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Explanatory notes on the *Verordening inzake de onafhankelijkheid van Accountants bij assurance opdrachten (ViO)*[1]

Effective 17 June 2016

Koninklijke Nederlandse Beroepsorganisatie van Accountants

NBA

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[1] Code of Ethics for Professional Accountants, a regulation with respect to independence.

Supplement to the Code of Ethics for Professional Accountants - Assurance Engagements (ViO)

Contents

1 Foreword

This explanatory notes is a revised version of the Explanatory notes on the *Verordening inzake de onafhankelijkheid van Accountants bij assurance-opdrachten (ViO),* which was published when the new ViO went into effect. This revised version applies to the ViO text as of 17 June 2016, and contains the current definitions for certain concepts and criteria formulated in the ViO.
The first version of explanatory notes will remain applicable, so that readers can consult how the ViO is interpreted from the effective date of 1 January 2014 to 17 June 2016.

The regulation amendments 2016 went into effect on 17 June 2016. All amendments to the ViO were included in the revised version. The article-by-article summary of this revised version clearly indicates when an article was amended (reference above), and the summary has been updated accordingly. For justification of each amendment, please refer to the *Explanatory notes of the Amended ViO regulation 2016*.

2 Background amendments as of 17 June 2016

The amendments to the ViO were the result of new and amended provisions to European regulations in the field of statutory audits. These provisions include requirements for independence. The Audit Firm Supervision Act (Wta) and the Audit Firm Supervision Decree (Bta) must be amended to reflect these changes as well. The amendments to the ViO took future changes to the Wta and Bta into consideration.[2]

Like the revised European regulations, the amendments to the ViO apply to reporting periods beginning on or after 17 June 2016.[3] Reporting periods that began prior to 17 June 2016 are still subject to the provisions of regulations that went into effect on 1 January 2014. Accountants are encouraged to refer to the transitional provisions in Articles 48 and 48a.

The new and amended provisions in the European regulation have been partially included in a new regulation[4] (hereafter referred to as: European Regulation) and partially in the Eighth Directive.[5]
In principle, the European regulation is immediately effective in the Netherlands. However, the European regulation offers several options for member states to deviate from the provisions in the regulations (the 'member state options'). Provisions included in the European regulation (whether amended or no) must be stricken from national legislation. The member state options utilised in the Netherlands must be included in national legislation. The amendments in the Eighth Directive[6] must be added to national regulations. These aspects of the ViO have been amended as of 17 June 2016.

The choices made in the drafting of the ViO with regard to the principles and structure of the ViO have been respected inasmuch as possible. This explains why the amendments to the ViO generally apply to all assurance engagements, despite the fact that the European regulations only apply to statutory audits. In principle, this regulation does not draw a distinction based on the nature of the assurance engagement.

One change that is not related to the amendments to the European regulation is the clarification of the terms applicable to an assurance engagement on the behalf of a specified group of users.

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2 Based on proposals that the NBA had access to during the drafting of the *Regulation Amendments ViO 2016*.
3 With exception of Article 16, sixth paragraph of the EU regulations (Article 44 of the EU regulations).
4 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 (PbEU 2014, L 158).
5 Directive (EU) no. 2014/56/EU of the European Parliament and of the Council of 17 April 2006 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (PbEU 2006, L 157).
6 The Eighth Directive has been amended by: Directive (EU) no. 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (PbEU 2014, L 158).

For a detailed explanation of the background for each amendment, please refer to the *Summary of the Amended ViO regulation 2016*.

3 Overview of relevant regulations, summaries and supplements

Independence guidelines are included in a wide range of regulations. Below is a list of the regulations and NBA publications pertinent to the ViO.

- 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 (PbEU 2014, L 158);
- Wet toezicht accountantsorganisaties, (Audit Firms Supervision Act);
- Besluit toezicht accountantsorganisaties, Audit Firms Supervision Decree;
- Code of Ethics for Professional Accountants (ViO) as of 17 June 2016;
- Explanatory notes on the Verordening inzakede onafhankelijkheid van Accountants bij assurance-opdrachten (ViO) per 17 June 2016;
- Amendment to the Verordening inzakede onafhankelijkheid van Accountants bij assurance-opdrachten (ViO) implemented as of 17 June 2016;
- Explanatory notes on the Amended ViO regulation 2016;
- Code of Ethics for Professional Accountants (ViO) until 17 June 2016;
- Explanatory notes on the Verordening inzakede onafhankelijkheid van Accountants bij assurance-opdrachten (ViO) until 17 June 2016;
- NBA supplement 1131 Application of the ViO of 15 December 2015.

4 Detailed explanation of terms

Experience in applying the ViO has shown that more detailed explanations are needed for the terms ‘material influence’, ‘involvement of an accountant in decision making at a responsible entity’ and ‘subjectivity in non-assurance services’.

5 General section

Introduction
On 1 January 2013, the Auditors Profession Act (Wet op accountantsberoep, Wab) went into effect. Article 19, second paragraph, introduction and part a of the Wab requires the general meeting of the Nederlandse Beroepsorganisatie van Accountants (Dutch Professional Body of Professional Accountants, NBA) to draw up a regulation pertaining to the Code of Conduct for the proper performance of the accountants’ duties. To that end, on 1 January 2014 this regulation, titled Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (Code of Ethics for Professional Accountants - Assurance Engagements, ViO), and the Verordening gedrags- en beroepscode accountants (Code of Ethics for Professional Accountants, VGBA) went into effect.

The purpose of the ViO is to guarantee the independent conduct of assurance engagements. The independent conduct of such engagements is seen by society as a whole, and by the users of an assurance engagement in particular, as a necessary condition for the quality of the work. Social perception legitimises regulations in this field. The ViO formulates obligations that are tailored to the role and opportunities of accountants who are directly or indirectly involved in such engagements in order to influence the independent conduct of an assurance engagement (Article 3).

