sentences instead of these long sentences.

Closing Remarks

For further information, please contact Jan Thijs Drupsteen (j.th.drupsteen@nba.nl).

Yours sincerely,

NBA, the Netherlands Institute of Chartered Accountants,



Anton Dieleman,
Chair of the Dutch Assurance and Ethics Standards Board

NBA
NBA



Unofficial translation

Regulations for Quality management systems

27 June 2017

Koninklijke Nederlandse
Beroepsorganisatie
van Accountants



NBA

This document is a translation of the official Dutch version.
The Dutch version is leading when discussions take place how to interpret the document.

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NVKS – as approved by the Board Meeting on 8 November 2016

Regulations for Quality management systems (Nadere voorschriften kwaliteitssystemen (NVKS)), including reading guide

Regulations for Quality management systems										
The board of the “Nederlandse Beroepsorganisatie van Accountants” (NBA, Dutch professional body of professional accountants);										
Taking into consideration Article 24 of the <i>Verordening gedrags- en beroepsregels accountants</i> (Dutch Code of Ethics for Professional Accountants. Regulation with respect to Rules of Professional Conduct. (VGBA));										
Considering that Article 3 of the <i>Wet op het accountantsberoep</i> (Professional accountants Profession Act (Wab) requires the professional body to establish regulations to promote the proper conduct of the profession;										
Considering that the proper conduct of the profession is realised jointly by the individual professional accountant and the accountants unit, and that it is vital to establish a quality management system at the level of the accountants unit with the purpose of providing reasonable assurance that the persons involved in the conduct of an engagement or operations comply with the applicable laws and regulations;										
Has established the following regulations:										
Paragraph 1 General Provisions										
Article 1										
<p>These regulations define the following concepts as:</p> <ul style="list-style-type: none"> – a related services engagement: a related services engagement as referred to in the NV COS glossary of terms; – accountants department: unit within an organization in which an accountant conducts an NVKS engagement at the request of this organization; – accountants unit: accountants department or accountants practice; – accountants firm: organization in which an accountant conducts an NVKS engagement at the request of and external client; – accountants practice: accountants firm or accountants organization as referred to in Article 1, paragraph 1, part a of the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit Firms Supervision Act); – professional accountants report: written report by a professional accountant as part of an assurance engagement (including audits and review engagements) or a related services engagement; – assurance engagement: an assurance engagement as referred to in the NV COS glossary of terms; – audit firm: audit firm as referred to in Article 1, part c, of the Wta; – NV COS glossary of terms: glossary of terms included in the NV COS; – ultimately responsible professional accountant: professional accountant who is responsible for the performance of an assurance engagement or a related services engagement subject to the NV COS, and who signs the professional accountants report; 										

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<ul style="list-style-type: none"> – ultimately responsible professional: non-accountant at an accountants firm who is responsible for the performance of an engagement that is equivalent to an assurance engagement or a related services engagement subject to regulations other than the NV COS; – quality: degree to which quality standards are met; – quality ambition: the quality that the accountants unit pursues; – quality policy: policy in which the accountants unit's quality ambition is translated into quantifiable targets; – quality control decision maker: professional accountant responsible for the quality management system; – quality manager: person operationally responsible for the design, implementation and monitoring of the system of quality control; – quality management system: quality policy and system of quality control; – network: network as referred to in the NV COS glossary of terms; – NBA: <i>Nederlandse Beroepsorganisatie van Accountants</i> (NBA, Dutch professional body of professional accountants); – NV COS: <i>Nadere voorschriften controle- en overige standaarden</i> (Regulations audit- and other standards); – NKVS engagement: assurance engagement or related services engagement conducted by an ultimately responsible professional accountant subject to the NV COS, and equivalent engagements conducted by an ultimately responsible professional subject to regulations other than the NV COS; – engagement quality control reviewer; engagement quality control reviewers in accordance with in the NV COS glossary of terms; – engagement quality control; engagement quality control in accordance with in the NV COS glossary of terms; – engagement team: engagement team involved in the conduct of an NVKS engagement, in accordance with the NV COS glossary of terms; – reasonable assurance; high, but not absolute, level of assurance, as referred to in the NV COS glossary of terms; – system of quality control: a complete set of measures and procedures intended to realise the objectives stated in the quality policy in the accountants unit's work environment; – ViO: <i>Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten</i> (Code of Ethics for Professional Accountants, a regulation with respect to independence (ViO)); – VGBA: <i>Verordening gedrags- en beroepsregels accountants</i> (Dutch Code of for Professional Accountants); – Wab: <i>Wet op het accountantsberoep</i> (Professional Accountants Profession Act); – Wta: <i>Wet toezicht accountantsorganisaties</i>, (Audit Firms Supervision Act). 								
Article 2								
These regulations apply to the quality control aspects of NVKS engagements, with exception of statutory audits as referred to in Article 1, part p, of the Wta								
Paragraph 2 Quality control decision maker								
Article 3								
1. The function of quality control decision maker exists in every accountants unit.								
2. A quality control decision maker:								

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<p>a. is policy maker in the accountants unit; b. possesses knowledge and experience pertaining to quality management systems; c. possesses the necessary authorization and sufficient authority within the accountants unit to conduct the tasks of the quality control decision maker.</p> <p>3. In deviation from the second paragraph, part a, if none of the accountants within the accountants unit has been appointed as a policymaker, then another accountant is appointed as a quality control decision maker.</p>							
Article 4							
<p>1. The quality control decision maker is responsible for a quality management system that provides reasonable assurance that NVKS engagements are conducted in accordance with the applicable laws and regulations.</p> <p>2. The quality management system referred to in the first paragraph t includes the following elements: a. determining and documenting a quality policy that complies at least with the requirements stipulated in paragraphs 4 and 5 of these regulations; b. the periodic evaluation of the effectiveness of the quality policy; c. identification of risks that may threaten the realisation of the objectives stated in the quality policy; d. designing, implementing and documenting a system of quality control that meets the objectives of the quality policy and manages the risks as referred to in part c; e. making information accessible and informing the persons involved in the conduct of the engagement or operations regarding: 1°. the quality ambition; 2°. the quality policy; and 3°. the system of quality control; f. monitoring compliance with, and effectiveness of the system of quality control.</p> <p>3. The quality control decision maker may, without prejudice to his responsibility, call on the support of others with sufficient knowledge and experience to conduct the duties assigned to the quality control decision maker.</p> <p>4. The quality control decision maker may, without prejudice to his responsibility, appoint a quality manager for the operational duties described in the second paragraph, parts c up to and including f.</p> <p>5. A quality manager as referred to in the fourth paragraph possesses knowledge and experience pertaining to the system of quality control which includes at least: a. knowledge of the accountants unit and the types of engagements it conducts; b. knowledge and experience pertaining to risk analysis and quality control; c. skills necessary to convert the quality policy objectives into measures and procedures; d. communication and social skills needed to implement and monitor the system of quality control at an accountants unit.</p> <p>6. A quality control decision maker who does not appoint a quality manager possesses the knowledge and experience himself referred to in the fifth paragraph.</p> <p>7. The quality control decision maker ensures that the quality manager conducts his duties in accordance with these regulations.</p>							
Article 5							

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1. Before he accepts the position of quality control decision maker, he determines whether the accountants unit complies with the following preconditions:							
a. the accountants unit: 1°. has formulated a quality ambition; 2°. promotes an internal culture in which quality is an essential element of the conduct of an engagement and operations; 3°. only accepts clients for whom it has been determined that no available information would support the conclusion that the client do not have integrity; 4°. ensures that persons within and outside the accountants unit can communicate complaints and accusations regarding non-compliance with the quality management system, without endangering their legal status;							
b. inasmuch as such pertains to decisions directly or indirectly influencing the conduct of NVKS engagements, in an accountants firm that conducts assurance engagements by an ultimately responsible professional accountant subject to the NV COS, or equivalent engagements by an ultimately responsible professional subject to regulations other than the NV COS, the majority of the voting rights are held by: 1°. accountants practices; 2°. accountants firms; 3°. accountants or other natural persons in the possession of a declaration of professional competence, as referred to in article 54, first paragraph of the Wab.							
c. the day-to-day policy of an accountants firm that conducts assurance engagements by an ultimately responsible professional accountant subject to the NV COS, or equivalent engagements by an ultimately responsible professional subject to regulations other than the NV COS, is determined by a majority vote of: 1°. accountants practices; 2°. accountants firms; 3°. accountants or other natural persons in the possession of a declaration of professional competence, as referred to in article 54, first paragraph of the Wab.							
2. If the accountants firm's day-to-day policy as defined in the first paragraph, part c, is determined by two policymakers, then at least one of these policymakers complies with that requirement.							
3. If that the quality control decision maker determines that the accountants unit does not comply with the conditions, or no longer complies with the conditions, and that the accountants unit persists in non-compliance after notification by the quality control decision maker, then the quality control decision maker does not accept his position as defined in the first paragraph, or s resigns from his position and informs all ultimately responsible professional accountants and ultimately responsible professionals involved in the conduct of the engagement or operations of that fact.							
4. In exceptional circumstances, the board of the NBA may grant an exemption to the provisions of the first paragraph at request of the quality control decision maker, if the quality control decision maker can demonstrate that: a. none of the shareholders or other owners qualify as an accountants practice, audit firm, accountant or natural person as referred to in the first paragraph, part b, under 3°; b. the accountants firm devotes less than 10% of the annual revenue and less than 10% of the annual hours to assurance engagements or equivalent engagements as referred to in the first paragraph, part b; and							

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<p>c. other safeguards are present to ensure that accountants practices, audit firms, accountants or other natural persons referred to in the first paragraph, part b, under 3°, make the decisions that directly or indirectly influence the conduct of NVKS engagements. The exemption may be subject to conditions.</p> <p>5. The quality control decision maker who has been granted an exemption, and who knows or should know that a condition referred to in the fourth paragraph has not been complied with, or that actions have been taken in conflict with the exemption requirements, reports this to the board of the NBA within 6 weeks.</p> <p>6. An exemption as referred to in the fourth paragraph is no longer valid if the quality control decision maker does not report situations as referred to in the fifth paragraph.</p> <p>7. The board of the NBA may revoke an exemption as referred to in the fourth paragraph, or amend the conditions to which the exemption is subject to, if:</p> <ol style="list-style-type: none"> the quality control decision maker has submitted a report as referred to in the fifth paragraph; the quality control decision maker requests an amendment or revocation; the board of the NBA determines that a condition referred to in the fourth paragraph has not been complied with, or that actions have been taken in conflict with the exemption conditions. 										
Paragraph 3 Ultimately responsible professional accountant, ultimately responsible professional, and accountant										
Article 6										
An ultimately responsible professional accountant may only conduct NVKS engagements if the accountants unit has:										
<ol style="list-style-type: none"> appointed a quality control decision maker; established a quality policy; and established a system of quality control. 										
Article 7										
<ol style="list-style-type: none"> The quality control decision maker at an accountants firm appoints an ultimately responsible professional accountant to conduct engagements subject to regulations other than the NV COS which: <ol style="list-style-type: none"> are equivalent to assurance engagements or related services engagements; and do not pertain to financial information, unless: <ol style="list-style-type: none"> the conduct of these engagements has been allocated by or under law to the ultimately responsible professional's professional group; these engagements are conducted by an ultimately responsible professional who is a member of a professional body which is a full member of the International Federation of Accountants (IFAC). The quality control decision maker ensures that this ultimately responsible professional who is not a member of a professional body which is a full member of the International Federation of Accountants (IFAC), complies with the following requirements: <ol style="list-style-type: none"> he has successfully passed an accredited exam of a degree whose level corresponds to a completed university degree or equivalent level, as referred to in Article 6 of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Directives 78/660/EEC and 83/349/EEC of the Council, including the revocation of Directive 84/253/EEC of the Council; 										

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<ul style="list-style-type: none"> b. he has sufficient knowledge and experience of the profession and the regulations applicable to the engagements, as referred to in the first paragraph; c. he complies with the regulations for the proper conduct of the profession and of independence, where applicable: <ul style="list-style-type: none"> 1°. The VGBA and ViO; or 2°. codes of conduct and independence regulations that are at least as demanding as the VGBA and the ViO, where relevant; d. he is a member of a professional group which: <ul style="list-style-type: none"> 1°. tests the quality of the conduct of engagements; 2°. is subject to disciplinary law; 3°. prescribes continuing professional development. 										
3. The quality control decision maker ensures that an ultimately responsible professional announces which are of knowledge and experience are used in the conduct of an engagement referred to in the first paragraph, and which rules are applied.										
Article 8										
1. As a member of the engagement team, an accountant is only involved in the conduct of: <ul style="list-style-type: none"> a. an assurance engagement or related services engagement subject to the NV COS, if the engagement is conducted by an ultimately responsible accountant at an accountants unit. b. an engagement that is equivalent to an engagement as referred to in part a, and which is subject to regulations other than the NV COS, if the engagement is conducted by the ultimately responsible professional at an accountants firm. 										
2. An accountant is only involved in the operations of an accountants unit if he does not have information that indicates that: <ul style="list-style-type: none"> a. the accountants unit; or b. another part of the network located in the Netherlands; an engagement as referred to in the first paragraph is conducted by an ultimately responsible professional accountant or an ultimately responsible professional to .										
3. An accountant refrains from every action or failure which he knows or ought to know to be in conflict with these regulations.										
Paragraph 4 Quality management system Requirements										
Article 9										
1. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance regarding: <ul style="list-style-type: none"> a. sufficient persons with the required professional competence are available to conduct NVKS engagements at the accountants unit, in accordance with the applicable laws and regulations; b. inasmuch as their role in the accountants unit makes such relevant, persons involved in the conduct of an engagement or operations possess: <ul style="list-style-type: none"> 1°. current knowledge of the system of quality control; 2°. current knowledge of laws and regulations; and 3°. the skills needed to apply the knowledge referred to under 1° and 2°; 										

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<p>c. the duties and authorizations of the ultimately responsible professional accountant are documented.</p> <p>2. The quality control decision maker determines the disciplinary actions for categories of violations of the quality policy or system of quality control.</p> <p>3. If the accountants unit is not affiliated with a complaint or dispute committee, then the quality control decision maker establishes a complaint procedure for suspected violations of the quality policy or the system of quality control.</p>									
Article 10									
<p>1. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that:</p> <p>a. before accepting or continuing an NVKS engagement, an ultimately responsible professional accountant :</p> <p>1°. collects all information which may be relevant to the acceptance or continuance of the engagement;</p> <p>2°. considers the integrity of the client and determines that he has no information which would indicate that the client has no integrity;</p> <p>3°. determine that sufficient expertise, time and resources are available to conduct NVKS engagements in accordance with the applicable laws and regulations;</p> <p>4°. determine that the accountants unit and the engagement team can comply with the applicable ethics guidelines;</p> <p>b. an ultimately responsible professional accountant documents the evaluation of the decision to accept or continue the NVKS engagement;</p> <p>c. the name of an ultimately responsible professional accountant is known to the management body, and to the client's supervisory body, if applicable.</p> <p>2. The ultimately responsible professional accountant may utilise information previously obtained by the accountants unit in order to perform the tasks referred to in the first paragraph, part a, under 1° and 2°.</p>									
Article 11									
The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that: an ultimately responsible professional accountant will terminate or amend an NVKS engagement if information becomes known which, if it had been known at the moment of acceptance or continuance, would have led to the refusal to accept or continue the engagement in an amended form the current form.									
Article 12									
<p>1. The quality control decision maker assigns an ultimately responsible professional accountant or an ultimately responsible professional for every NVKS engagement.</p> <p>2. The quality control decision maker organizes the quality management system in such a way that the person referred to in the first paragraph:</p> <p>a. is actively involved in the conduct of the NVKS engagement for which he is ultimately responsible;</p> <p>b. devotes sufficient time to the NVKS engagement;</p> <p>c. assigns sufficient personnel and resources to the NVKS engagement;</p>									