Due to the importance given to independence rules for accountants, the choice has been made to record these rules in a regulation. This also offers members the opportunity to express their views on the independence rules via the general meeting. The regulation supersedes the:

- *Nadere voorschriften onafhankelijkheid openbaar accountant* (AAs), the supplemental guidelines independence external auditor, established on 19 December 2006;
- *Nadere voorschriften onafhankelijkheid openbaar accountant* (RAs), the supplemental guidelines independence external auditor, established on December 14, 2006, most recently amended at decree of 22 August 2007;
- *Nadere voorschriften onafhankelijkheid intern accountant* (AAs) the supplemental guidelines independence internal auditor – assurance engagements, established on 16 December 2009;
- *Nadere voorschriften onafhankelijkheid intern accountant* (RAs), the supplemental guidelines independence internal auditor – assurance engagements, established on 16 December 2009;
- *Nadere voorschriften onafhankelijkheid overheidsaccountant* (AAs), the supplemental guidelines independence governmental auditor – assurance engagements, established on 16 December 2009; or
- *Nadere voorschriften onafhankelijkheid overheidsaccountant* (RAs), the supplemental guidelines independence governmental auditor – assurance engagements, established on 16 December 2009.

This regulation is formulated in accordance with the '*Aanwijzingen voor de regelgeving*'– a means for the establishment for qualitatively sound legislation and regulation. This will improve the legibility and comprehension of the rules. The application of the 'Aanwijzingen voor de regelgeving' means that this regulation contains only requirements. This article-by-article summary includes examples of possible safeguards. In order to improve the accessibility of the regulation, examples of possible threats have been provided in one or more of the NBA practice notes.

The Code of Ethics for Professional Accountants (CoE) by the Standards Board (IESBA) of the International Federation of Accountants (IFAC), and thereby the principle of international convergence, has been the starting point in the establishment of this regulation. The articles may deviate from the CoE where necessary, given the situation in the Netherlands. For the purpose of international engagements, because of the membership of the IFAC and based on appointments made in the merger document between NOvAA and NIVRA, it is usually stated that the applicable independence requirements are at least equivalent to the Code of Ethics.

Why independent?
In the assurance report, professional accountants provide their opinion in the form of a conclusion or an opinion on an assurance object. The conclusion or opinion is intended to enhance the degree of confidence of the user that his decisions regarding the assurance report are based on reliable information.

A statement that is intended for everyone with an interest in the subject, and which is therefore not restricted in the distribution, should therefore be issued by an independent professional accountant. This concerns independence of mind and in appearance. Independence of mind enables the professional accountant to form an objective opinion, and thereby exercise professional judgment, without compromising the relations with the responsible party. This also immediately reflects the effect on the quality. A professional accountant who complies with all the requirements, but who has not been sufficiently objective or has not sufficiently exercised professional judgment in his considerations, does not meet the quality demands of the NV COS and the related requirements with respect to quality systems.

Independence in appearance ensures that users do not question the professional accountant's independence, raising doubts about the opinion or the conclusion of the professional accountant. In a time where confidence in the audit profession has been discredited due to reports on poor quality when performing engagements, independence in appearance is a vital precondition to regaining confidence.

In short, users must not doubt the accountant's independence of mind or appearance. This applies to a small or medium-sized entity where, for example, a new banker or a new supplier should be able to rely on the conclusion or the opinion of the professional accountant, as well as to a public interest entity (PIE).

Fundamental principles of the regulation
This regulation applies to all professional accountants licensed in the Netherlands (AAs and RAs), where the member groups to which the professional accountant belongs is not a determining factor. Similar to VGBA**,** this regulation is premised on the idea that the nature of the activities determines what rules apply, and that this is not primarily determined by the group to which a professional accountant is a member. The manner in which an independent performance of an assurance engagement is interpreted depends on the environment and circumstances where an assurance engagement is performed.

This regulation does not draw a distinction based on the nature of the assurance engagement. This is in contravention to the CoE where a separate regime, Section 291, applies to assurance engagements other than an audit or review engagement of historical information. The regime for audit and review engagements of historical information, Section 290 of the CoE, has been chosen as a premise, regardless of the nature of the assurance engagement. Additionally, in this regulation audit engagements of the financial statement or similar information will no longer be subjected to more stringent rules than review engagements of historical information and related assurance engagements, as was the case with elements of the independence requirements that were effective untill the effective date of this regulation. Less stringent requirements do, however, apply with respect to independence in the case of an assurance engagement for a specified group of users than are applicable to an assurance engagement for group of users that is not specified.

This regulation provides for some more rigorous requirements concerning an assurance engagement for a public interest entity as referred to in Article 1 of the *Wet toezicht Accountantorganisaties*. These requirements pertain to the field of long-term involvement, work relations and provision of non-assurance services at a responsible entity. Its justification lies within the broad range of stakeholders who tend to have a public interest entity as a result of the size or function that it fulfils to the public.

Not all listed entities qualify as a public interest entity with respect to the Wta. For example, enterprises that are only listed outside the European Economic Area (the EEA includes all countries of the European Union, as well as Liechtenstein, Norway and Iceland). Listed enterprises that are registered in an unregulated market cannot be considered public interest entities. Nevertheless, with regard to these enterprises, the result of an assurance engagement performed here is relevant to a broad range of stakeholders. Therefore, it is reasonable that assurance engagements for such listed enterprises are subjected to the same requirements as those for an assurance engagement at a public interest entity (Article 13). This is also in accordance with the CoE. An exception applies regarding Article 16, where an amendment to the Wab accepted by the Dutch House of Representatives has been passed pertaining to the provision of non-assurance services with a statutory audit. This amendment solely applies to PIEs. After the amendment to the ViO, Article 16 still only applies to public interest entities, in accordance with Article 5 of the European regulation.