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<p>d. or another experienced member of the engagement team supervises and reviews the less experienced members of the team during the conduct of the NVKS engagement;</p> <p>e. investigates indications of fraud, in accordance with the requirements for the NVKS engagement and, where applicable, the legal obligations stipulated in the Prevention of Money Laundering and Terrorist Financing Act (Wet ter voorkoming van witwassen en financieren van terrorisme (WWFT));</p> <p>f. documents the NVKS engagement in a structured manner, so that:</p> <p>1°. in any case, the relevant documentation requirements in the VGBA, the NV COS or other laws and regulations applicable to the engagement are complied with, as well as the ViO where applicable;</p> <p>2°. it is possible to exercise effective internal and external supervision;</p> <p>g. requests advice, if necessary, from an expert with regard to the NVKS engagement, whereby he:</p> <p>1°. asks advice on difficult or controversial issues, taking the engagement team’s knowledge into consideration;</p> <p>2°. aligns the conclusions of the request for advice with the person consulted;</p> <p>3°. follows up on the conclusions as referred to in this part, under 2°;</p> <p>4°. documents the request for advice, conclusions and any follow-up actions in the engagement file;</p> <p>h. deals with and resolves any differences of opinion relevant to the NVKS engagement, whereby he:</p> <p>1°. documents the difference of opinion and the conclusions reached pertaining to the solution in the engagement file;</p> <p>2°. refrains from dating the professional accountants report until after the difference of opinion has been resolved;</p> <p>i. personally signs the professional accountants report resulting from the NVKS engagement;</p> <p>j. completes the final engagement file no later than two months after signing and dating of the professional accountants report.</p> <p>3. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that a person involved in the conduct of an engagement or operations of the accountants unit has information or inquiries of which he knows the confidential nature or reasonably should assume this, comply with the confidentiality requirements referred to in Article 16 of the VGBA</p>	Yellow	Green	Purple	Pink	Black	Grey
Article 13						
<p>1. The quality control decision maker establishes review criteria to determine whether an engagement quality control review is necessary.</p> <p>2. The quality control decision maker organizes the quality management system in such a way that for engagements referred to in the first paragraph:</p> <p>a. an engagement quality control reviewer is assigned.</p> <p>b. the engagement quality control review is completed before the professional accountants report is dated.</p>	Yellow	Green	Purple	Pink	Black	Grey
Article 14						
<p>1. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that another ultimately responsible professional accountant or ultimately responsible professional will be assigned to conduct or complete an NVKS engagement on behalf of an ultimately responsible professional accountant or ultimately responsible professional who is unable to accurately conduct or complete the engagement.</p>	Red	Yellow	Green	Blue	Purple	Black

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2. If only one ultimately responsible professional accountant conducts NVKS engagements within the accountants unit, then he makes agreements with an accountant from outside the accountants unit to replace him, as referred to in the first paragraph.																			
Article 15																			
1. The quality control decision maker arranges a professional liability insurance policy which insures to a reasonable degree the risks of the conduct of the profession by:																			
a. an accountants firm; and																			
b. the persons involved in the conduct of the engagement or operations.																			
2. The professional liability insurance referred to in the first paragraph complies at least with the following requirements:																			
a. the insurance policy is purchased from an insurer which may be assumed to comply with reasonable requirements for solvency;																			
b. the policy offers annual coverage for at least twice the insured amount per claim;																			
c. the policy covers all activities conducted by the accountants firm and any affiliated accountants organizations, as referred to in Article 1, part a of the Wta, regardless of who submits the claim;																			
d. the own risk per claim does not endanger the solvency of the accountants firm;																			
e. the policy covers at least claims submitted in Europe;																			
f. the run-on and run-off risks are covered for a period of at least two years;																			
g. the policy covers the costs of legal assistance in the context of legal disputes.																			
3. The board of the NBA establishes the minimum height of the amounts to be insured, and the maximum deductible per claim, as referred to in the second paragraph, part d, which will be subject to the annual turnover.																			
4. The quality control decision maker evaluates at all times whether there are specific circumstances which make it necessary or desirable to purchase a policy with a higher coverage or lower deductible than that determined by the board of the NBA based on the third paragraph.																			
5. At the request of the quality control decision maker, the board of the NBA may grant an exemption to the provisions of the first paragraph, if the quality control decision maker can demonstrate that these provisions cannot reasonably be complied with based on acknowledged moral objections, and the purpose intended by the first paragraph can be achieved otherwise. The exemption may be subject to conditions.																			
6. An exemption may be revoked if the acknowledged moral objections no longer apply or actions have been taken in conflict with the exemption requirements.																			
Article 16																			
1. If the quality control decision maker at an accountants firm has assigned an ultimately responsible professional to conduct an NVKS engagement, he acts in accordance with the requirements in this paragraph, on the understanding that for:																			
1°. <<ultimately responsible professional accountant>> is read every time as: ultimately responsible professional;																			
2°. <<professional accountants report>> is read every time as: report resulting from the conduct of an NVKS engagement.																			
2. This article does not apply to Article 12, second paragraph, part i, and Article 14.																			
Paragraph 5 Additional requirements for quality management systems for assurance engagements																			

accountants firm that complies with Art. 27, second paragraph	ASS accountants firm	public sector accountants department NA (also aav)	internal accountants department NA (also aav)
NA (AAV) accountants firm	accountants department that complies with Art. 27, second paragraph	ASS public sector accountants department	ASS internal accountants department

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Article 17									
This paragraph applies to:									
a. assurance engagements subject to the NV COS;									
b. engagements that are equivalent to assurance engagements as referred to in part a, and which are conducted by the ultimately responsible professional accountant subject to regulations other than the NV COS.									
Article 18									
The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that:									
a. persons involved in the conduct of an engagement or operations possess the relevant knowledge and skills, as referred to in Article 9, first paragraph, part b;									
b. ultimately responsible professional accountants and other accountants involved in the conduct of the engagement or operations have complied their requirements pertaining to continuing professional development.									
Article 19									
1. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that:									
a. the accountants unit does not maintain relations which may pose a threat to the independent conduct of engagements as referred to in Article 17;									
b. an ultimately responsible professional accountant will refuse or terminate an engagement as referred to in Article 17 if he cannot ensure the independent conduct of the engagement in accordance with the ViO.									
c. the accountants firm will not conduct an engagement as referred to in Article 17 on behalf of the owner of the accountants firm;									
d. the accountants unit will comply with Article 46 of the ViO with regard to the evaluation or compensation of a member of the engagement team;									
e. records are made of circumstances that are identified at the level of the accountants unit in support of the person who evaluates whether an engagement as referred to in Article 17 is conducted independently; and									
f. a systematic, accessible and current client administration is maintained, which records the following information for each client as referred to in Article 17:									
1°. the name, address and statutory location;									
2°. whether the client is a public interest entity;									
3°. the name of the ultimately responsible professional accountant for an engagement as referred to in Article 17;									
4°. the fee charged for engagements referred to in Article 17 for each period, as well as fees charged for other services provided.									
2. Whether a relationship may pose a threat to the independent conduct of an engagement as referred to in the first paragraph, part a, and whether a threat entails that the ultimately responsible professional accountant should refuse or terminate an engagement as referred to in the first paragraph, part b, is evaluated based on:									
a. that which an objective, reasonable and informed third party considers acceptable and sufficient; and									
b. the circumstances that the person who evaluates independence knows or should know.									

accountants firm that complies with Art. 27, second paragraph	ASS accountants firm	public sector accountants department NA (also aav)	internal accountants department NA (also aav)
NA (AAV) accountants firm	accountants department that complies with Art. 27, second paragraph	ASS public sector accountants department	ASS internal accountants department

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<p>3. This article does not apply to relations between a part of the network located abroad or a person connected thereto and:</p> <ol style="list-style-type: none"> a. a related third party located abroad; or b. a person related to a third party located abroad, <p>if it is determined and recorded that identification and assessment of a threat due to those relations is performed and a safeguard is applied in accordance with rules that are at least as demanding as the Code of Ethics of the International Ethics Standards Board for Accountants.</p>									
<p>Article 20</p>									
<ol style="list-style-type: none"> 1. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that if an engagement quality control review of an engagement as referred to in Article 17 is conducted: <ol style="list-style-type: none"> a. the ultimately responsible professional accountant: <ol style="list-style-type: none"> 1°. provides the engagement quality control reviewer with relevant documents and information; 2°. discusses with the engagement quality control reviewer the significant circumstances that have come to light during the conduct of the engagement, including issues which were determined during the engagement quality control review; b. The engagement quality control reviewer bases the scope of the engagement quality control review on the nature and scope of the engagement, and documents his considerations. c. the engagement quality control reviewer conducts an objective evaluation of: <ol style="list-style-type: none"> 1°. the significant judgments of the engagement team; and 2°. the conclusions reached when formulating the proposed professional accountants report; d. the engagement quality control reviewer records: <ol style="list-style-type: none"> 1°. that the engagement quality control review has been conducted in accordance with the system of quality control; 2°. that the engagement quality control review has been completed in a timely manner and in accordance with Article 13, second paragraph; and 3°. his conclusion pertaining to the results formulated by the ultimately responsible professional accountant in the proposed professional accountants report. 2. The evaluation referred to in the first paragraph, part c entails the following: <ol style="list-style-type: none"> a. discussion of significant matters with the ultimately responsible professional accountant; b. review of the subject matter and the proposed professional accountants report; c. review of selected documentation pertaining to the significant judgments of the engagement team and the conclusions reached; and d. evaluation as to whether the proposed professional accountants report is appropriate. 3. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that an engagement quality control review occurs during audit engagements of financial statements at public interest entities. 4. The quality control decision maker organizes the quality management system in such a way that it provides reasonable assurance that an engagement quality control reviewer who conducts an engagement quality control review for an engagement at a public interest entity as referred to in the third paragraph: <ol style="list-style-type: none"> a. evaluates how the ultimately responsible professional accountant has ensured the independent conduct of the the engagement; b. determines that suitable requests for advice as referred to in Article 12, second paragraph, under g, have been made, and that the conclusions provided have been evaluated; 									

accountants firm that complies with Art. 27, second paragraph	ASS accountants firm	public sector accountants department NA (also aav)	internal accountants department NA (also aav)
NA (AAV) accountants firm	accountants department that complies with Art. 27, second paragraph	ASS public sector accountants department	ASS internal accountants department

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c. evaluates whether the selected documentation is a realistic representation of the procedures performed with regard to significant judgments, and whether these supports the conclusions reached.										
Article 21										
If the quality control decision maker at an accountants firm has assigned an ultimately responsible professional to conduct an NVKS engagement, he acts in accordance with the provisions in this paragraph, on the understanding that for:										
a. <<ultimately responsible professional accountant>> is read every time as: ultimately responsible professional;										
b. <<professional accountants report>> is read every time as: report resulting from the conduct of an NVKS engagement;										
c. <<in accordance with the ViO>> is read every time as: in accordance with independence regulations that are at least as demanding as the ViO .										
Paragraph 6 Quality Control										
Article 22										
1. In the implementation of Article 4, second paragraph, part f, the quality manager evaluates on at least an annual basis whether the system of quality control:										
a. is relevant and sufficient;										
b. is complied with at the engagement level, through file reviews, in which a completed file for each ultimately responsible professional accountant is investigated periodically.										
2. The quality manager:										
a. documents the evaluation referred to in the first paragraph;										
b. processes the results of the evaluation referred to in the first paragraph in the system of quality control, or suggests improvements to the quality policy to the quality control decision maker;										
c. registers violations referred to in Article 9, second paragraph;										
d. advises the quality control decision maker on the application of possible disciplinary actions as referred to in Article 9, second paragraph, against the persons who have committed violations, especially against those who do so repeatedly;										
e. registers the disciplinary actions;										
f. communicates the results of the evaluation referred to in the first paragraph within the accountants unit each year, thereby at least paying attention to the systematic, repetitive or other important imperfections, and the actions taken to deal with these imperfections;										
g. evaluates the effectiveness of the changes and improvements implemented in the system of quality control and the quality policy, and the disciplinary actions referred to in part e.										
Article 23										
1. The quality control decision maker deals with complaints pertaining to suspected violations as referred to in Article 9, third paragraph.										
2. The quality manager:										
a. advises the quality control decision maker regarding the careful processing of complaints pertaining to suspected violations;										

accountants firm that complies with Art. 27, second paragraph	ASS accountants firm	public sector accountants department NA (also aav)	internal accountants department NA (also aav)
NA (AAV) accountants firm	accountants department that complies with Art. 27, second paragraph	ASS public sector accountants department	ASS internal accountants department

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b. registers complaints and the processing of complaints.										
Article 24										
The quality manager ensures that an ultimately responsible professional accountant who is involved in a disciplinary proceedings initiated by a party other than the client informs the management of the client as soon as possible, and keeps them updated as to the processing of the complaint.										
Article 25										
1. The quality manager archives the following for at least seven years, unless otherwise specified by or under law: <ul style="list-style-type: none"> a. the record of the quality policy and the system of quality control as referred to in Article 4, second paragraph, parts a and d, after they are no longer valid; b. the evaluation of the quality policy and the system of quality control, referred to in Article 22, first paragraph, after it is recorded; c. the registration of violations and disciplinary actions referred to in Article 22, second paragraph, parts c and e, after it is recorded; d. the registration of complaints and the processing of complaints referred to in Article 23, part b, after it is recorded; e. engagement files, after they are completed. 2. At the moment that an accountants unit ceases to exist, the quality manager ensures that: <ul style="list-style-type: none"> a. engagement files are archived in accordance with the first paragraph, beginning and part e; b. the confidentiality of the information in engagement files is safeguarded; c. engagement files during the retention period, referred to in the first paragraph, are accessible to the ultimately responsible professional accountant and other accountants who were involved in the conduct of the engagement. 										
Article 26										
If the quality control decision maker at an accountants firm has assigned an ultimately responsible professional to conduct an NVKS engagement, he or the quality control manager act in accordance with the requirements in this paragraph, on the understanding that <<ultimately responsible professional accountant>> is read every time as: ultimately responsible professional.										
Paragraph 7 Limited requirements for small accountants units										
Article 27										
1. In deviation from Article 4, second paragraph, parts a and d, the provisions of section 4 and 5 of these regulations, with exception of Articles 7, 8, 14 and 15, may be omitted or applied limitedly, if they are irrelevant to the conduct of the engagement or operations of an accountants unit due to the nature and extent of the accountants unit.										
2. Articles 3, 4, 5, first paragraph, beginning and part c, 5, second and third paragraph, 6, 9 up to and including 13, and 16 up to and including 23 do not apply if no more than two ultimately responsible professional accountants or one ultimately responsible professional accountant and one ultimately responsible professional are employed within an accountants unit, and in addition to these two individuals, no more than five people are involved in the conduct of the engagement or operations, provided that an ultimately responsible professional accountant:										

accountants firm that complies with Art. 27, second paragraph	ASS accountants firm	public sector accountants department NA (also aav)	internal accountants department NA (also aav)
NA (AAV) accountants firm	accountants department that complies with Art. 27, second paragraph	ASS public sector accountants department	ASS internal accountants department

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a. ensures in some other way that the requirement in Article 4, first paragraph that NVKS engagements are conducted in accordance with applicable laws and regulations is complied with,; and																		
b. each year the accountants unit performs at least:																		
1°. an evaluation of the quality ambition and the manner in which he has ensured that NVKS engagements are conducted in accordance with the applicable laws and regulations;																		
2°. a discussion of the evaluation as referred to in 1° with an accountant from outside the accountants unit, who possesses expertise and experience pertaining to quality control; and																		
3°. he evaluation as referred to in 1°, as well as recording the results of the discussion as referred to in 2°.																		
3. In the quality control under the regime referred to in the second paragraph, the ultimately responsible professional accountant acts in accordance with Articles 5, first paragraph, beginning and parts a and b, 7, 14, 15, and 24 up to and including 26.																		
Paragraph 8 Transitional and final provisions																		
Article 28																		
The following regulations have been revoked:																		
a. Temporary Regulations for Quality management systems;																		
b. Regulations for Accountants Firms - assurance engagements (NVAK-ass), approved by the board of the Nederlands Orde van Accountants-Administratieconsulenten (NOvAA);																		
c. Regulations for Accountants firms - assurance engagements (NVAK-ass), approved by the board of the Nederlands Instituut van Registeraccountants (NIVRA);																		
d. Regulations for Accountants firms - related services engagements (NVAK-aav), approved by the board of the Nederlands Orde van Accountants-Administratieconsulenten (NOvAA);																		
e. Regulations for Accountants firms - related services engagements (NVAK-aav), approved by the board of the Nederlands Instituut van Registeraccountants (NIVRA);																		
Article 29																		
1. These regulations are effective on 1 January 2017, and will be applied starting on 1 January 2018.																		
2. In deviation from the first paragraph, Article 28 are effective on 1 January 2018.																		
3. These regulations may be applied as a whole starting on 1 January 2017, in which case the regulations referred to in Article 28 will not apply.																		
Article 30																		
These regulations are referred to as: Regulations for Quality management systems (<i>Nadere voorschriften kwaliteitssystemen</i> , or NVKS).																		

Koninklijke Nederlandse
Beroepsorganisatie
van Accountants



NBA

Postbus 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T 020 301 03 01
nba@nba.nl
www.nba.nl

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20 July 2017

Koninklijke Nederlandse
Beroepsorganisatie
van Accountants



This document is a translation of the official Dutch version.
The Dutch version is leading when discussions take place how to interpret the document.