Structure of the regulation and parties to which the regulation applies
The ViO consists of a general section (Chapter 2) and some special sections (Chapters 3 to 13). These special sections should be read in conjunction with the general section.

The general section contains the principal rules, of which Articles 3 and 4 constitute the key provisions. The key provisions describe the framework for an independent performance of the assurance engagement.

The special sections describe specific circumstances that lead to a threat to the independent performance of an assurance engagement in any case (see the explanatory notes to Article 6). This deals with different kinds of relationships to the responsible party or related party.

The engagement partner should ensure the independent performance of an assurance engagement. The conceptual framework within which he should interpret this obligation has been included and elaborated on in Article 6.

The ViO also indicates that other professional accountants who influence the independent performance of an assurance engagement have a certain responsibility. They are also accountable for their behavior and that of their close personal relations. These include, for example, a manager in the

team, but also the partner of a firm or the person determining the day-to-day policies (policy maker) who can influence the team. A 'random' professional accountant cannot reasonably be expected to monitor more than his own relations and those of people within his control for possible threats to the independent performance of an assurance engagement. The special chapters mention several specific relationships of these professional accountants or their close personal relations that may pose a threat to the independent performance of an assurance engagement. Based on article 3, fourth and fifth paragraph, the professional accountant either avoids such relationships or applies safeguards in order to secure the independent performance that such relations will not be maintained.

Finally, this elaborates on Article 3, fourth paragraph, with regard to Chapters 3 and 4. These chapters relate to the provision of non-assurance services at the responsible party of an assurance engagement with a non-assurance service. Certain non-assurance services are regarded as a threat to the independent performance of the assurance engagement. The premise of the articles in question is that the non-assurance service giving rise to a threat is also provided by the audit unit or other part of the network. Individual professional accountants are not mentioned in that context. However, a professional accountant who is involved in a non-assurance service that is a threat to the independent performance of an assurance engagement, maintains a relation as referred to in Article 3, fourth paragraph.

Principles and limits
The ViO is premised on a regulation based on principles. The professional accountant makes an assessment of what an objective, reasonable and well-informed third party considers acceptable in the given situation and circumstances based on certain principles. This assessment, together with the question if the professional accountant is independent of mind, will determine whether he can perform the engagement, and, if so, what safeguards are necessary. The principles are applied because not every threat can be anticipated and dealt with in the ViO. The principles are not intended as a means to seek the limits of the ViO.
In addition to principles, the ViO is also familiar with situations in which limits are set (a safeguard or an interdiction) regarding the margin of appreciation of the professional accountant. This concerns situations where it is clear in advance that an objective, reasonable and well-informed third party will come to the conclusion that:

- it is necessary to apply a safeguard, whether or not specific; or
- independence is threatened in such a way that no safeguards are possible to secure the independence.

Assurance engagement on behalf of specified group of users
In case of a limitation in the use and distribution of the assurance engagement, some further specified deviations to the regulation are permitted (also see the disclosure to Article 3, seventh paragraph and Article 8).

Relation to the Wta, Bta and European regulation
Statutory audits subject to the Wta fall under the scope of the Wta and the Besluit Toezicht Accountantorganisaties (Audit Firm Supervision Decree, Bta). The ViO contains several additional provisions with regard to the Wta and the Bta. If the ViO should be in conflict with the Wta or the Bta, the Wta or the Bta naturally prevails.

'Statutory audits of annual accounts and consolidated accounts'[7] for public interest entities are also subject to the European regulation. The European regulation contains independence requirements and takes precedence above national independence rules, such as the ViO. In the event of a conflict between the two, the European regulation should be applied. In principle, the European regulation is directly applicable in the Netherlands. As a result, the European regulation must be applied as worded, unless national regulations are formulated differently in reflection of a member state option. In

[7] For the definition of a 'statutory audits of annual accounts and consolidated accounts' the EU regulation refers to the EU directive. The definition is as follows: "statutory audit" means an audit of annual financial statements or consolidated financial statements in so far as:
a. required by Union law;
b. required by national law as regards small undertakings;
c. voluntarily carried out at the request of small undertakings which meets national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as statutory audits.

that case, the national rules apply. Articles 16 and 25a of the ViO are stricter than the European regulation in certain areas. These Articles are based on member state options.

Engagement quality control review as a safeguard
The engagement quality control review is mentioned several times in the ViO as a safeguard in order to secure the independent performance in case of a threat. In such a situation, the engagement quality control review is only effective when the quality control reviewer, in accordance with regulation in this area, pays specific attention to the risks due to a threat and determines that the assurance engagement was performed independently. The extent of the investigation depends on the complexity of the assurance engagement and the risk the report would be incorrect under the given circumstances.

Material interest
Chapters 5 (Fees), 8 (Financial interests) and 9 (Business relations) contain the definition of material interest. A fee, financial interest or business relation is material if the relation gives rise to an unacceptable risk that economic interests influence the opinion or the conclusion of the professional accountant regarding the assurance object or its accountability.
A comparative assessment should be from made the perception of a well-informed third party.

In addition to quantitative aspects, qualitative aspects could also lead to a material interest. This may include a recently engaged business relation, for example. This may not represent much expressed in monetary terms, but could be very important strategically. In that case, the business relation will then be regarded as material.

6 Summary by article

Chapter 1 - Definitions

Article 1

This article was amended on 17 June 2016. New additions include a definition of Accountant, European regulation, NV COS and reporting period.