General Explanatory Notes for the NVKS

1 Introduction

1.1 What do the NVKS regulate, and why?

The Regulations for Quality management systems (NVKS) contain rules for the establishment of a quality management system in an accountants unit.

A quality management system is essential for the quality of the work performed of an accountants unit, and protects the public interest and the professional group from the mistakes made by individual accountants. A quality management system is the most important instrument for an accountants unit to control the activities of accountants and other employees and to demonstrate that the procedures have been performed in a high quality manner and in accordance with the applicable laws and regulations.

The NVKS stipulate certain minimum requirements. The quality control decision maker (*see paragraph 3.4*) considers whether there are circumstances under which the quality management system should go further than these minimum requirements. The accountants unit's risk assessment can be an important source of information for this consideration.

The NVKS provide smaller accountants units (accountants departments and accountants firms) the possibility of taking their nature and extent into consideration when fulfilling the requirements.

1.2 Which regulations do the NVKS replace?

Rules for quality management systems are not new. Until 1 January 2018, the following regulations apply:

- Temporary Regulations for Quality management systems (Temporary NVKS);
- Regulations for Audit Firms - assurance engagements (NVAK-ass.); and
- Regulations for Audit Firms - related services engagements (NVAK-aav.).

Accountants departments also base their quality management systems on the Directive for Accountants departments Quality Control (RKB1).¹

On 1 January 2018, these guidelines will be revoked, and the RKB1 will no longer be relevant. The NVKS will then supersede these regulations.

The NVKS form a single set of rules for accountants conducting assurance engagements or related services engagements subject to the Regulations audit- and other standards (*Nadere voorschriften controle- en overige standaarden - NV COS*), with the exception of statutory audits.²

The NVKS apply to accountants in public practice, internal accountants and public sector accountants. The NVKS are based on the premise that the rules apply depending on the nature of the engagement, and not the role of the accountant conducting the engagement (accountant in public practice, internal or public sector accountant). This premise is in accordance with other regulations, such as the *Verordening gedrags- en beroepsregels accountants* (VGBA), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO) and the Regulations audit and other standards (NV COS). An accountant involved in conducting an engagement or operations at an accountants firm or accountants department is either an accountant in public practice, internal or public sector accountant.

The table below indicates which regulations apply to which individuals until 1 January 2018, and after that date.

¹ Not entirely current. RKB1(15 June 2005) is derived from the version of ISQC1 approved on 15 June 2005.

² The NVKS also establish requirements on the quality management system of an accountants firm (not an accountants department), where an ultimately responsible professional conducts engagements equivalent to assurance engagements or related services engagements, and which are conducted subject to regulations other than the NV COS (*see paragraphs 2.2 and 2.3*).

Group	Regulations until 1-1-2018	Regulations after 1-1-2018
Accountant in public practice	Temporary NVKS (RA & AA) NVAK-ass (RA or AA) NVAK-aav (RA or AA)	NVKS
Internal accountant	Temporary NVKS (RA & AA) RKB-1 is often applied voluntarily.	
Public sector accountant	Temporary NVKS (RA & AA) RKB-1 is often applied voluntarily.	

Requirements applied to the quality management system for statutory audits are incorporated in the *Wet toezicht accountantsorganisaties* (Audit Firms Supervision Act, Wta), *Besluit toezicht accountantsorganisaties* (Audit Firms Supervision Decree, Bta), *Verordening accountantsorganisaties* (Audit Firms Regulation, VAO) and the European Regulation with regard to statutory audits at a public interest entity (EU-Regulation).³

The following table shows at which level laws and regulations are applicable to the accountants unit. The term accountants unit is an umbrella term for accountants firms and accountants departments. This term is not new, as it is also used in the ViO.

Accountants unit	Regulations until 1-1-2018	Regulations after 1-1-2018
Accountants organization⁴	EU regulation ⁵ /Wta/ Bta/ VAO	EU regulation/Wta/ Bta/ VAO ⁶
Accountants firm	Temporary NVKS NVAK-ass (RA or AA) NVAK-aav (RA or AA)	NVKS
Accountants department	Temporary NVKS RKB-1 is often applied voluntarily.	

Some accountants practices (umbrella term for accountants organizations and accountants firms) qualify as an accountants organization for some of their activities, and as an accountants firm for others. If an accountants practice consists of both an accountants organization and an accountants firm, then it may choose to implement a single system of quality control for the accountants practice as a whole. The condition is that it complies with the laws and regulations applicable to accountants organizations and the NVKS.

1.3 From what the NVKS are derived

The NVKS are derived from existing national and international regulations. An early source is the *'International Standard on Quality Control 1'* (ISQC1), which was published by the International Auditing and Assurance Standards Boards (IAASB). ISQC1 has two objectives. The first is focused on compliance with laws and regulations. The second is derived from the first, and focuses on issuing appropriate professional accountants reports for the specific situation. Since the implementation of the 'Clarity Standards', the term 'professional accountants reports' includes *all* reports regarding an assurance engagement or related services engagement conducted subject to the NV COS (and no longer includes only audit engagements). The NVKS include a definition for 'professional accountants report'.

The wording used in the NVKS: *'...that a quality management system should be established to provide reasonable assurance that...'* is derived from ISQC1. The insights current within the IAASB at the time of the drafting of the NVKS prior to the amendment of ISQC1, as indicated in the *'Invitation to*

³ Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014, on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC Text, Pb L 158 of 27.5.2014, pg. 77.

⁴ Audit organization: an enterprise or institution which conducts statutory audits, or an organization in which such enterprises or institutions are related (Article 1, first paragraph, part a of the Wta).

⁵ Since 17 June 2016.

⁶ The provisions in the VAO may eventually be implemented in the Bta. In that case, the VAO will be revoked.

Comment: Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism published in December 2015, were also taken into consideration. This also takes into account that these insights have not yet been implemented in draft or current regulations.

A comparison has also been made with the regulations for the statutory audit domain (EU regulation/Wta/ Bta and VAO). This comparison was made primarily to determine that the differences between the requirements for statutory audits and for all other assurance engagements were logical and explainable. Where the differences were not logically explainable, the requirements for the other assurance engagements were amended, or a conscious decision was made to maintain the differences.

Naturally, the Temporary NVKS, NVAK-ass, NVAK-aav, and RKB1 were taken into account, as were the NV COS for requirements at the engagement level. All of these regulations were considered in the context of the fundamental principles (VGBA) to which each accountant should comply, as well as the independence requirements in the ViO.

Inasmuch as the NVKS pertain to the conduct of engagements from an accountants firms, it takes the public's expectations into consideration. This is because many of an accountants firm's activities are conducted on behalf of the public interest.

1.4 Primary changes relating to the regulations prior to 1-1-2018

New elements include:

- Limited requirements for the application of the NVKS for smaller accountants units. The purpose of the limited requirements is to prevent smaller accountants units from being burdened disproportionately (*see paragraph 2.5*).
- A discretionary authorization of the board of the NBA to grant exemptions in exceptional circumstances from the requirement that the majority of voting rights in an accountants firm that conducts assurance engagements should be held by accountants (*see paragraph 3.5 for the nuances*). An exemption makes it possible to conduct a limited number of assurance engagements under certain conditions, even if the voting right requirement cannot be complied with.
- Rules established on the cooperation between accountants firms and administration firms in order to protect the accountants profession (*see paragraph 3.6*);
- The requirement to conduct an engagement quality control review for audit engagements of financial statements at public interest entities (*see paragraph 4.2*). This is accordance with ISQC1.

The NVKS introduce the terms 'quality control decision maker' and 'quality manager'. A quality control decision maker is the accountant responsible for the quality management system (*see paragraphs 2.1 and 3.4*). A quality manager is the person who is operationally responsible for the design, implementation and monitoring of the system of quality control (*see paragraph 5.2*). The term 'quality control decision maker' is new, but his responsibilities correspond to those of the accountant in public practice who determines the day-to-day policy at an accountants firm (the party to whom the Temporary NVKS, NVAK-ass. and NVAK-aav. apply). Any quality manager falls under the professional responsibility of the quality control decision maker.

The rules pertaining to cooperation with other professionals have been amended (*see paragraph 2.2*).

1.5 Legal framework

The NVKS are based on Article 24 of the VGBA. With the establishment of this article, the members meeting authorized the board of the NBA to formulate regulations to elaborate the provisions of the VGBA. The VGBA implements Article 3 and 19, second paragraph, part a, of the Professional accountants Profession Act (Wab) in order to establish regulations to promote the proper conduct of the profession among accountants.

The preparers of the NVKS took into consideration the 'Instructions for the Regulations' used by the national government to draft laws and regulations.

1.6 Relationship to the Quality control review Regulation

The Quality control review Regulation also includes requirements relating to the quality policy and to the system of quality control. Both regulations therefore deal with the same subject, but they regulate different matters. The NVKS deal with the establishment of the quality policy and the system of quality control within an accountants unit. The Quality control review Regulation deals with external review of the quality policy and the system of quality control in relation to the NVKS and other relevant regulations by the Supervisory Board of the NBA.

1.7 Reading guide

The NBA will publish a colour-coded reading guide to illustrate which provisions in the regulation apply to particular accountants and accountants units.

2 Scope

2.1 Who is the intended audience of the NVKS (to whom does it apply?)

In principle, the NBA can only address its regulations to its members, the accountants (AAs and RAs). This means that NBA cannot directly obligate accountants units to establish a quality management system. Therefore, the NVKS apply to the accountant, specifically those in the function of:

<i>The party to which this applies</i>	<i>Requirements at the level of</i>
Ultimately responsible professional accountant	Individual engagements
Quality control decision maker	The quality management system
Another member of the engagement team that is involved with business operations	His own performance

The ultimately responsible professional accountant⁷

The ultimately responsible accountant is only allowed to conduct an NVKS engagement if the accountants unit on whose behalf he conducts the engagement has established a quality management system.

Quality control decision maker

The function of quality control decision maker (*see paragraph 3.4*) entails the responsibility of establishing a quality management system that provides reasonable assurance that the NVKS engagements (*see paragraph 2.3*) are conducted in accordance with the applicable laws and regulations.

Accountant as another member of the engagement team, or otherwise involved in business operations

An accountant in the function of another member of the engagement team may only be involved with the conduction of NVKS engagements if these are carried out by an ultimately responsible professional accountant or an ultimately responsible professional (*see explanatory notes on Article 8*). Furthermore, an accountant is only allowed to be involved in the operations of the accountants unit if he has no information that would indicate that no ultimately responsible professional accountant or ultimately responsible professional in the accountants unit or other part of the network is involved in the conduct of engagements subject to the provisions of the NVKS. In the context of the NVKS, involvement in *operations* is understood as: involved in any way with the activities of the accountants unit, but not as a customer or supplier. Examples of involvement in operations include the functions of security, caterer, secretary, and accountant charged with personnel policy.

For every accountant applies, that they refrain from every action or failure which he knows or ought to know to be in conflict with the NVKS, regardless of his function.

⁷ For the sake of readability, the regulation and the explanatory notes state that an NVKS engagement is conducted *by* an ultimately responsible professional accountant. This means that an NVKS engagement is conducted *under his ultimate responsibility*. The ultimately responsible professional accountant is often supported by an engagement team.

2.2 Ultimately responsible professional⁸

The NVKS, like the NVAK-ass. and the NVAK-aav., take into consideration that other professionals may be ultimately responsible for the conduct of engagements that are equivalent to assurance engagements or related services engagements, and which are conducted subject to regulations other than the NV COS. These other professionals are not accountants as referred to the Wab, meaning not AA or RA, and are defined by the NVKS as 'ultimately responsible professional.'

For the application of the NVKS, the term 'ultimately responsible professional' is limited to ultimately responsible professionals in an *accountants firm*.

The NVKS have relaxed the provisions pertaining to the cooperation with ultimately responsible professionals. Under the NVKS (in summary):

- professionals are allowed to cooperate with foreign professional colleagues who are members of a professional body that is a full member of the IFAC;
- professionals are no longer required to have an ultimately responsible professional who is a member of a professional body that has been accredited by the board of the NBA (the system of accreditation will expire). However, it should be established that certain requirements are complied with within an accountants firm. This means generally that comparable regulations for professional conduct apply, that there is a system of review and disciplinary law applies;
- the activities that are the 'normal purview' of accountants are reserved for Dutch accountants and their foreign professional colleagues (with regard to financial information).

What is important is that NVKS engagements⁹ conducted by the ultimately responsible professionals only fall under the NVKS if these engagements are conducted by an accountants firm.¹⁰ Although these engagements are conducted under regulations other than the NV COS, their substantive similarity presents a risk of raising the impression that the engagements are being conducted by an accountant. These engagements therefore contribute to the image of the accountants firm. As a result, the provisions pertaining to (NVKS engagements conducted by) an ultimately responsible professional have been limited to accountants firms. The scope of the quality management system of an accountants firm also covers these engagements.

For that matter, the NVKS do not exclude other professionals within accountants departments from bearing responsibility for the conduct of engagements. These activities, however, do not fall under the scope of the NVKS. The risk of giving the impression that such an engagement is conducted by an accountant is limited. This is because engagements conducted by accountants departments are internally for the benefit of the organization, which is also responsible for establishing the accountants department or for the benefit of a specified group of users.

The NVKS cannot directly impose rules on the ultimately responsible professional, because he is not an accountant. This is why the NVKS require the quality control decision maker at an accountants firm to be responsible for an ultimately responsible professional's conduct of the engagements in accordance with the relevant laws and regulations.

A foreign accountant who is not registered with the NBA is also qualified to be an ultimately responsible professional. He is not an accountant as defined by the Wab, and therefore is not bound by the rules of the NBA, such as the VGBA and the NV COS. The quality management system of an accountants firm also encompasses the activities of a foreign accountant conducting engagements equivalent to assurance engagements or related services engagements subject to his own regulations. This is a necessary safeguard for quality, because it is not possible for the NBA to require him to comply with the fundamental principles of professional competence and due care.

⁸ For the sake of readability, the regulation and the explanatory notes state that an NVKS engagement is conducted *by* an ultimately responsible professional. This means that an NVKS engagement is conducted *under his ultimate responsibility*. The ultimately responsible professional is often supported by an engagement team.

⁹ NVKS engagement: assurance engagement or related services engagement conducted by an ultimately responsible professional accountant subject to the NV COS, and equivalent engagements conducted by an ultimately responsible professional subject regulations other than the NV COS (*see paragraph 2.3*).

¹⁰ This is a consequence of the use of the concept 'ultimately responsible professional' in the definition of an NVKS engagement.

An ultimately responsible professional, who is not a foreign professional colleague, may only conduct an NVKS engagement if it concerns information other than financial information. This is not applicable to the exceptional situations referred to Article 7. The NVKS naturally account for any laws and regulations that allocate engagements pertaining to financial information to the professional group of the ultimately responsible professional. If an ultimately responsible professional is a member of a professional body which is a full member of the International Federation of Accountants (IFAC), it may be assumed that he has the right qualifications to conduct engagements involving financial information (see *article-by-article explanatory notes on Article 7*).

If an ultimately responsible professional is conducting an NVKS engagement, it is of importance that he displays his areas of knowledge and experience, and shows which rules have been applied. This contributes to transparency, and it minimises the risk that an ultimately responsible professional gives the impression that he is an accountant.

In order for an ultimately responsible professional to conduct an NVKS engagement, it is of importance that he complies with a number of requirements, such as certificates for accredited exams, possession of sufficient knowledge and experience, and compliance with the rules of proper conduct of the profession. These requirements are not new. What is new, however, is that the *quality control decision maker* ensures that the ultimately responsible professional complies with the requirements. The system in which the ultimately responsible professional should be a member of a professional body recognised by the Board of the NBA will expire on 1 January 2018.

The provisions of the NVKS pertaining to cooperation with ultimately responsible professionals entail that it is not possible for an engaged engineer to sign a CO² assurance report, or for a tax advisor to conduct tax assurance, if these professionals do not possess additional qualifications. For the record, this is also not possible under the regulations that apply until 1 January 2018.

2.3 Which activities do the NVKS address¹¹

The NVKS focus on quality assurance for NVKS engagements. The NVKS engagement is a new term in the regulation.

These are assurance engagements or related services engagements conducted by the ultimately responsible professional accountant subject to the provisions of the NV COS. Activities and engagements as referred to the third paragraph of the NV COS do not fall under the definition because they are excluded from the scope of the NV COS (see *paragraph 2.4*). Statutory audits do fall under that definition, but are also excluded from the scope of the NVKS (see Article 2).

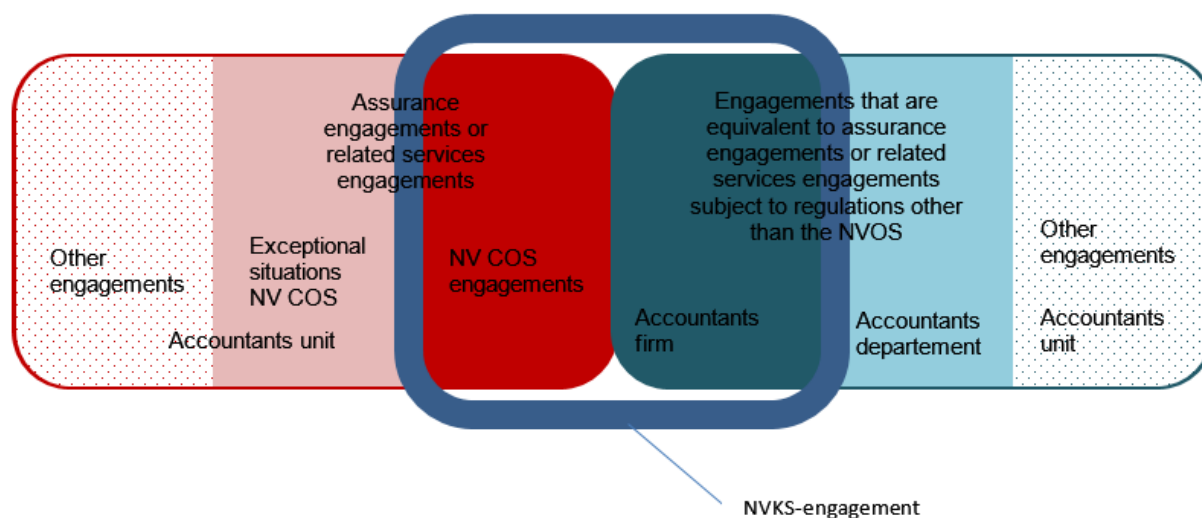
Engagements that are equivalent to assurance engagements or related services engagements, and which are conducted by an ultimately responsible professional subject to his own professional regulations, are also NVKS engagements (see *paragraph 2.2*). 'Equivalent' means that the characteristics of the content of an engagement are the same as an assurance engagement or a related services engagement. One example of such an engagement is an engagement conducted by an EDP auditor in the context of electronic information security. If a non-accountant conducts an engagement that would not qualify as an assurance engagement or related services engagement under the provisions of NV COS if it were conducted by an accountant, then the engagement cannot be considered equivalent.

Equivalent engagements at an accountants department are not subject to the NVKS, because these engagements are not included in the definition of an NVKS engagement.¹²

The figure below indicates which engagements are subject to the scope of the NVKS. The size of the columns is not illustrative of the share of such engagements within an accountants unit.

¹¹ Where these explanatory notes refer only to assurance engagements or engagements equivalent to assurance engagements, it is understood to mean only assurance engagements subject to the NV COS or equivalent engagements subject to regulations other than the NV COS.

¹² See footnote 10.



2.4 NV COS exceptional situations

Engagements conducted by accountants, but which are excluded from the application of the NV COS, do not fall under the definition of an NVKS engagement.

On the basis of provisions in the general section of the NV COS, all accountant in public practice, internal and public sector accountants working in the Netherlands are required to apply the NV COS for all assurance engagements and related services engagements. Exceptions have been made for certain situations. This takes into consideration the conduct of engagements within accountants departments, and it is possible that an accountant at an accountants firm participates as a member of an engagement team in engagements conducted by an ultimately responsible professional, subject to regulations other than NV COS. The condition is that an accountant complies with the fundamental principles of professional competence and due care in some other manner, as referred to Article 2 of the VGBA (*see third paragraph in the general section of the NV COS*). If he does not do so, or does so in an unsatisfactory manner, then the quality of the engagement conducted by him cannot be sufficiently ensured, and he may face disciplinary actions.

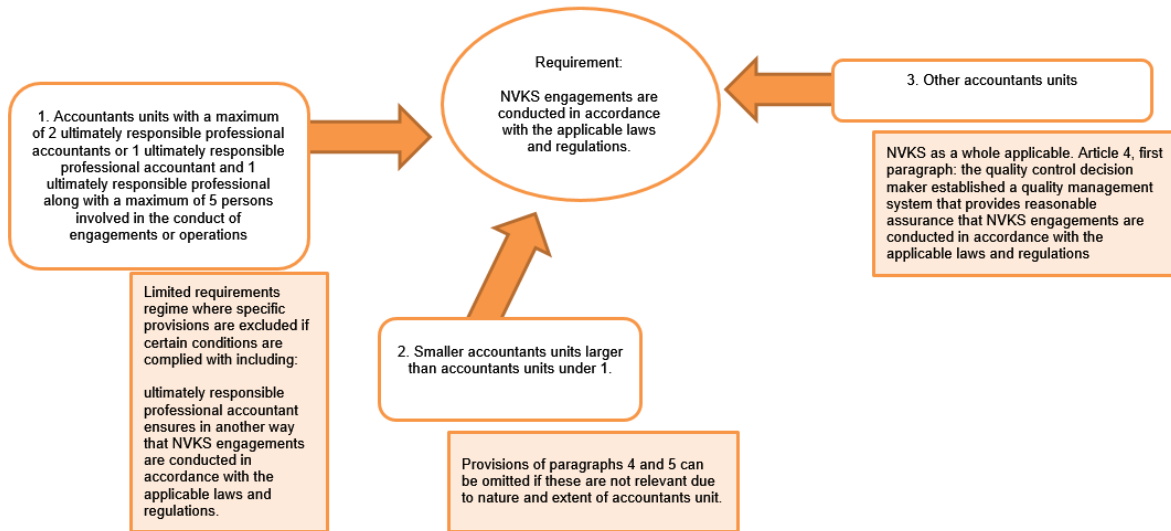
2.5 Limited requirements regime

The NVKS provide smaller accountants units (accountants departments and accountants firms) the possibility of taking their nature and extent into consideration. These smaller accountants units may establish a quality management system tailored to their circumstances. This prevents smaller accountants units from being burdened disproportionately. For example, if an accountants firm has no employees, then it is not necessary to implement a personnel policy.

There is a general provision, based on which the detailed requirements for the quality management system may be omitted or applied limitedly if they are not relevant for the conduct of an engagement or operations due to the extent of the accountants unit. There is also a special regime for accountants units which the NVKS considers to be 'small'. These are accountants units where:

- a maximum of two ultimately responsible professional accountants are employed, along with a maximum of five other persons involved in the conduct of engagements or operations; or
- one ultimately responsible professional accountant and one ultimately responsible professional are employed, along with a maximum of five other persons involved in the conduct of engagements or operations.

The figure below shows the requirements for the various types of accountants units. This figure may help answer the question of which regime applies to an accountants unit. It is also important that the regime corresponds to the specific characteristics of the accountants unit.

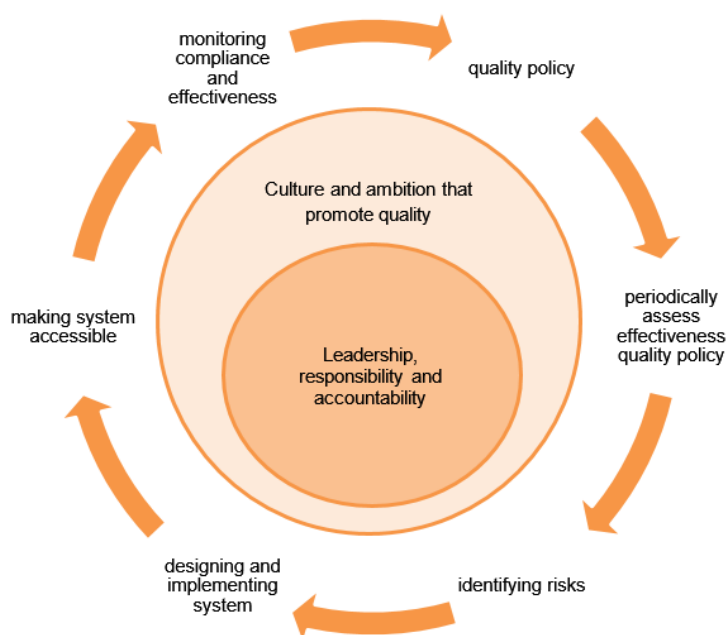


3 Quality management system structure

The quality management system within an accountants firm is also aimed towards quality control for NVKS engagements conducted by ultimately responsible professionals, where applicable. For the sake of readability, this paragraph is limited to NVKS engagements conducted by ultimately responsible professional accountants. In rare cases, engagements by ultimately responsible professionals are mentioned explicitly in order to avoid uncertainty as to this point.

3.1 Quality management system

The NVKS stipulate that a quality management system should be established to provide reasonable assurance that NVKS engagements are conducted in accordance with the applicable laws and regulations. The structure of the quality management system is derived from general theories about quality control, and the terminology follows that for quality management systems which the IAASB uses in the *Invitation to Comment: Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism* which was published in December 2015 prior to the revision of ISQC1.



These steps form a logical interpretation of the quality management system and its maintenance, as is applicable in the regulations that are relevant until the NVKS become effective. The step to identify

risks may seem new, but the requirement to take the nature and extent of the accountants unit into consideration in establishing the system involves just such a risk assessment.

3.2 Quality

The principle of the NVKS is:

An accountant provides quality when he realises the objectives of the standards (NV COS) pertaining to the engagement.

In the context of the NVKS, complying with quality standards is understood to comply with:

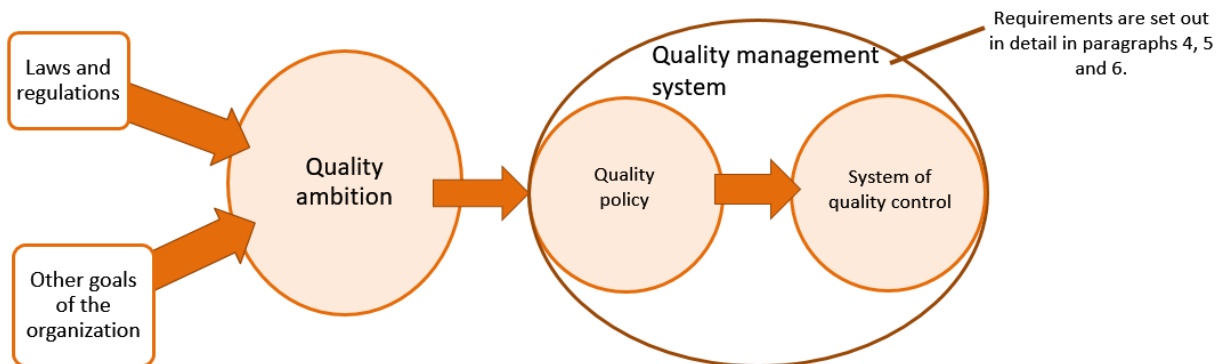
- laws and regulations, including the engagement objectives as defined in the NV COS; and
- the expectations of the client, the public interest, or users of professional accountants reports.

The NV COS require that the accountant at least complies with the objective of the engagement as referred to in the Standards (NV COS), the fundamental principles of the VGBA and, for assurance engagements, the independence requirements of the ViO.

An accountant conducts his activities as part of an accountants unit, which should be able to ensure that the accountant provides quality work. A quality management system is the most important instrument for the accountants unit to control and demonstrate the quality of its NVKS engagements.

3.3 Quality ambition

The quality ambition is the quality which the accountants unit pursues. When dealing with laws and regulations applicable to assurance engagements or related services engagements, such as the NV COS, the ambition should at least focus on compliance with these regulations. When dealing with the expectations of engaging parties, the public interest or users of professional accountants reports, an accountants unit may formulate how and which expectations are complied with, and which level of quality it wishes to attain, in its ambition statement. This does not only deal with compliance with rules set by others, but also with goals that the accountants unit sets for itself. In doing so, it can differentiate itself from other accountants units.



3.4 Quality control decision maker

A new aspect of the NVKS is the term quality control decision maker. The quality control decision maker is responsible for the quality management system. The Wta and Bta use the term 'policy maker'. The term 'policy maker' is not used in the NVKS, because not every quality control decision maker needs to be a policy maker (see Article 3).

A quality control decision maker is always an accountant. The quality control decision maker is often a policy maker. Only if none of the policy makers is accountant, then the function of quality control decision maker will be filled by another accountant. The quality control decision maker is assigned due to his knowledge and experience of quality, and his position within the accountants unit. Naturally, if an accountants unit has a board member who is responsible for quality, then this board member should take on the function of quality control decision maker.

The activities of the quality control decision maker are a professional service within the meaning of the VGBA. The quality control decision maker can delegate tasks to others, such as the quality manager (see paragraph 5.2), but he remains at all times ultimately (professionally) responsible for the quality management system. The quality control decision maker may be held liable for disciplinary law if the

quality management system fails. Holding a person liable is a logical step based on the premise of an effective system of administrative organization and internal control.

The term 'quality control decision maker' is new, but his responsibility is not.¹³ For example, Article 2 of the NVK-ass. states:

1. *“These regulations focus on the day-to-day policy maker at an accountants firm.*
2. *The person determining day-to-day policy ensures that the other professional employed or affiliated with the accountants firm, and who conducts an assurance engagement on behalf of the accountants firm, complies with the regulations applicable to himself and to the assurance engagement.”*

On the basis of the definitions in the NVAK-ass, a day-to-day policy maker is an accountant in public practice as stipulated in Article B1-291.2 of the VGC, the predecessor to the VGBA. The term 'day-to-day policy maker' refers to the accountant in public practice who:

1. *determines the day-to-day policy of an accountants firm; and*
2. *ensures that the accountants firm:*
 - a. *implements a policy that is not in conflict with the provisions of this regulation;*
 - b. *complies with the regulations specified below.*

The responsibilities correspond to those of the quality control decision maker. The disciplinary law liability also corresponds to this. See also Article 5 of the Quality control review Regulation:

1. *“The board can submit its findings in the form of a complaint to the chamber of accountants, if in the conduct of the supervising process, facts or circumstances give reasons to apply a disciplinary measure or declare the complaint valid.*
2. *If multiple accountants are employed at an accountants firm or accountants department, or if multiple accountants are affiliated with an accountants practice or accountants department, then the board determines for the application of the first paragraph against which accountant he submits a complaint.”*

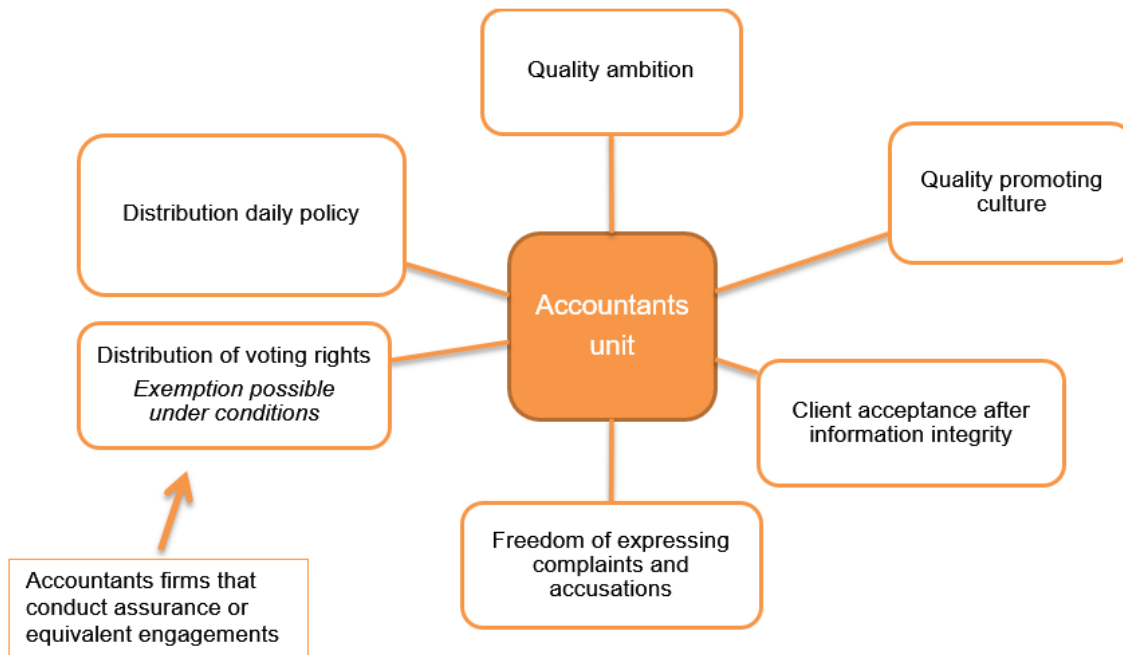
According to the Wta and Bta, the responsibility seems to lie primarily with the accountants organization. At the same time, the day-to-day policy makers at an accountants organization with a PiE¹⁴ license are expected to make a statement as to whether the system of quality control functions effectively or not (a type of 'in control' statement). The Wta and Bta also indicate that a policy maker has his own responsibility, for which he can be held accountable professionally.