Audit unit
The concept of ‘audit unit’ was introduced when the ViO went into effect. The ViO uses the term ‘audit unit’ as an umbrella term for audit firms and accountant departments. The concept ‘audit firm’ is an umbrella term for audit organisations and audit departments. Internal and government auditors are affiliated with an audit department, while public accountants are affiliated with an audit organisation or audit firm. If another concept rather than audit unit is used, the circumstance leads to a threat to a specific group of professional accountants.

Assurance object:
The subject matter mentioned in the definition and the related information can take many forms such as (not restrictive):
a financial performance or conditions (such as historical or prospective financial information, financial results and cash flows) where the information regarding the subject matter can consist of the processing, valuation, performance and disclosure as these are reflected in the financial statements; or
b not-financial performance or conditions (such as the entity’s performances) where the information regarding the subject matter can consist of the main indicators for efficiency and effectiveness.

Threat
Threats to the independent performance of an assurance engagement include:
a a self-interest threat: this threat is the result of a financial or another interest of, for example, a member of the assurance team or the audit unit;
b a self-review threat: this threat arises when the professional accountant reviews his own work, the work on behalf of the audit unit or the result thereof;

c an advocacy threat: this threat arises when the audit unit defends a judgment in such a way that the professional accountant's objectivity is compromised;
d a confidentiality threat: this threat arises when there is a close relation between a member of the assurance team and (representatives of) the responsible party or if a member of the assurance team has too much sympathy for the interests of someone else; and
e an intimidation threat: this threat arises when a member of the assurance team or the audit unit is obstructed in acting objectively due to factual or alleged threats.

The nature and size of a threat are determined by the relative importance of these threats individually.

Whether a risk is acceptable or not also depends on how an objective, reasonable and well-informed third party as referred to in Article 5 regards this risk, in addition to the question if the professional accountant is independent in appearance. Circumstances which would lead a third party conclude that the circumstances do not factually influence the independent performance of the assurance engagement are considered to be an acceptable risk, or even no risk at all.

Engagement partner
The engagement partner is the professional accountant being ultimately responsible for the performance of an assurance engagement. He coordinates the activities of the assurance team and those of professionals in other disciplines involved in the assurance engagement. On the basis of the outcome of the activities performed by the assurance team, he formulates a conclusion and informs the users of this conclusion by the signing of the assurance report. If the assurance work relates to the statutory audit of the financial statement, the external auditor is regarded as the engagement partner.

Key assurance partner:
In addition to the engagement partner and the person who performs the engagement quality control review of the assurance engagement to be completed, this may include any accountant within an assurance team who is co-responsible for reporting on important matters. Examples of important matters include:

- matters related to large subsidiaries or departments of the responsible entity in relation to the consolidation; or
- matters pertaining to important risk factors that are connected to the assurance work with respect to the responsible party.

These must be accountants in the assurance team with clearly delegated responsibilities for discernible, important parts of the assurance engagement, such as group holdings. These do not include a manager who, despite supporting the engagement partner, is not considered by the audit unit to be responsible for the conduct of important parts of the assurance engagement.

Close personal relations
A relationship qualifies as a close personal relation when there is intensive personal contact. A family member is always regarded a close personal relation because of the way it reflects on the public. Friends, neighbours and acquaintances may also qualify as close personal relations. Threats on account of self-interest and confidentiality may be more substantial with respect to a good friend of a professional accountant, who he sees on a weekly basis than with respect to a close relative a professional might only see once a year at a birthday party.

Contingent Fee
A fee is contingent when this is based on predetermined conditions and depends on the outcome of the activities performed. With whom these conditions have been agreed is not relevant. Examples of where the fee depends on the outcome include:

- the amount depends on the period in which the work was performed;
- a higher fee is received in case of an unqualified opinion rather than in case of an opinion other than unqualified.

In addition to agreeing to a higher fee, a contingent fee should also entail agreeing to a reduction of the agreed-upon contingent fee if an objective is not met. Moreover, an enrolling fee or commission are also regarded as a contingent fee.

A contingent fee does not include a situation in which the fee is altered because the professional accountant performs more or less activities than was agreed in the original engagement. This also does not include a fee based on an hourly rate.

Fees on the basis of the working relation are not included in the definition contingent fees.

Responsible party
The responsible party is the party responsible for the subject matter or the information regarding the subject matter. Within an entity, this responsibility is mostly assigned to one or, where appropriate, more persons. Article 3 requires the assurance engagement to be performed independently of the responsible person and the responsible entity. Where a threat may arise with respect to both parties' independence, this regulation speaks of a 'responsible party'.
In case of an audit of the financial statement performed by a public accountant, for example, the individual members of the board can be regarded as the responsible person, and the enterprise to which the financial statement relates as the responsible entity. In case of an audit of an accountability document for a division report performed by an internal auditor, for example, the division director would be the responsible person and the division would be the responsible entity. Only when the accountability document is distributed outside the entity, is the employer of the internal auditor considered to be the responsible entity.

Reporting period
This is the period pertaining to the audit of the assurance object (compare to Article 3, third paragraph, part a). This concept was introduced on 17 June 2016, and replaces the previous term 'financial year'. A financial year as referred to in the European regulation qualifies as a reporting period as referred to in the ViO.

Chapter 2 – General Provisions

Article 2
The NBA Code of Conduct include the VGBA and the *Nadere voorschriften controle- en overige standaarden* upon which it is based (NV COS).

There are situations where a professional accountant is asked to perform an assurance engagement in accordance with assurance standards of a specifically different jurisdiction or of an international standard-setting organisation. This ViO does not apply to such assurance engagements. Such an engagement is subject to the independence standards established by the country or organisation in question.