3.5 Preconditions

Before a quality control decision maker can accept his function, he should determine that the accountants unit complies with a number of preconditions. These are shown in the diagram below:

¹³ The NVAK-ass. focus on the day-to-day policy maker at an accountants firm. In the NVAK-aav., other accountants are addressed because the policy maker need not necessarily be an accountant.

¹⁴ Public interest entity.



These preconditions were included because a quality control decision maker does not have a good chance of success in lifting the quality of the accountants unit to the necessary and desirable level without them. At the same time, it seems unrealistic to expect the quality control decision maker to fulfil these preconditions himself, as the responsibility for this lies with the entire management of the accountants unit. If an accountants unit can no longer comply with the preconditions, and fails to do so at the urging of the quality control decision maker, then he should resign from the function (as the quality control decision maker). This is a strong signal to the board of the accountants unit.

Distribution of voting rights and determining day-to-day policy

Two of the preconditions apply only to accountants firms which conduct assurance engagements or equivalent engagements. These preconditions apply to the distribution of voting rights and day-to-day policy. These accountants firms have a greater public responsibility than accountants firms that do not conduct assurance engagements and accountants departments, because they provide assurance to third parties. The purpose of these preconditions is to ensure that persons other than accountants (*summarised, see 1 to 3 below*) cannot make decisions that have a direct or indirect influence on the conduct of NVKS engagements. These preconditions are also there to ensure the independent conduct of assurance engagements.

Inasmuch as such pertains to decisions directly or indirectly influencing the conduct of NVKS engagements, the majority of the voting rights is held by;

- 1 accountants practices;
- 2 accountants firms as referred to in Article 1, part c, of the Wta;¹⁵
- 3 accountants or other natural persons in the possession of a declaration of professional competence, as referred to in article 54, first paragraph of the Wab.

A similar provision applies with regard to the day-to-day policy of accountants firms that conduct assurance engagements or equivalent engagements. The day-to-day policy should be determined by a majority of the parties listed in 1, 2 and 3 above.

This may include quality control decision makers at accountants firms in exceptional circumstances if:

- none of the shareholders or other owners qualify as an entity or natural person as listed above;

¹⁵ An audit firm as referred to in Article 1, part c of the Wta is understood to be an enterprise or institution which has been admitted by the regulator of another member state to conduct audits as intended in Article 2, part 1 of Directive 2006/43/EU of the European Parliament and of the Council of 17 May 2006, on statutory audits of annual accounts and consolidated accounts and to amend Directives 78/660/EEC and 83/349/EEC of the Council, and revoking Directive 84/253/EEC of the Council (PbEU L 157).

- less than 10% of the annual revenue and less than 10% of the annual hours are devoted to assurance engagements or equivalent engagements; and
- other safeguards are present to ensure that the accountants within the accountants firm have authority over the conduct of NVKS engagements.

The board of the NBA can be requested to grant an exemption to enable the conduct of an assurance engagement or equivalent engagement, even if the requirements for distribution of voting rights has not been complied with.

An exemption may also be useful if the conduct or completion of assurance engagements should suddenly be replaced within an accountants firm which no longer meets the requirements for the distribution of voting rights. For example, if the owner of a small accountants firm suddenly passes away, and his heirs are not accountants. In that case, the accountants firm would no longer comply with the requirements for the distribution of voting rights, and a representative would not be able to complete the current assurance engagements. This is not desirable, and is also in conflict with the intended objective of the requirement to provide replacement (Article 14): to ensure the orderly conduct and completion of current assurance engagements. An exemption would enable the representative to continue and complete the assurance engagements, despite the fact that the voting rights requirement is no longer complied with.

In summary, the preconditions pertaining to voting rights and day-to-day policy can be illustrated as follows:

<i>Accountants firm that</i>	<i>Preconditions</i>	<i>Exemption possible</i>
<ul style="list-style-type: none"> • has accountants that are shareholders;¹⁶ and/or • conducts assurance engagements or equivalent engagements, and which spends more than 10% of its annual revenue and more than 10% of its annual hours to these engagements 	<ul style="list-style-type: none"> • with regard to the majority of voting rights • with regard to determining day-to-day policy 	<ul style="list-style-type: none"> • no • no
<ul style="list-style-type: none"> • has no accountants that are shareholders;¹⁷ and • conducts assurance engagements or equivalent engagements, and which spends less than 10% of its annual revenue and less than 10% of its annual hours to these engagements; and • has ensured that the accountants have authority over NVKS engagements.¹⁸ 	<ul style="list-style-type: none"> • with regard to the majority of voting rights • with regard to determining day-to-day policy 	<ul style="list-style-type: none"> • yes • no
<ul style="list-style-type: none"> • only conducts related services engagements or equivalent engagements¹⁹ 	no preconditions pertaining to voting rights or day-to-day policy	n/a

¹⁶ Shown abbreviated and simplified. For the exact requirements, see Article 5, fourth paragraph, part a, of the NVKS.

¹⁷ See footnote 16.

¹⁸ See footnote 16.

¹⁹ And any engagements other than assurance engagements, as well as related services engagements or equivalent engagements.

Other preconditions

The following other preconditions that are relevant before a quality control decision maker accepts his function apply to all accountants units: The accountants unit;

- has formulated a quality ambition;
- promotes an internal culture in which quality is an essential element;
- only accepts clients for whom it has been determined that no available information would support the conclusion that the client has no integrity; and
- ensures that complaints and accusations can be raised without endangering the legal status of those raising them.

3.6 Cooperation with administration firms that are part of the network

The NBA is charged with ensuring the proper conduct of the profession by accountants. This duty explicitly takes the legal protection of the title of 'accountant' into consideration. In that light, requirements have been established on the involvement of accountants and other professionals in the conduct of NVKS engagements. For example, the policy of the NBA is that within accountants units, accountants should be involved in engagements where entrepreneurs are supported in preparing their annual reports. To that end, Standard 4410 of the NV COS has been made compulsory when compiling BW2 annual reports and financial statements. Standard 4410 holds ultimately responsible professional accountants responsible in the context of quality review and disciplinary law.

In order to promote the proper conduct of the profession, it is not desirable that a different organizational structure can make it possible to avoid compliance with these principles. The NVKS therefore establish requirements on cooperation between accountants organizations and other organizations in the network (such as administration firms). Alignment has been sought with the term 'network', a term defined at the conceptual level in the regulations.²⁰ If within the accountants unit's network, engagements that actually qualify as NVKS engagements are conducted by persons other than ultimately responsible professional accountants, and were therefore not conducted in accordance with the quality standards applicable to accountants, then this will reflect negatively on the accountants unit within the network. These regulations are based on the legal protection of the accountants profession, as well as the importance of clear communications with the public.

It is virtually impossible to set all-encompassing limits between what is permitted and what is prohibited. For that reason, the decision has been made to establish preconditions on the cooperation. These preconditions apply to the individual accountant, as the NBA cannot impose rules to accountants firms. Based on Article 8, second paragraph, beginning and part b, accountants are not permitted to be involved in the operations of an accountants firm, if a part of the firm's network conducts engagements which actually qualify as NVKS engagements by persons other than ultimately responsible professional accountants or ultimately responsible professionals. For example, if an accountant is involved in any way with the operations of an administration firm from which assurance engagements and related services engagements are conducted, then this will quickly give the impression of dealing with an accountants firm. The public may expect him to be involved in the conduct of the engagement as well, subject to the regulations of professional conduct for accountants in a work environment in which quality is ensured and the quality management system is reviewed.

4 Quality management system content

The quality management system within an accountants *firm* is also aimed towards quality control for NVKS engagements conducted by ultimately responsible professionals, where applicable. For the sake of readability, this paragraph is limited to NVKS engagements conducted by ultimately

²⁰ The definition of 'network' in the meaning of the NV COS Glossary of Terms:

"A larger structure:

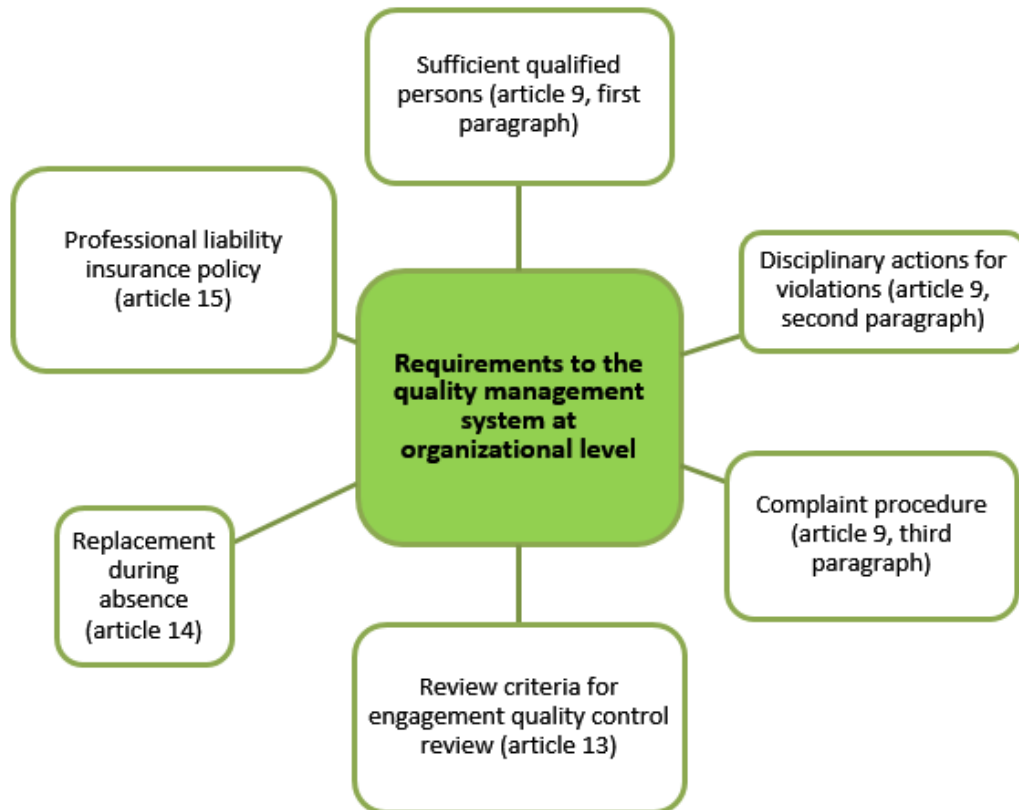
- a. which focuses on cooperation; and*
- b. which is clearly focused on sharing profits or costs, or sharing common ownership, control or management, common policies and procedures for quality control, a common business strategy, the use of a common brand name, or a significant share of the company resources."*

responsible professional accountants. In rare cases, engagements by ultimately responsible professionals are mentioned explicitly in order to avoid uncertainty as to this point.

4.1 General

The quality management system includes a quality policy and system of quality control. The NVKS include subjects that should be regulated in the quality policy, and which should be managed through the system of quality control. These subjects are not new, and most of the provisions are familiar from the NV COS. The NV COS regulate similar subjects at the level of the individual engagement, whereas this NVKS deal with provisions pertaining to establishing a quality management system at the organizational level.

The compulsory subjects for the quality management system are indicated in the two figures below. The first figure deals with the requirements at the organizational level, and the second figure illustrates the requirements that are relevant at the engagement level.

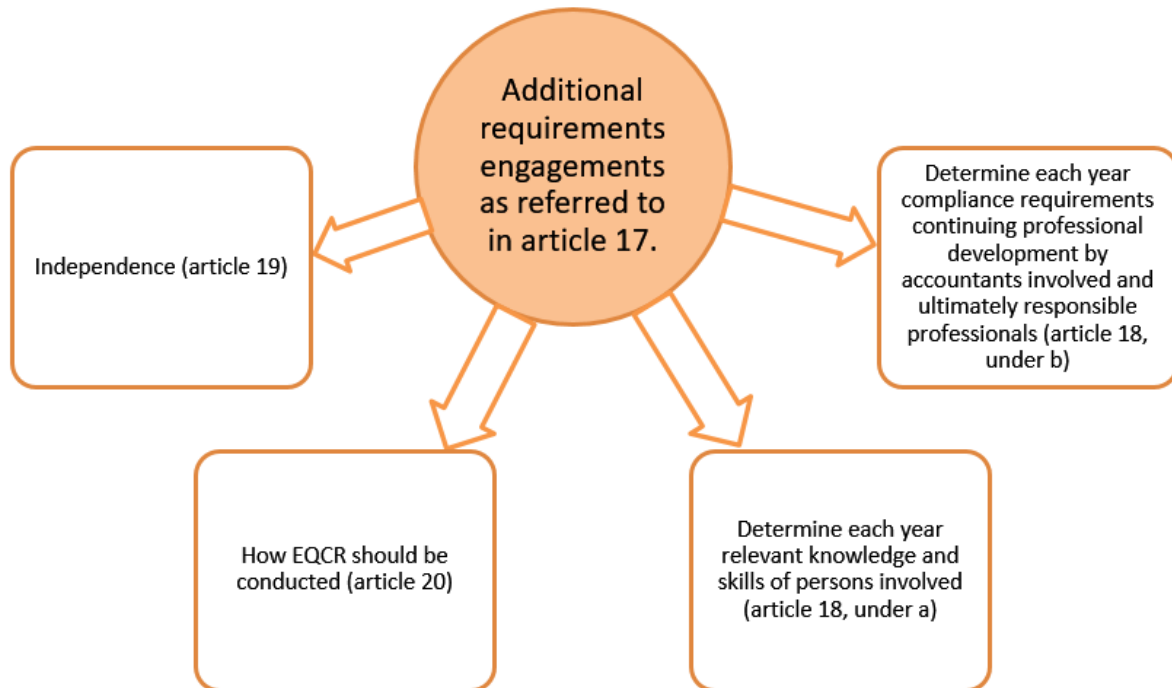




With regard to engagement quality control review, the most important provision is that the accountants unit should regulate *which* NVKS engagements require an engagement quality control review. *The manner* in which an engagement quality control review is conducted is determined by the accountants unit itself, at least with regard to related services engagements and equivalent engagements (*for assurance engagements, see paragraph 4.2*). This sufficiently ensures the quality of related services engagements and equivalent engagements.

4.2 Additional requirements for assurance engagements

Additional requirements apply to assurance engagements or equivalent engagements, as in assurance engagements an accountant provides assurance to third parties. This means that the public can establish greater trust in an assurance engagement than in other engagements. The additional requirements pertain to independence, personnel policy and engagement quality control review (hereafter abbreviated as: EQCR).



With regard to the EQCR for assurance engagements and equivalent engagements, minimum requirements have been established on the *manner in which they are conducted*. These requirements are in addition to the provision that an accountants unit should regulate which engagements are subject to an EQCR (see paragraph 4.1). The NVKS require an engagement quality control review for *all* audit engagements for financial statements at public interest entities, such as voluntary audits, audits of grant statements, and audits of statements of insured interest.²¹ This is in accordance with ISQC1.

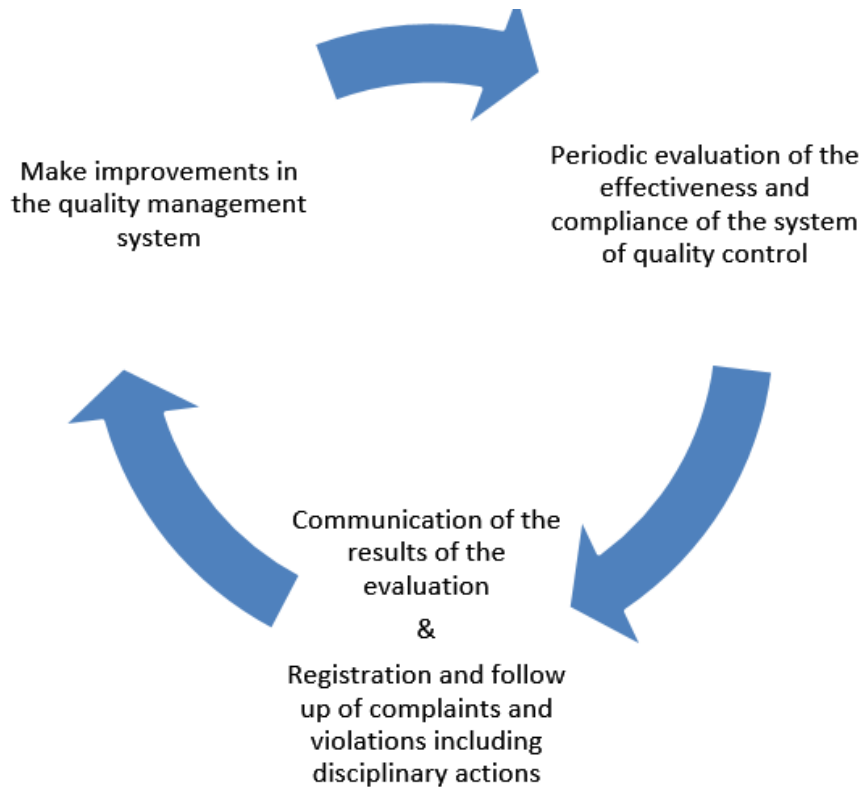
5 Quality control

The quality management system within an accountants *firm* is also aimed towards quality control for NVKS engagements conducted by ultimately responsible professional, where applicable. For the sake of readability, this paragraph is limited to NVKS engagements conducted by ultimately responsible professional accountants. In rare cases, engagements by ultimately responsible professionals are mentioned explicitly in order to avoid uncertainty as to this point.

5.1 General

As illustrated in the figure in paragraph 3.1 under 'quality management system', monitoring compliance and effectiveness of the quality management system is an essential element of this system. This is because the design and implementation of the system may be properly arranged, but if the requirements are not complied with or updated, then the system does not sufficiently ensure the quality of the work performed. The NVKS therefore contain the following requirements regarding quality control once the system has been established:

²¹ With the exception of statutory audits, which fall outside the scope of the NVKS. An engagement quality control review should also be conducted for statutory audits at a public interest entity. This is regulated in the EU regulation.



The scope of the system of quality control is the same as the quality policy.

Registrations that are relevant to the quality policy and the system of quality control should in principle be archived for at least seven years, counting from the moment at which (the relevant elements of) the quality policy or system of quality control were no longer valid. Elements that have been amended should be archived for a minimum of seven years after the amendment goes into effect.

5.2 Quality manager

As quality control requires competencies that not every accountant is required to have, especially at larger accountants units, it is recommended that someone with the required expertise be appointed. That is why the function of quality manager was introduced. The quality manager is as process manager operationally responsible for the design, implementation and monitoring of the system of quality control, and is accountable to the quality control decision maker. The quality control decision maker may assign one or more quality managers. The quality control decision maker remains ultimately (professionally) responsible for the quality management system.

The quality manager does not have to be an accountant. For the function of quality manager it is important that he has sufficient knowledge and experience with regard to quality and process management, taking the specific characteristics of the accountants unit into consideration. Depending on the nature and extent of the accountants unit, the duties of the quality manager may also be delegated to multiple persons, such as for example a *compliance officer*, to conduct some of the tasks. If desired, the functions of quality control decision maker and quality manager may also be combined.

Article-by-article explanatory notes for the NVKS

For the sake of readability of the regulation and the article-by-article explanatory notes, the articles in paragraphs 4 to 6 largely focus on the conduct of an engagement by an ultimately responsible professional accountant. The quality management system for an accountants firm, however, includes NVKS engagements that are conducted by an ultimately responsible professional, and complies with the same requirements, unless otherwise specified. The quality control decision maker applies *mutatis mutandis* the relevant standards targeted towards him. In that case, the articles for ‘ultimately responsible professional accountant’ should be read as ‘ultimately responsible professional’, and ‘professional accountants report’ should be read as report based on the conduct of an NVKS engagement subject to regulations other than the NV COS (*see provisions Articles 16, 21 and 26*). Certain sections of the regulations and the article-by-article explanatory notes explicitly mention the conduct of the engagement by the ultimately responsible professionals, in order to prevent uncertainty. The term ‘conduct of an engagement *by* an ultimately responsible professional accountant or ultimately responsible professional means that an NVKS engagement is conducted *under his ultimate responsibility*. The ultimately responsible professional accountant or ultimately responsible professional is often supported by an engagement team.

Paragraph 1 General Provisions

Article 1

Where possible, the definition of terms aligns with definitions from other laws and regulations. If it is not possible to copy a definition, then the term ‘applied in a similar manner’ is used.

Accountants department

An accountants department is characterised by an accountant conducting an NVKS engagement on behalf of the *organization of which the accountants unit is a part*. This may be either in the function of an ultimately responsible professional accountant or as another member of an engagement team. This definition is not determined by the party for whom the engagement is being conducted. This means that the engagement can be conducted for the organization itself, as well as for a specified group of users, as defined in Article 1 of the ViO.²²

Accountants firm

An accountants firm is characterised by an accountant conducting an NVKS engagement on behalf of *an external client*. An accountants firm already exists if at least one NVKS engagement is conducted on behalf of an external client (by an accountant). If in addition other NVKS engagements are conducted for parties other than an external client, then there are no consequences for the qualification of accountants firm. One example is an engagement for consolidation purposes obtained from a group accountant. An accountant may conduct NVKS engagements either in the function of an ultimately responsible professional accountant as in the function of another member of an engagement team.

Accountants practice

An accountants practice can consist of both an accountants organization and an accountants firm. As soon as an accountant conducts a statutory audit, the requirements for accountants organizations stipulated in the Wta, the Bta, the VAO, and the EU regulation, if the statutory audits are conducted for public interest entities, should be complied with. NVKS engagements that are not statutory audits should comply with the requirements of the NVKS. As both types of regulations require a system of quality control, this could result in two systems being applied within a single accountants practice, which may be an undesirable situation.

Professional accountants report

Since the amendment of the NV COS as of 15 December 2010, which is aligned with the Dutch translations of the ISAs for the Netherlands and Belgium, the term ‘professional accountants report’ is no longer limited to an audit engagement. The term professional accountants report includes all statements and reports issued by an accountant as part of an assurance engagement or a related

²² Specified group of users: persons who are considered to be the restricted user group by the engaging party, the responsible party and the engagement partner, or the accountants unit, prior to the assurance engagement.

services engagement. These include audit reports, review reports, compilation reports, assurance reports or reports of factual findings.

The term 'written' is intended to clarify the differentiation from verbal statements. A written statement can be consulted, dated and identified and its authenticity can be ensured. The term 'written' is also understood to include electronic recording.

Ultimately responsible professional accountant: this is the same person as the ultimately responsible professional accountant specified in the ViO²³.

Ultimately responsible professional: see paragraph 2.2 of the general section of the explanatory notes.

Quality: see paragraph 3.2 of the general section of the explanatory notes.

Quality ambition: see paragraph 3.3 of the general section of the explanatory notes.

Quality policy

The policy includes the quantifiable objectives for the accountants unit as a whole, and for the various elements of the accountants unit.

Quality control decision maker: see paragraph 3.4 of the general section of the explanatory notes.

Quality manager: see paragraph 5.2 of the general section of the explanatory notes.

Quality management system: see paragraphs 3 up to and including 6 of the general section of the explanatory notes.

NVKS engagement: see paragraph 2.3 of the general section of the explanatory notes.

Engagement quality control reviewer

The definition in the NV COS glossary of terms is as follows: "A partner, other person within the firm, a sufficiently qualified external person or a team composed of such individuals, which are not members of the engagement team, and who have sufficient and appropriate experience and authority to objectively evaluate the significant judgments of the engagement team and the conclusions reached in formulating the professional accountants report." In the NV COS, this term focuses on the engagement quality control review for audit engagements of financial statements. However, the NVKS use this term to apply to all NVKS engagements, with the exception of statutory audits.

Engagement quality control review

The definition in the NV COS glossary of terms is as follows: "A process designed to provide an objective evaluation of the significant judgments of the engagement team and the conclusions reached in formulating the professional accountants report prior to the date of the professional accountants report. The process of engagement quality control review only applies to audits of financial statements of public interest entities, and any other audit engagements for which the firm has determined that an engagement quality control review is required." In the NV COS, this term focuses on the engagement quality control review for audit engagements of financial statements. However, the NVKS use this term to apply to all NVKS engagements, with the exception of statutory audits.

Engagement team;

The definition in the NV COS glossary of terms is as follows: "All partners and staff conducting the engagement, as well as all persons engaged by the firm or a firm belonging to the network for the conduct of the engagement. This excludes external experts engaged by the firm or a firm belonging to the network." In the NV COS, this term focuses on the conduct of an engagement within an accountants firm. However, the NVKS use this term in relation to the conduct of an engagement within accountants units, which includes accountants firms and accountants departments. The members of the engagement team also include persons who are involved in the conduct of an accountants unit's

²³ However, the ViO states that this person is *responsible* for the engagement, although the intended meaning is *ultimately responsible*. This also seems to imply the 'ultimately responsible' person in the definition of 'key engagement partner' in Directive 2006/43/EU of the European Parliament and of the Council of 17 May 2006, on statutory audits of annual accounts and consolidated accounts and to amend Directives 78/660/EEC and 83/349/EEC of the Council, and revoking Directive 84/253/EEC of the Council.

engagement on behalf of a 'shared service center' or similar part of the network conducting activities for NVKS engagements.

System of quality control: see paragraphs 4 and 5 of the general section of the explanatory notes.

Article 2

The NVKS apply to:

- assurance engagements or related services engagements conducted by the ultimately responsible professional accountant in an accountants firm or accountants department, subject to the provisions of the NV COS.
- engagements that are equivalent to assurance engagements or related services engagements, and which are conducted by an ultimately responsible professional subject to regulations other than the NV COS.

The NVKS do *not* apply to:

- engagements as referred to in the third paragraph of the NV COS;
- statutory audits; and
- engagements that are equivalent to assurance engagements or related services engagements subject to regulations other than the NV COS, which are conducted by a non-accountant in an accountants department;
- engagements that are not assurance engagements or related services engagements, and which are conducted under the ultimate responsibility of an accountant.

Engagements as referred to the third paragraph of the NV COS are excluded from the definition of an NVKS engagement (*see paragraph 2.4 of the general section of the explanatory notes*).

Statutory audits are excluded from the scope of the NVKS because the requirements pertaining to the quality policy for statutory audits are included in other laws and regulations (*see paragraph 1.2 of the general section of the explanatory notes*).

For an explanation as to why NVKS engagements conducted by ultimately responsible professionals in an accountants firm are subject to the NVKS, and by non-accountants in an accountants department are not subject to the NVKS, please refer to paragraph 2.2 of the general section of the explanatory notes.

Paragraph 2 Quality control decision maker

For a detailed explanation of the term 'quality control decision maker', see paragraph 3.4 of the general section of the explanatory notes. The quality control decision maker can delegate operational tasks to others, such as the quality manager (*see Article 4*), but he remains at all times ultimately (professionally) responsible for the quality management system.

Article 3

First paragraph

The first paragraph introduces the function of quality control decision maker in the accountants unit. This is the accountant who is responsible for ensuring that the accountants unit has a quality management system which ensures with reasonable assurance that NVKS engagements are conducted in accordance with the relevant laws and regulations. The accountants unit is responsible for assigning the quality control decision maker. This may be a policy maker or group of policy makers, who may or may not be accountants, or a selection from among the accountants unit's ultimately responsible professional accountants. The provision in the first paragraph also entails that a representative quality control decision maker is appointed if the quality control decision maker is no longer capable of performing his tasks. It is recommended to appoint a representative at the same time as the quality control decision maker is appointed.

Second paragraph

The second paragraph states which requirements a quality control decision maker should comply with in order to properly conduct the duties of the function within an accountants unit.

Second paragraph, part a

The term 'policy maker' is defined in the Wta as the persons who determine the day-to-day policy. The function of policy maker is relevant to the NVKS because this person's function possesses the authority and authorization needed to bear the responsibility of the quality control decision maker.

Second paragraph, parts b and c

The competencies required to fill the function of quality control decision maker pertain to the qualifications of the accountants profession with regard to internal control, and assume adequate knowledge of the relevant laws and regulations. This does not mean that each accountant, by definition, has the knowledge and experience needed to adequately fill this function for every accountants unit. It is evident that the quality control decision maker has knowledge of the accountants unit and the types of engagements it conducts.

Third paragraph

The third paragraph was written for accountants departments and accountants firms which do not have an accountant as a day-to-day policy maker. This is not an issue at accountants firms that conduct assurance engagements. Article 5, first paragraph, part c, states as a precondition that the day-to-day policy of these accountants firms is in majority determined by accountants practices, accountants firms, accountants or other natural persons in the possession of a declaration of professional competence, as referred to in Article 54, first paragraph of the Wab.

Article 4

For a detailed explanation of the quality management system, see paragraphs 3, 4 and 5 of the general section of the explanatory notes.

First paragraph

The quality management system is established in such a way that the quality control decision maker can ensure with reasonable assurance that NVKS engagements are conducted in accordance with the applicable laws and regulations. The general section of the explanatory notes describes the responsibilities of the quality control decision maker (*see paragraph 3.4*). When an ultimately responsible professional accountant makes a mistake in the conduct of an engagement which can be traced to the quality management system, for example because the quality management system should have signaled it, or because the quality management system does not function adequately, then the quality control decision maker may also be subject to disciplinary law in addition to the ultimately responsible professional accountant.

The quality control decision maker's responsibility is not limited to providing the proper resources, but also includes determining a quality policy within the accountants unit's quality ambition, and to check and evaluate whether the desired results have been achieved.

The responsibility of the quality control decision maker pertains to NVKS engagements. In an accountants firm, this responsibility also includes engagements that are equivalent to assurance engagements or related services engagements, and which are conducted by an ultimately responsible professional. In an accountants department, the responsibility of the quality control decision maker pertains only to assurance engagements or related services engagements conducted by ultimately responsible professional accountants. The quality management system that an accountants department should have in compliance with the NVKS does not need to apply to the conduct of engagements under the ultimate responsibility of non-accountants. However, the accountants department is free to conduct such engagements under the same quality management system.

Second paragraph, part b

This provision requires a periodic evaluation of the effectiveness of the quality policy. In order to prevent 'company blindness', the periodic quality policy review may be evaluated by an external officer. This may be useful for an accountants unit employing a single ultimately responsible professional accountant, as well as larger accountants units.

Second paragraph, part d

The manner in which the system of quality control is recorded is not subject to formal requirements. The main priority is that the system of quality control is accessible. The method of recording depends on the accountants unit's specific characteristics.

Second paragraph, part e

Informing the persons involved in the conduct of the engagement or operations includes all persons, not just the ultimately responsible professional accountants or ultimately responsible professionals.

Persons involved in the operations also include secretaries and facilities staff (*see paragraph 2.1 of the general section of the explanatory notes*). The method of informing, the information provided, and the amount of information all depend on the nature of the activities of the persons involved in the conduct of the engagement or the operations of the accountants unit.

Third paragraph

The quality control decision maker may call on the support of one or more other people in the conduct of his tasks, as long as these people are sufficiently equipped to conduct the tasks of the quality control decision maker. For example, in addition to the quality control decision maker, several accountants may be charged with the conduct of the task of assigning an ultimately responsible professional accountant or an ultimately responsible professional for every NVKS engagement (Article 12, first paragraph). This can also include persons who the ultimately responsible professional accountant should consult on specific independence issues, if required by the ViO (such as pertaining to gifts or long-term involvement). The quality control decision maker remains ultimately (professionally) responsible. Certain specific operational duties can also be delegated to a quality manager (*see Article 4, third paragraph*).

Fourth paragraph

A quality control decision maker may assign one or more quality managers for the conduct of certain operational duties. If he does not do so, then he should conduct the operational tasks himself. A quality manager falls under the (professional) responsibility of the quality control decision maker.

The quality control decision maker may also appoint an officer for example to supervise compliance with elements of the quality management system in addition to the quality manager. This officer also falls under the (professional) responsibility of the quality control decision maker.

Fifth paragraph

The responsibility of the quality manager pertains to the quality control process, and in the context of this function does not include professional responsibility for the quality of the engagements at the engagement level. The nature of the duties and responsibilities of the quality manager do not necessarily require him to be an accountant. This requirement is therefore not specified. However, the quality manager should of course possess the expertise and experience needed to be able to function as such. If the quality manager is an accountant, he can be held directly liable for disciplinary action based on these regulations if he does fulfil his responsibility with regard to quality control insufficiently.

Sixth and seventh paragraph

It is also possible for the quality control decision maker to take on all or part of the duties of the quality manager. In that case, he should possess the relevant competencies for the function of quality manager, taking the nature and extent of the accountants unit into consideration. As stated above, the quality control decision maker remains ultimately responsible for all activities conducted in the field of quality control. For that reason, he supervises the activities of the quality manager, which is made obligatory in the seventh paragraph.

Article 5

For a detailed explanation of the preconditions, see paragraph 3.5 of the general section of the explanatory notes.