This regulation applies to assurance engagements in which the professional accountant has complied with the NV COS in addition to the standards of a specifically different jurisdiction or of an international organization, and such is explicitly indicated in his assurance report.

Professional accountants are people who are registered in the record of the NBA (the NBA can only issue rules for its members). If this professional accountant performs an assurance engagement subject foreign law, the VGBA still applies to him and he should, for the purpose of the VGBA, be objective when performing an assurance engagement. However, the regulation in question does not apply to him. He is, however, expected to apply the independence rules prevailing in the country where he performs his activities. This way he interprets public interest is based on local circumstances.

Article 3
First paragraph
The public should be able to rely on an assurance engagement being performed independently. The professional accountant who signs the assurance report is ultimately responsible for the performance of the assurance report and ensures the independent performance of that assurance engagement. The conceptual framework within which he should interpret this obligation, is described and explained in Article 6.

Threats to the independent performance of an assurance engagement do not solely arise from relations of the assurance team with the responsible party. Professional accountants outside the assurance team can also influence degree of independent performance of an assurance engagement due to their own act or omission, or of that of people in their personal network. For example, the professional accountant who is the director of the audit unit or a partner of an audit firm. Moreover, relations the audit unit or network firm maintains with the responsible party may threaten an independent performance of the assurance engagement. When securing the independent performance of the assurance engagement, the engagement partner also considers relationships to such persons and entities.

Second paragraph
This article regulates the independent performance of an assurance engagement. This requirement relates to the independence of mind and in appearance.

Independence of mind is understood to mean: the mentality that enables one to express a conclusion without being influenced to the extent that the professional accountant's professional judgment is compromised.

Independence in appearance is understood to mean: the absence of facts and circumstances that are of such importance that an objective, reasonable and well-informed third party will conclude – considering all facts, circumstances and possible safeguards applied – that an independent performance of an assurance engagement is being threatened. If the professional accountant functions from a position of authority, there is not necessarily a harmful effect on independence in appearance, provided that the professional accountant has applied all necessary safeguards in order to ensure an independent performance of an assurance engagement.

Third paragraph
The third paragraph regulates when independence is required. The assurance engagement can relate to both a period (for example, a financial statement) and to a specific point in time (for example, an assurance report with a balance sheet format). In case of an ongoing assurance engagement, the assurance period ends after one of the parties involved withdraws from the engagement or when the last assurance report is issued.

In the event of advisory procedures that were performed prior to the period to which the assurance object relates, for example, these may pose a threat to the independent performance of the assurance engagement, depending on the circumstances.

Fourth paragraph
Every professional accountant related to the audit unit or to network firm may pose a threat to an independent performance of an assurance engagement due to possible own relations with the responsible party or a related party, for example in case of financial interests or business, work or personal relations. This obviously also applies to the engagement partner.

Fifth paragraph
If close personal relations, for example family members, close relatives or non-familiar relations of the professional accountant also maintain relations with the responsible party, an independent performance of an assurance engagement may be compromised. Therefore, the responsibility of every professional accountant is to monitor his own personal environment against possible threats to an independent performance of an assurance engagement. The engagement partner also has this responsibility with regard to relations of his own close personal relations.

Sixth and seventh paragraph
The sixth paragraph regulates the performance of an assurance engagement is independent of someone or something in the event of an assurance engagement for a group of users that is not specified. The seventh paragraph relates to assurance engagements for a specified group of users.

If an assurance engagement is not performed independently with respect to the subject matter or the responsible person, the user of the assurance report cannot sufficiently rely on its quality. Whether the

latter also applies when an assurance engagement is not also performed independently of the responsible entity, depends on the user's objectives.

The engagement partner confers with the users of the assurance report from outside the responsible entity or related party beforehand if he is not-independent of the entity and is asked to perform an assurance engagement anyway.

If he decides to perform the engagement based on this conference, the specified group of users from outside the responsible entity will have to agree to this. This is only possible if the group of external users is concrete in such a way that the external users are individually approachable to the engaging party, the responsible party, the engagement partner, and the audit unit. In case of an ongoing assurance engagement(s) or assurance engagements that highly correspond to one another in size and objective, the professional accountant determines whether the circumstances require that the consent of the specified group of users should be renewed and whether it is necessary to remind the specified group of users of the existent consent.

Conference with and consent from users within the responsible entity or related third parties is not necessary, because these users expect the role of the internal auditor to be known or recorded in an audit charter. This applies to governmental auditors and users at the national, provincial and municipal levels.

In case of a group of further specified users that is represented by one person, it is important that the engagement partner is satisfied that the representative has informed this group or is authorized to represent them.

If the assurance report is published based on the *Wet openbaarheid van bestuur* (Freedom of Information Act), this is not regarded as an assurance engagement for a group of users that is not specified for the application of this Article.

Article 4
The act states that a governmental auditor can perform an assurance engagement in a number of cases. An example is the Municipalities Act, which stipulates that a professional accountant appointed by the municipality can audit the financial statement of the municipality.
In that case, the ViO requires that the assurance engagement is performed independently of the assurance object and the responsible person.

For the application of this article, there are no requirements concerning the assurance report in the ViO as indicated in Article 3 paragraph 7.

If a governmental auditor performs an engagement that is not arranged by law, the provisions of Article 3, paragraphs 6 to 8 apply. This enables the governmental auditor to operate for both a specified and non-specified group of users.