First paragraph, parts b and c

These preconditions only apply to accountants firms where ultimately responsible professional accountants conduct assurance engagements, or where ultimately responsible professionals conduct engagements that are equivalent to assurance engagements.²⁴ The purpose of these provisions is to ensure that the accountants practices, accountants firms, accountants or other natural persons in the possession of a declaration of professional competence, as referred to in article 54, first paragraph of the Wab. have authority over the conduct of NVKS engagements.

The majority of voting rights pertains to the body within the accountants firm authorized to make decisions, such as the shareholders meeting in a private limited company, the board of a foundation, or the partnership- or partners meeting.

²⁴ This pertains to assurance engagements subject to the NV COS, as well as equivalent engagements subject to regulations other than the NV COS.

For example, in a private limited company in which the shareholders meeting consists of a single accountant and a single fiscal expert, who both hold 50% of the shares, then priority shares may be issued to ensure that the accountant maintains authority over the conduct of NVKS engagements. The special rights affiliated with a priority share are recorded in the articles of association. The wording of parts b and c is aligned with Article 16, second paragraph, and 16a of the Wta. Voting rights may also be held by utilising a holding construction (aligned with the Explanatory Memorandum for Article 16a of the Wta).

Fourth to seventh paragraphs

For a description of the conditions under which a quality control decision maker may be eligible for an exemption, see paragraph 3.5 of the general section of the explanatory notes. The authorization of the board of the NBA is a discretionary authorization. This means that the board is free to decide in specific cases whether or not to grant an exemption, within the framework of the fourth and seventh paragraphs. The board may also establish requirements on the grant of an exemption (these are the 'exemption requirements' mentioned in the article). The exemption is granted for a specific period of time, not to exceed six years. This maximum period is derived from the review cycle by the Supervisory Board, based on the Quality control review Regulation (at least once during the six-year period). A subsequent request for an exemption will be evaluated based on the current facts and circumstances.

In the situation specified in the sixth paragraph, an exemption will expire by law. The exemption will also expire retroactively to the last moment at which the board should have been informed. This means six weeks after the quality control decision maker knew or should have known that the conditions for obtaining the exemption or the requirements established on the exemption were no(t) (longer) complied with.

The seventh paragraph specifies the reasons for amending or revoking an exemption by the board of the NBA. An example of a reason as intended in part c is the situation in which a review of the quality policy and the system of quality control by the Supervisory Board of the NBA shows that the exemption requirements are no longer complied with.

In the event of an amendment (or revocation) of the NVKS, the board will review whether there are reasons to apply transitional provisions to the existing exemptions.

Paragraph 3 Ultimately responsible professional accountant, ultimately responsible professional, and accountant

For a detailed explanation of each of these functions, see paragraph 2.1 of the general section of the explanatory notes.

Article 6

If a quality control decision maker is appointed, a quality policy has been established and a system of quality control has been established, then in principle there are sufficient safeguards at the level of the accountants unit in order for the ultimately responsible professional accountant to be able to conduct NVKS engagements in compliance with the applicable laws and regulations.

Article 7

This article is only relevant to accountants firms where NVKS engagements are conducted by an ultimately responsible professional. For a detailed explanation of the ultimately responsible professional, see paragraph 2.2 of the general section of the explanatory notes.

First paragraph

This provision pertains to engagements that comply with the requirements for assurance engagements or related services engagements, and which are conducted by an ultimately responsible professional. For quality control purposes, these engagements are considered equivalent to assurance engagements or related services engagements, and the quality is managed within the same quality management system. Among other things, this means that an ultimately responsible professional should be assigned who possesses sufficient qualifications to bear this ultimate responsibility.

A non-accountant may only be assigned as an ultimately responsible professional for an NVKS engagement which does not pertain to financial information. There are two exceptions to this. An ultimately responsible professional may conduct an engagement pertaining to financial information if

the conduct of these engagements has been allocated by or under law to the ultimately responsible professional's professional group, or if he is a member of a professional body that is a full member of the IFAC.

Second paragraph

As an ultimately responsible professional is not an accountant, another method should be implemented to test and ensure that this ultimately responsible professional possesses the proper qualifications. The requirements in the second paragraph are comparable to the requirements that apply for registration in the accountants register. If the ultimately responsible professional is a member of a professional body that is a full member of the IFAC, then he is considered to comply with the requirements. This assumption is based on the obligations that the IFAC establishes on its member professional bodies.

Second paragraph, part d, under 2

Disciplinary law contributes to quality control. Therefore, an ultimately responsible professional is required to be a member of a professional group that is subject to disciplinary law. If this is not the case, then the ultimately responsible professional does not comply with the requirements to conduct an NVKS engagement at an accountants firm. This is not a new requirement. It has been one of the criteria which the board of the NBA used to test a request for accreditation from a professional body (see paragraph 1 of the Explanatory Notes for the NVAK-ass. or NVAK-aav.)

Third paragraph

The provision that an ultimately responsible professional announces his areas of knowledge and experience and indicates which rules he has applied contributes to transparency and minimises the risk of raising the impression that he is acting as an accountant or possesses equivalent knowledge. An ultimately responsible professional conducts NVKS engagements subject to regulations other than the NV COS.

Article 8

The second paragraph establishes preconditions on the cooperation between accountants and parts of their Dutch network, such as administration firms (*see paragraph 3.6 of the general section of the explanatory notes*).

First and second paragraph

These provisions apply both to engagements in which the accountant himself is a member of the engagement team (first paragraph) as well as other engagements conducted by the accountants unit (or parts of its network) (second paragraph). These provisions provide an extra safeguard for the provisions in Article 12, first paragraph. This article requires a quality control decision maker to assign an ultimately responsible accountant to conduct any assurance engagement or related services engagement subject to the NV COS. Article 8 holds *every* accountant in the accountants unit responsible for determining if this specific requirement of the NVKS has been complied with, if he suspects that such may not be the case.

If an accountant has information that indicates that the engagements are conducted by persons other than ultimately responsible professional accountants, then the accountant investigates this information. If the information is correct, then the accountant should ensure that the accountants unit takes corrective actions, or he takes actions himself in order to be no longer involved in the conduct of the engagement or the operations. If such a violation of the quality management system occurs on a one-time basis, and the necessary corrective actions have been implemented, then the accountant may continue to be involved in the conduct of the engagement or the operations. However, if such a violation continues to occur, despite the accountant's warnings, then he may no longer be involved in the conduct of the engagement or the operations of the accountants unit.

The same applies to engagements that are equivalent to assurance engagements or related services engagements as they are conducted by an accountants firm, and which may only be conducted by an ultimately responsible professional.

At the end of the second paragraph, the following sentence has been included: '*an engagement as referred to in the first paragraph should be conducted by an ultimately responsible professional accountant or an ultimately responsible professional.*' This sentence pertains to parts a and b.

Second paragraph, beginning and part b

Based on this provision, accountants are no longer permitted to be involved in the operations of an accountants firm, if a part of the firm's network conducts engagements which actually qualify as NVKS engagements by persons other than ultimately responsible professional accountants. The same applies to engagements that are equivalent to assurance engagements or related services engagements, and which are conducted from within the accountants firm's network. These should be conducted by an ultimately responsible professional accountant.

For a detailed explanation of the term 'operations', see paragraph 2.1 of the general section of the explanatory notes.

The definition of 'network' in the meaning of the NV COS Glossary of Terms is understood to mean:
"A larger structure:

- a. which focuses on cooperation; and*
- b. which is clearly focused on sharing profits or costs, or sharing common ownership, control or management, common policies and procedures for quality control, a common business strategy, the use of a common brand name, or a significant part of the company resources."*

Paragraph 4 Quality management system requirements

For a detailed explanation of the content of the quality management system, see paragraph 4 of the general section of the explanatory notes.

The quality management system for an accountants firm includes NVKS engagements that are conducted by an ultimately responsible professional.

Article 9

First paragraph, part b

The words '*inasmuch as their role in the accountants unit makes such relevant*' means for example that a receptionist or security guard at the accountants unit is aware of the rules pertaining to the fundamental principle of confidentiality applied by the accountants unit, and also knows how these rules should be applied. This can be achieved by providing current information, such as procedures or work agreements, in an accessible form.

For an ultimately responsible professional accountant who is exclusively active in compilation engagements, the relevant regulations include the VGBA, the NVKS and Standard 4410 of the NV COS. If assurance engagements are conducted subject to the NV COS, then the ViO is also relevant, for example, and not only for the ultimately responsible professional accountant, but also for any person within the accountants unit who can influence the outcome of those assurance engagements.

Second paragraph

Violations are all actions which are in conflict with the quality policy or the system of quality control.

Third paragraph

The required complaint process is aimed towards examining whether there has actually been a violation of the quality policy or system of quality control within the accountants unit, and if so, that the complaints are dealt with by instituting appropriate actions. This article should be read in relation to Article 23.

Article 10

Accountants departments often make annual agreements regarding the engagements to be conducted, which are recorded in an audit charter or an audit plan. These regulate issues such as quality, ultimate responsibility, information provision, ethical requirements and general and specific expertise, time and resources. Such plans may simplify the duties of the quality control decision maker. If an audit charter or audit plan is used, then an annual evaluation of the audit charter or audit plan may suffice, whereby the quality control decision maker takes the aspects referred to this article into consideration. If an accountants department does not have an audit charter or audit plan, then the provisions of Article 10 apply for each engagement, as well as for engagements that fall outside the scope of the audit charter or audit plan.

First paragraph, part a, under 2

When considering the integrity of a client, the consideration also includes the integrity of the most important holders of capital interests, of key management personnel, and the client's persons charged with governance, if relevant.

First paragraph, part b

The evaluation of whether to accept or continue an NVKS engagement, and the documentation of that evaluation, includes possible issues that the ultimately responsible professional accountant observed in the evaluation process and the way that he dealt with them.

Article 11: *no explanatory notes.*

Article 12

First paragraph

This deals with assigning an ultimately responsible professional accountant or ultimately responsible professional who has the (most) appropriate competencies, skills and availability to conduct the NVKS engagement. In doing so, the quality control decision maker may utilise the accountants unit's planning system. The requirements which a person should comply with in order to be assigned as an ultimately responsible professional at an accountants firm are referred to in Article 7.

Second paragraph, part f

The structured documentation of engagements contributes to clarity and consistency, and may be achieved by using a model for the structure of an engagement file. Depending on the services and the extent of the accountants unit, there may be other forms of structured documentation, such as using a table of contents based on the balance sheet and income statement line items of model financial statements.

Second paragraph, part h

This deals with a difference of opinion between various persons involved in an NVKS engagement:

- the ultimately responsible professional accountant or ultimately responsible professional;
- the engagement quality control reviewer.
- a person asked for advice; or
- another member of the engagement team.

A relevant difference of opinion does not deal with differing insights which can be dealt with through for example 'on the job training' during an engagement.

Resolving a difference of opinion may also involve requesting advice from a third party, if the persons involved cannot resolve the conflict on their own.

Second paragraph, part i

This provision does not apply to engagements conducted under the ultimate responsibility of an ultimately responsible professional (*see Article 16, part b*).

Third paragraph

The quality management system provides reasonable assurance that the confidentiality rules are complied with by accountants and others involved in the conduct of the engagement or the accountants unit's operations.

Article 13

The requirement to establish review criteria to determine whether an engagement quality control review of an assurance engagement or related services engagement is necessary, is in compliance with ISQC1. This requirement is new compared to the NVAK-aav. An engagement quality control review may also be necessary for NVKS engagements conducted by an ultimately responsible professional.

Additional requirements apply to an engagement quality control review for assurance engagements or equivalent engagements (*see explanatory notes for Article 20*).

First paragraph

Examples of review criteria to determine whether an engagement quality control review of an NVKS engagement is necessary include:

- the nature of the engagement, including the extent that the engagement may involve a public interest;
- unusual circumstances that may be relevant to the engagement;
- risks that may pose a threat to the conduct of the engagement in accordance with relevant laws and regulations;
- laws and regulations that prescribe that an engagement quality control review should be conducted.

It is possible that an accountants unit has no engagements that comply with the review criteria, and as a result no engagement quality control review is conducted.

An engagement quality control review poses no limits on the responsibility of the ultimately responsible professional accountant.

Second paragraph

An engagement quality control reviewer may come from within the accountants unit or from outside.

Article 14

First paragraph

A situation that requires replacement may occur when for example the ultimately responsible professional accountant becomes unable to work for a longer period, or passes away. The task then is for a newly assigned ultimately responsible professional accountant to take over the conduct of the NVKS engagement and to carefully complete it.

NVKS engagements conducted by an ultimately responsible professional may also be replaced by an ultimately responsible professional accountant, as long as the latter has sufficient knowledge and experience to conduct this engagement in accordance with the relevant laws and regulations. In principle, NVKS engagements conducted by an ultimately responsible professional accountant may be replaced by an ultimately responsible professional, as long as the latter has sufficient knowledge and experience. Naturally, he should also comply with the conditions stipulated in Article 7.

Second paragraph

This provision applies to smaller accountants units. As in this situation, there is only one ultimately responsible professional accountant, it is necessary to make such agreements in advance. Even in an accountants unit with multiple ultimately responsible professional accountants, it may be necessary to arrange replacement by someone from outside the accountants unit.

Article 15

The professional liability insurance can only be arranged for accountants firms. In principle, accountants departments only work internally, which means that there is little to no risk of professional liability.

A professional liability insurance policy also insures the risks of the conduct of the profession by ultimately responsible professionals to a reasonable degree.

This article should be read in relation to the Board decree referred to in the third paragraph. In that decree, the board of the NBA stipulates the minimum amount of the amounts to be insured, and the maximum deductible per claim. This decision will come into effect.

First paragraph, part b

The persons involved in the conduct of engagements or operations include the persons who replace those who should be replaced due to illness, death or other circumstances (*see Article 14*). This means that the insurance policy should cover liability in a manner similar to that referred to this part in the event of replacement as well.

Second paragraph, part a

The insurance policy is purchased from an insurer which complies with, or may be assumed to comply with, reasonable requirements for solvency. In accordance with the Insurance Supervisory Act, insurers located in the Netherlands fall under the supervision of De Nederlandsche Bank (DNB), and are therefore assumed to meet the requirements for solvency. Foreign insurers subject to independent

supervision which is at least equivalent to that provided by the DNB in the Netherlands are also considered to meet the requirements for solvency. In the event that a so-called 'captive' is subject to such supervision, then it should be considered to be an acceptable insurer in this context. A captive may include the (re)insurance firm which is part of the accountants practice or its network, and which is primarily involved in (re)insuring the professional liability risks of the organizations belonging to the network.

Second paragraph, part c

It is recommended that the activities covered by the insurance policy are explicitly described in the policy, so that no uncertainty or difference of opinion can occur between the insured and insurer at the moment a claim is submitted.

In the event that an accountants practice consists of both an accountants firm and an accountants organization, then NVKS engagements (and any other engagements) as well as statutory audits are covered by the policy.

The policy should cover all activities, regardless of who submits the claim. The last part of his provision foresees in a situation in which a third party submits a claim instead of the client.

Second paragraph, part e

This provision foresees in situation in which claims pertaining to activities subject to Dutch law are submitted in the Netherlands by clients and third parties located in Europe.

Second paragraph, part f

The accountants firm should ensure that the run-on and run-off risks are covered for a period of at least two years. This entails that activities conducted in the two years prior to the purchase of the policy, and which have not yet resulted in claims at that moment, are insured as well. The policy should also offer coverage for claims submitted within two years after the expiration of the policy, which pertain to activities conducted during the insurance period. These types of activities and other relevant circumstances may require a longer term for run-on and run-off risks. The term of two years is therefore a minimum requirement.

Second paragraph, part g

If a claim is submitted and disputed, the costs of legal aid may accumulate quickly. This section therefore includes a requirement to include insurance for the costs of disputing professional liability claims in the professional liability insurance policy.

Fourth paragraph

This paragraph foresees in specific circumstances which may increase the accountants firm's risk profile, such as the nature of the activities or the nature and extent of the client portfolio.

A professional liability insurance policy which only complies with the minimum requirements may be insufficient in such circumstances, causing the minimum requirements to be adjusted upward. The quality control decision maker should ensure that the coverage of the professional liability policy is also reasonably sufficient to cover such specific circumstances.

Article 16

This provision is only relevant to accountants firms where NVKS engagements are conducted by an ultimately responsible professional.

For the sake of readability of the regulation, the articles in these paragraphs generally focus on parts of the conduct of an engagement by an ultimately responsible professional accountant. The quality management system for an accountants firm, however, includes NVKS engagements that are conducted by an ultimately responsible professional, and complies with the same requirements, unless otherwise specified. The quality control decision maker applies mutatis mutandis the relevant standards targeted towards him. In that case, 'ultimately responsible professional accountant' should be read as 'ultimately responsible professional', and 'professional accountants report' should be read as report based on the conduct of an NVKS engagement subject to regulations other than the NV COS.

Article 12, second paragraph, part i, is excluded from the provision (part b). This part pertains to the personal signature of the professional accountants report.

The provision also does not apply to Article 14 (replacement). This article regulates replacement of and by ultimately responsible professionals.

Paragraph 5 Additional requirements for quality management systems for assurance engagements

This paragraph establishes additional requirements on the quality management system if assurance engagements are conducted, or in case of accountants firms, equivalent engagements are conducted²⁵ (see Article 17). These requirements are additional to those listed in paragraph 3. For a general explanation of the additional requirements, see paragraph 4.2 of the general section of the explanatory notes.

The quality management system for an accountants firm includes NVKS engagements that are conducted by an ultimately responsible professional.

Article 17: *see the introduction.*

Article 18

Part a

The quality control decision maker may use several methods to determine whether the persons involved in the conduct of an engagement or operations possess the relevant knowledge and skills. For example, the appraisal or performance interviews may be recorded to indicate the relevant knowledge and skills. The quality control decision maker may also initiate an annual knowledge test, with a required minimum score.

The manner chosen should be sufficient to review whether the relevant knowledge and skills are actually present.

Part b

The quality control decision maker can effectively implement this provision by requiring accountants and ultimately responsible professionals to provide the quality control decision maker with evidence each year that they have satisfied their obligations pertaining to continuing professional development.

Article 19

On the basis of Article 3 of the ViO, the ultimately responsible professional accountant ensures the independent performance of an assurance engagement. Article 19 is intended to ensure the independent conduct of an assurance engagement, so that the ultimately responsible professional accountant can comply with this obligation as stipulated in the ViO. Article 7, second paragraph, part c, under 2, requires an ultimately responsible professional to comply with the ViO or independence regulations that are at least equivalent to the ViO. For that reason, an ultimately responsible professional at an accountants firm may also be expected to be independent, and Article 19 pertains as well to engagements that are equivalent to assurance engagements.

First paragraph, part a

This provision is intended to prevent an accountants unit itself from endangering the independent conduct of assurance engagements or equivalent engagements.

First paragraph, part b

An ultimately responsible professional accountant is required to ensure the independent conduct of an assurance engagement (Article 3 of the ViO). He will do so based on the framework of measurement referred to in paragraph 2.3 of the ViO. Part b should be considered in conjunction with Article 6 of the ViO. Paragraphs 3 and 4 of Article 6 of the ViO prescribe in which situations an ultimately responsible professional accountant may decline or terminate an assurance engagement:

Article 6 of the ViO:

1. *“The ultimately responsible professional accountant identifies and assesses circumstances that may be a threat to the independent performance of the assurance engagement.*
2. *The ultimately responsible professional accountant is prohibited to perform the assurance engagement in specific circumstances where a threat arises that cannot be eliminated, indicated with a prohibition in chapters 3 to 13.*
3. *The ultimately responsible professional accountant declines or terminates the assurance engagement if he has identified and assessed circumstances that chapter 3 up to and including 13 determine to be a threat that:*

²⁵ This pertains to assurance engagements subject to the NV COS, as well as equivalent engagements subject to regulations other than the NV COS.

- a. *requires a specific safeguard and this is not applied; or*
 - b. *requires the ultimately responsible professional accountant to select a safeguard that secures the independent performance and this safeguard is not, or will not be, applied.*
4. *The ultimately responsible professional accountant declines or terminates the assurance engagement if he has identified and assessed a threat which is not mentioned in chapters 3 up to and including 13, and there is or will be no safeguard applied to secure the independent performance.”*

(Specific) circumstances and (specific) safeguards are explained in greater detail in the ViO.

Paragraph 2.3 of the ViO contains certain specific provisions for situations in which an assurance engagement may only be continued under specific conditions.

Naturally, in the situation in which an ultimately responsible professional accountant declines or terminates an engagement, a quality control decision maker will evaluate whether the independent conduct can be ensured if he would assign another ultimately responsible professional accountant to conduct the engagement. If the safeguard does not eliminate the threat to independence, then the quality control decision maker ensures that the accountants unit as a whole declines or terminates the engagement.

First paragraph, part d

Article 46 of the ViO which is referred to, states:

Article 46

1. *“It is prohibited to perform an assurance engagement when a review or compensation of a member of the assurance team is not negligible to his commercial performances related to the responsible party.*
2. *It is prohibited to perform an assurance engagement when a review or compensation of the ultimately responsible professional accountant depends on the outcome of his opinion with respect to that assurance engagement.”*

First paragraph, part e

This requirement differs from the provision in Article 12, second paragraph, part f, under 1, of the NVKS. That provision pertains to the documentation obligations stipulated in the ViO itself (*see specifically Article 12 of the ViO*). The third paragraph, part a refers to registration of facts and circumstances which may present a threat to the independent conduct. Registration enables an ultimately responsible professional accountant and any others involved to evaluate whether an assurance engagement is conducted independently, and if it is necessary to implement safeguards. One example is a description of the financial interests or close personal relations held by the members of the assurance team.

First paragraph, part f

This requirement enables an ultimately responsible professional accountant and any others to evaluate whether the independent conduct of an assurance engagement is threatened by fees received (*see also paragraph 5.2 of the ViO pertaining to the relative amount of fees*).

Second paragraph

When evaluating independence, the person conducting the evaluation should involve in his considerations all circumstances of which he knows or should know and which could indicate a threat to independence, in order to come to logical, realistic and justified decisions and conclusions. In order to ensure the objectivity of this evaluation of independence, he should consider whether his own opinion will be shared by someone else with objective and reasonable judgment and who is familiar with all relevant facts and circumstances. This is in accordance with Article 5 of the ViO, which establishes requirements on the professional judgment of the ultimately responsible professional accountant. Article 5 is part of the framework of measurement referred to paragraph 2.3 of the ViO.

Third paragraph

This provision is equivalent to Article 9 of the ViO, with the understanding that the requirement to register the relationships is additional. Registration enables an ultimately responsible professional accountant to evaluate whether these relationships are excluded from the application of certain articles in the ViO (*see Article 10 of the ViO*).

Article 20

This article deals mainly with the *manner in which* an engagement quality control review should be conducted. This article contains both provisions regarding the ultimately responsible professional accountant (first paragraph, part a) and for the engagement quality control reviewer (first paragraph, parts b up to and including d, and fourth paragraph), as are formulated in Standard 220 of the NV COS.

In accordance of Standard 220, paragraph A28, significant judgements may pertain to:

- significant risks identified during the conduct of the engagement and the responses to these risks, including the assessment of, and response to, the risk of fraud by the engagement team;
- judgments made, especially with regard to materiality and significant risks;
- the significance of, and the manner in which the unit deals with corrected and uncorrected misstatements identified during the engagement ;
- the matters to be communicated to management and those charged with governance, and to third parties such as regulatory bodies, where applicable.

The term 'significant matters' is not explained in greater detail in Standard 220. In the NVKS, 'significant matters' is understood to mean matters which may influence the professional accountants report.

Third and fourth paragraphs:

The NVKS require an engagement quality control review for audit engagements of financial statements at public interest entities (*see paragraph 4.2 of the general section of the explanatory notes*).

Fourth paragraph, part a

Obviously, an engagement quality control reviewer would do so based on the documentation in the audit file. Based on Article 12 of the ViO, an ultimately responsible professional accountant is responsible for including in the audit file how he has ensured the independent performance of the assurance engagement (*see Article 12 of the ViO*). The audit file should in any case include documentation of the nature and extent of each identified threat, each safeguard applied with regard to each threat, and a justified conclusion of how the safeguard ensures the independent conduct of the engagement. The above also includes threats at the level of the accountants unit, and safeguards applied by the accountants unit.

Article 21

This provision is only relevant to accountants firms where NVKS engagements are conducted by an ultimately responsible professional. For explanatory notes, please refer to Article 16. Moreover, Article 21, part c pertains exclusively to Article 19 (independence).

Paragraph 6 Quality Control

For a general explanation of the quality management system, see paragraph 5 of the general section of the explanatory notes.

The quality management system for an accountants firm includes NVKS engagements that are conducted by an ultimately responsible professional.

Article 22

First paragraph, part b

The requirement for periodic file reviews may be met by conducting such reviews once every three years, for example.

Second paragraph, part a

The documentation includes possible amendments which have been made to the quality policy or system of quality control as a result of the evaluation.

Second paragraph, part c

Violations as referred to in Article 9, second paragraph, include violations of the quality policy or system of quality control.

Second paragraph, part d

Disciplinary measures can be applied by the quality control decision maker, the quality manager, the board or another officer, depending on the agreements made within the accountants unit. The nature and extent of the violation may play a role.

Second paragraph, part f

The communication of the results of the evaluation may also include communications towards the persons responsible for training and personal development.

Article 23

This article should be read in relation to Article 9, third paragraph. Article 9, third paragraph requires the quality control decision maker to design a complaint procedure for suspected violations of the quality policy or the system of quality control, if the accountants unit does not have a complaint- or dispute committee. The complaint process is aimed towards examining whether there has been a violation within the accountants unit, and if so, that the complaints are dealt with by taking appropriate actions.

Article 24

It seems reasonable that an ultimately responsible professional accountant should inform the quality manager as quickly as possible if a complaint is submitted against the ultimately responsible professional accountant.

Article 25

First paragraph

The first paragraph contains an exception for the situation in which laws or regulations require an alternative retention period. Other periods may result from privacy legislation or the Public records Act, which specifically applies to public sector accountants.

Second paragraph

The quality manager may comply with this provision by entering into a contract with an archive office, for example.

Article 26

This provision is only relevant to accountants firms where NVKS engagements are conducted by an ultimately responsible professional (see the explanatory notes on Article 16).

Paragraph 7 Limited requirements for small accountants units

Article 27

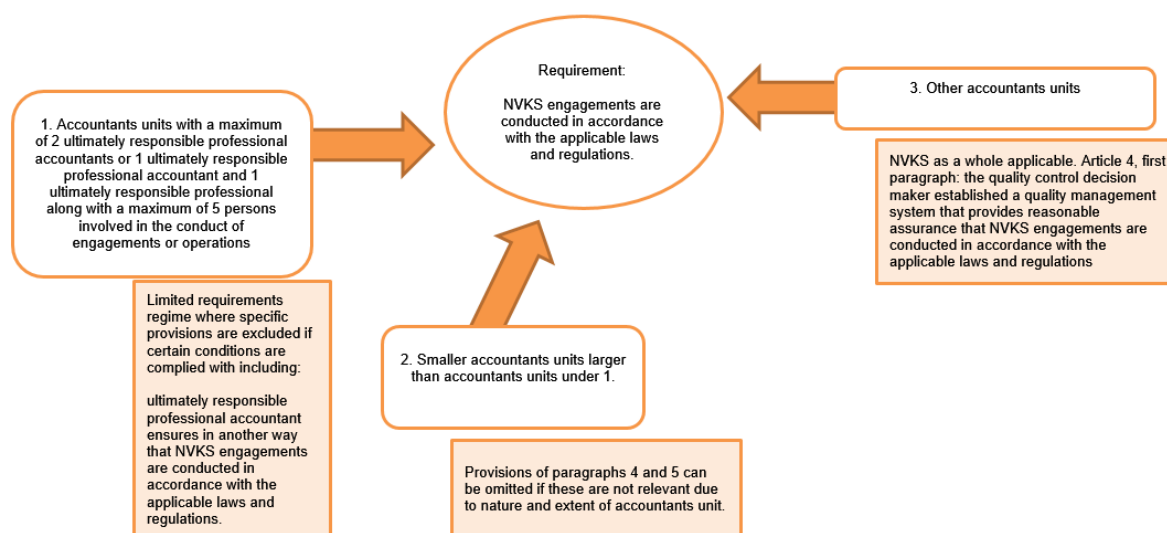
The NVKS provide for the possibility of taking their nature and extent of the accountants unit into consideration. This gives small accountants units the opportunity to establish a custom-tailored quality management system.

The first paragraph includes a general provision, based on which the detailed requirements for the quality management system may be omitted or applied limitedly if they are not relevant for the conduct of an engagement or operations due to the nature and extent of the accountants unit.

The second and third paragraphs stipulate a special regime for accountants units that the NVKS consider to be 'small'. These are accountants units where:

- a maximum of two ultimately responsible professional accountants are employed, along with a maximum of five other persons involved in the conduct of engagements or operations; or
- one ultimately responsible professional accountant and one ultimately responsible professional are employed, along with a maximum of five persons involved in the conduct of engagements or operations; or

The figure below shows the requirements for the various types of accountants units visually.



The figure above may help answer the question of which regime applies to an accountants unit. It is also important that the regime corresponds to the specific characteristics of the accountants unit.

Second paragraph

The regime in the second paragraph only applies to small accountants units as referred to the second paragraph. Certain quality requirements are excluded from this regime, because it is evident that these small accountants units comply with these requirements.

One consequence of this regime is that a small accountants unit need not utilise a quality handbook. In fact, an ultimately responsible professional accountant at such an accountants unit is the most important safeguard of quality, in combination with periodic discussions with an accountant from outside the accountants unit. With this regime, small accountants units have the opportunity to implement the key provisions of the NVKS without detailed administrative obligations, but not optional (formative, but not normative).

The application of the regime in the second paragraph is subject to certain conditions. First, an ultimately responsible professional accountant within the accountants unit should find another way to ensure that the NVKS engagements are conducted in accordance with the relevant laws and regulations (second paragraph, part a). Second, the ultimately responsible professional accountant should evaluate the accountants unit's quality ambition and the manner in which the quality of the NVKS engagements is ensured on a yearly basis. He can do so by evaluating and recording how he has implemented the most important elements of quality control, including:

- replacement;
- capacity of staff and resources;
- planning;
- knowledge of laws and regulations;
- intervention moments with the representative;
- own involvement in the conduct of the engagement.

During the discussion with an accountant from outside the accountants unit, the ultimately responsible professional accountant may demonstrate using a (random) engagement file how he implemented his involvement and the other elements of the quality management system.

If an accountants unit utilises the regime specified in the second paragraph, it is important to obtain feedback from a source outside of the accountants unit for quality control purposes. An accountants unit with a maximum of two ultimately responsible professional accountants or one ultimately responsible professional accountant and one ultimately responsible professional is considered to be insufficient for a representative and critical perspective needed to ensure quality. For that reason, the evaluation should be discussed with an accountant from outside the accountants unit.

At accountants units where a single ultimately responsible professional accountant is active, the accountant from outside the accountants unit will often be the same person as the representative referred to Article 14. At accountants units where two ultimately responsible professional accountants are involved and are one another's representative, the meeting referred to the second paragraph, part b under 2 should be conducted with another accountant from outside the accountants unit.

Third paragraph

If the regime specified in the second paragraph is applied, no quality control decision maker needs to be assigned, and there will usually be no quality managers either. The third paragraph mentions the articles that remain applicable under the regime. An ultimately responsible professional accountant should comply with the requirements stipulated in those articles, even if these articles are addressed to the quality control decision maker or quality manager. For example, an ultimately responsible professional accountant should determine that the accountants unit complies with the preconditions referred to in article 5, first paragraph, parts a and b. If an ultimately responsible professional accountant cooperates with an ultimately responsible professional, he should ensure that the ultimately responsible professional complies with the requirements stipulated in Article 7. The difference with the normal regime is that under this regime, the responsibility for fulfilling the requirements rests with one of the ultimately responsible professional accountants, instead of with the quality control decision maker.²⁶

Paragraph 8 Transitional and final provisions

Articles 28 and 29

The NVKS are effective on 1 January 2017, but have to be applied one year later, starting on 1 January 2018 (Article 29, first paragraph). In the meantime, the provisions referred to Article 28 remain in force, and the quality management system complies with the stated requirements therein. The regulations mentioned in Article 28 no longer apply to an accountant who chooses to apply the NVKS in 2017 (Article 29, third paragraph). This is possible at any time. In that case, it is vital that a quality control decision maker can indicate exactly when he began applying the NVKS. The NVKS may be applied earlier, under the condition that the entire regulation is followed, and not only certain articles (Article 29, third paragraph). The provisions mentioned in Article 28 will be revoked on 1 January 2018 (Article 29, first paragraph). The NVKS will then supersede these regulations. RKB1 is then no longer relevant.

²⁶ Although certain articles mentioned in the third paragraph pertain to the quality manager, a quality control decision maker remains (professionally) responsible for the activities of the quality manager.

Koninklijke Nederlandse
Beroepsorganisatie
van Accountants



Postbus 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T 020 301 03 01
nba@nba.nl
www.nba.nl