Article 5
Part a
The professional accountant is expected to exercise professional judgment when considering whether the performance of an assurance engagement is threatened. This is also requested when he considers whether a safeguard is needed or whether a necessary safeguard is possible in the given circumstances, and, if so, if a sufficient safeguard is available. The professional accountant involves all circumstances of which he knows or should know in his considerations in order to come to logical, realistic and justified decisions and conclusions. The professional accountant must 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. By using an 'objective, reasonable and well-informed third party' as a touchstone, the professional accountant is able to act in the public interest: the responsibility of a professional accountant does not solely consist of fulfilling the needs of an individual client or employer. The definition 'objective, reasonable and well-informed third party', refers to Article 25a, first paragraph of the Wta. Consequently, every professional accountant will have to ask himself every time, in addition to the question how he values his independence of mind, how an objective, reasonable and well-informed party regards a certain situation. This is not limited to the qualification of a circumstance (whether or not a threat to the independent performance of an assurance

engagement), but also whether the safeguard that was possibly applied is sufficient, for example. Here, every professional accountant should be aware of the contents and meaning of the fundamental principle objectivity with which he should comply based on the VGBA, and the principle of independence resulting thereof for assurance engagements, for both the facts and appearances.

Where the ViO mentions a threat leading to a prohibition, or where a safeguard must be implemented, there is an irrefutable presumption that an objective, reasonable and informed third party will always consider such to be a threat.

Every professional accountant should also be aware of the public impact on an individual client or employer, and consider what effects this has on the way the definition of independence is interpreted. A well-informed third party will probably consider the public relevance of the responsible entity in its judgment as to whether a certain circumstance will lead to a threat to the independence.

Therefore, it is foreseeable that when identifying and reviewing circumstances, an engagement partner will come to the conclusion that the circumstances oblige him to apply more stringent safeguards with respect to an entity with substantial public relevance than would be the case with an entity lacking this relevance.

The requirements in Chapters 4 to 13 that do not focus on PIEs are considered to be the minimum requirements.

It is possible that the professional accountant may come to the conclusion that the well-informed third party expects him to base the independence with respect to the responsible entity on the regulation that applies to PIEs. The ViO provides for such a situation for listed entities that do not qualify as a PIE (Article 13).

Part b
Every professional accountant involves circumstances of which he knows or should know in his professional judgment. The engagement partner uses the course of behavior and the procedures the audit unit is required to have implemented, based on regulations for audit unit quality control systems (for accounting organisations, bureaus or departments). Although a joint effort of the engagement partner and the audit unit is necessary to ensure an independent performance of an assurance engagement, they do not share responsibility. The policy of the audit unit does not relieve the engagement partner of his responsibility with respect to independence and vice versa.

Article 6
First paragraph
In order to ensure the independent performance of an assurance engagement, the engagement partner applies a conceptual framework. This conceptual framework obliges the engagement partner to identify and review circumstances that could pose a threat to the independent performance of the assurance engagement. This identifying and reviewing process is an ongoing process. Circumstances that would result in the third party, as referred to in article 5, concluding that they do not factually influence an independent performance are not considered a threat.

The independent performance of an assurance engagement can be threatened in several ways due to self-interest, self-review, advocacy, confidentiality or intimidation. When investigating possible threats, the engagement partner takes the following into account:
a the various people (as well as himself) who can influence the assurance engagement in question; and
b all existing and potential threats that might compromise an independent performance from a stakeholder's point of view. These include, for example:
   - the services provided to the responsible party before and the relations with the responsible entity prior to his appointment as the engagement partner with that party;
   - the services provided to the responsible party during the performance of an assurance engagement, as well as agreed-upon services to be provided and the maintenance of (future) relations with the responsible party.

The nature and size of a threat to an independent performance are determined by the relative importance of each of these threats individually. This takes into account the specific circumstances

that apply to the assurance engagement in question. The more precisely the engagement partner can establish the nature and size of possible threats, the better he is able to determine to what extent these threats eventually compromise the independent performance. When reviewing each threat, the engagement partner should take into account that several kinds of threats may play a role in certain circumstances. Consequently, the margin of discretion is limited because of the specific requirements of the ViO and could therefore never lead to overriding prohibitions.

Second and third paragraph
Chapters 3 to 13 of this regulation include concrete prohibitions and precepts for specifically described circumstances. Certain circumstances are always such a threat that in that situation it is justified:

- to prohibit the engagement partner to perform the assurance engagement as a whole (paragraph 2); or
- to allow its performance only if a specific safeguard mentioned in this ViO has been applied (paragraph 3, part a).

These prohibitions have been implemented because it is expected that there are no safeguards at all that could eliminate such threats under the given circumstances. In these cases, a clear prohibition is in order. Some other circumstances are also considered a threat from the very start, but the performance of an assurance engagement is allowed in principle, provided that appropriate safeguards are applied where the choice of the safeguard is left to the engagement partner himself (paragraph 3, part b).

It is not the case that omitting sufficient safeguards must cause the engagement to be discontinued in all circumstances, however. Sometimes, the circumstances can be influenced in such a way that there is no longer a threat to the independent conduct of an assurance engagement. For example, when an intended member of the assurance team holds a financial interest which constitutes a threat to the independent performance, no possible safeguards may ensure the independent performance while the person sustains the interest. If the member of the assurance team sells the interest prior to the period during which he should be independent, then the circumstances change in such a way that the engagement can be continued.

Fourth paragraph
If a certain circumstance has not been specified in these chapters, this does not mean that there is correspondingly no threat to an independent performance of an assurance engagement. In every concrete case, the engagement partner should be alert to threats and apply safeguards to eliminate an identified threat, this also includes circumstances that are not specified in this regulation. This means that he must also apply a frame of reference to situations that may be described in the special sections, but where the threat is caused by a person other than the individual explicitly mentioned in the relevant article.

When the engagement partner establishes that there is a threat, he cannot automatically perform an assurance engagement, and he must apply sufficient safeguards, if possible. A safeguard is considered to be a sufficient guarantee when it results in the independent performance no longer being factually threatened and, consequently, the assurance engagement can be performed independently. In order to come to an objective decision, the engagement partner must base his opinion on the assumed perspective of the objective, reasonable and well-informed third party with respect to the intended safeguard. To be sufficient, every safeguard or combination of safeguards applied should be suitable and appropriate given the specific circumstance.

If the engagement partner concludes that no sufficient safeguards can be applied to eliminate a threat, he decides not to accept an assurance engagement or to terminate an engagement already in progress.

Article 7
Article 7 can be compared to the IESBA final pronouncement *Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code*, published in March 2013.[8]

[8] The NBA is studying whether this article and any other regulations require amendment as a result of the Final Pronouncement 'Responding to Non-Compliance with Laws and Regulations published by IESBA in July 2016.

The influence of already existing threats to the independent performance of an assurance engagement that had not been identified before during the continuous process as described in Article 6, also depends on:

- the nature and duration of the threat;
- whether there is, for the purpose of the assurance engagement, one or more threats against which no sufficient safeguard is applied;
- whether the threat is related to a member of the assurance team and the role this member has within the assurance team.

For example, when a partner of the audit firm holds a negligible direct financial interest, and it an argument can be made that this did not influence the assurance engagement, then it can be assumed that the accountant has been independent for the relevant reporting period. It goes without saying that the partner should dispose of the financial interest.

If it is impossible to apply the safeguards as stated in Article 7, paragraph a and b, then the engagement partner should terminate the assurance engagement.

The required approval for the safeguards proposed by the engaging party or those charged with governance should not be regarded as a shift of responsibilities with respect to the decision if and under what terms an assurance engagement can be continued. This remains the responsibility of the engagement partner.

In certain entities, management personnel can be members charged with governance, for example individuals in a leadership position in a management body of an entity in the private or public sector, or an owner-manager.

For the audit organisation, non-timely identification of a threat may qualify as a violation as referred to in Article 24, first paragraph of the Bta.

Article 8

This article was amended on 17 June 2016. Where the previous explanatory notes clarified how to interpret an article, the explanation has been adopted as a regulation. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

This article applies to assurance engagements for a specified group of users at a public interest entity (hereafter abbreviated as PiE).

If an assurance engagement is related to an assurance report that is intended for a specified group of users, the connected scope and effect are less extreme than would be the case with an assurance engagement that is related to an assurance report that is intended for public use. Additionally, because the intended users are known, the engagement partner or audit unit has the opportunity to communicate the purpose and restrictions of the assurance report with this group beforehand, as well as the independence rules he has applied, and have them explicitly confirm they agree to it.

The users' knowledge concerning the nature and scope of the engagement, as well as the possibility to communicate with the users beforehand, limits the risk posed by a threat to the independence in appearance with respect to these engagements. That is why it is conditionally permitted to apply an allayed regime with the identification and review of threats with respect to an assurance engagement within a public interest entity.

This allayed regime means that the deviant and complementary provisions that apply to a public interest entity do not apply to this assurance engagement. Naturally, the other articles remain applicable, and the assurance engagement should be approached in the same way as an assurance engagement for a non-PiE.

The table below indicates which articles an engagement partner must apply to an assurance engagement for a specified group of users at a PiE, which he is conducting under the conditions of Article 8 of the ViO.

	Not applicable	Application
Concurrence of Services	21 and 22	**19 and 20**
Long-term involvement	**29**	**28**
Former Colleague Working at the Responsible Entity	**41**	**38, 39 or 40**

Articles that are solely applicable to a statutory audit at a public interest entity are not listed in this table, as it is not possible to conduct a statutory audit for a specified group of users.

Article 9

As of 17 June 2016, Article 9 no longer applies to Article 16. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

Article 9 does not apply to Article 16 of the ViO with regard to the concurrence of services involving a legal audit and a non-audit service at a public interest entity. The extraterritoriality specified in Article 9 is regulated in Article 5, fifth paragraph of the European regulations (direct applicability) and in Article 16 itself. Please refer to the explanatory notes on Article 16. In deviation to that article, Article 9 does not differentiate between foreign countries inside the European Economic Area (EEA) and other countries.

The diagram below displays the extraterritorial operation of the ViO.

The ViO also applies when reviewing relations of a Dutch part of the network working on behalf of a related party abroad. Moreover, the ViO (indirectly) applies when a foreign part of the network in the Netherlands works on behalf a Dutch related party or the responsible entity.

When reviewing the relations of a foreign part of the network for the purpose of a foreign related party, the professional accountant must be convinced that the Code of Ethics or more stringent regulations apply in the country in question.

Article 10

Threats to independent performance are not limited to relations with the responsible entity, but also include relations with a third party related to the responsible entity. The engagement partner should take this into consideration when applying the conceptual framework.

Internationally, different definitions of a related party apply with respect to audit regulation. In the CoE, the definition relates to the parent company, the subsidiaries and the associated companies. The EU regulation assumes the significant influence or material policy-making influence. The ViO uses the same assumptions as the EU regulation. This way, circumstances and threats with regard to related third parties in principle do not oversee the responsible entity's subsidiaries.

Article 11
An audit firm should arrange guarantees in the organisational structure in order to safeguard the independent performance. The various arrangements pertaining to quality control systems stipulate certain minimum requirements.

For the internal or governmental auditor involved in an assurance engagement, the managerial structure of the employer or government institution plays an important part in applying safeguards against threats to the independent performance of an assurance engagement. Possible safeguards in the managerial structure include:

- the audit department where the auditor is employed reports directly to the board of directors of the employer or top management of the government institution;
- involving the audit committee in the establishment of the work plan of the audit department where the internal or governmental auditor is employed or to which he is related as well as having them taking cognizance of the findings of the internal or governmental auditor;
- having the internal or governmental auditor and the public accountant inform the audit committee about their cooperation;
- informing the audit committee on the assurance engagements performed by the audit department and the concurrence of other services; or
- being present at meetings of the audit committee and the financial committee of municipalities and provinces, if appropriate.

The internal or governmental auditor who is ultimately responsible for an assurance engagement carefully checks whether the employer's management has the correct infrastructure in order to ensure an independent performance.

When analysing the infrastructure, the following matters may come up:

- the involvement of an independent supervisory board when providing an audit engagement of the (internal) financial statement to the audit department where the internal or governmental auditor is employed or to which he is related;
- the involvement of an independent supervisory board when providing an assurance engagement regarding the present safeguards of risk management and internal control to the audit department where the internal or governmental auditor is employed or to which he is related;
- the involvement of an independent supervisory board when providing an engagement for other services to the audit department where the internal or governmental auditor is employed or to which he is related;
- the audit department supervises and communicates the concurrence of an assurance engagement and other services provided by the audit department where the internal or governmental auditor is employed or to which he is related, as well as the frequency with which this takes place;
- adequately and professionally trained staff;
- or an internal procedure that procures an objective decision with respect to providing engagements for other services to the internal or governmental auditor who is charged with the audit of the financial statement.

Article 12
By reporting the outcome of his analysis of identified and reviewed threats to an independent performance, and by documenting the safeguards applied, the professional accountant can fall back on this in a later stage and give account to third parties, if necessary. This article reflects the minimal requirements with respect to documentation. The professional accountant is free to record other considerations with regard to independence if he thinks this is important to a possible account to third parties or thinks this may be helpful in any way.

Note: The European regulation (direct application) includes requirements for documenting a legal audit of annual accounts (financial overviews) at a public interest entity (see in particular Article 6 'Preparing for a legal audit and evaluating threats to independence').

Article 13
This article indicates which provisions in the ViO apply to an assurance engagement related to a public interest entity, and which correspondingly apply to an assurance engagement related to a listed entity that does not qualify as a public interest entity.

The definition of a public interest entity does to pertain to listed enterprises that are not listed on a regulated exchange in the EEA. These include Dutch companies listed on the exchange in Moscow. The same provisions in the Code of Ethics apply to all listed enterprises.

It is difficult to justify to the public that the requirements for the accountant's independence differ, despite the similarity of the interests. As a result, the ViO equates listed enterprises with public interest entities.

Article 14

Article 14 was amended on 17 June 2016. This article now also applies to statutory audits. The period over which the independent conduct of an assurance engagement must be guaranteed has been reduced from six to three months. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

If the responsible party merges with another enterprise, the responsible party acquires an enterprise, or the responsible party is acquired by another enterprise, then the engagement partner determines whether the merger or acquisition has given rise to a threat to the independent conduct of the assurance engagement.
Mergers and acquisitions refer to the combination of separate enterprises into a single economic entity. The concept 'merger' generally pertains to legal or fiscal aspects of the manner in which the acquisition came about (share merger, business merger, legal merger). From the perspective of the applicability of the ViO, a merger is considered to be an acquisition or combination of interests.

Acquisitions and combinations of interests may take on many forms due to legal, fiscal or other considerations. Some examples of these forms include share transactions, assets/liability transactions or legal mergers. The transaction may be realised through the issue of shares, cash payment or a combination of the above, or through the formation of a new entity.

Whether it is reasonably possible to terminate the relationship before the effective date of the merger depends on the nature of the relationship which may result in a threat and the time needed to complete the merger or acquisition. For example, if the assurance engagement is already nearing completion, and another accountant would not be able to take over the assignment before the merger goes into effect.

In order to quantify the concept 'as soon as possible' in the context of mergers and acquisitions, this regulation refers to the term of three months stipulated in the revised Eighth Directive.

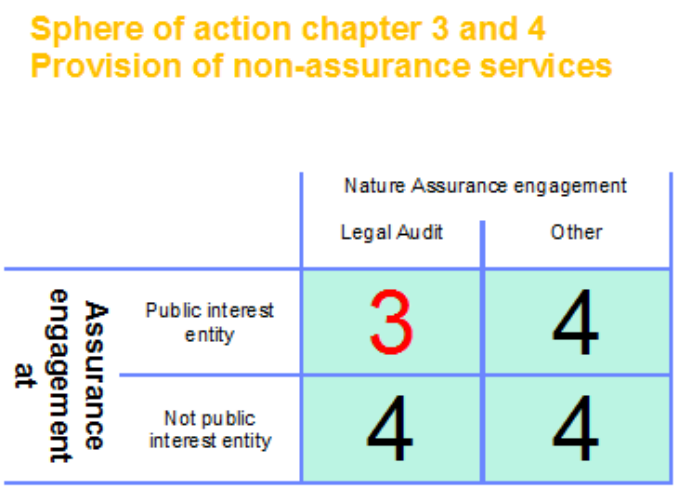
Article 15

In extraordinary cases, it may be important to the public to continue with an assurance engagement, even if this ViO is overridden. This may be the case, for example, when the responsible party cannot meet its legal reporting requirement or is not capable of acquiring necessary funding due to the discontinuation of the assurance engagement. It is expected that at that moment an objective, reasonable, and well- informed third party would conclude it is better to continue the engagement than to terminate it.
In these cases, the professional accountant may continue to perform the engagement under strict conditions. In case of a statutory audit, a statement should be made to and coordinated with the AFM. In other cases, this is the NBA. The professional accountant is expected to perform the engagement independently.

In order to qualify as a significant public interest, a circumstance should have arisen without interference of the audit unit, the engagement partner and the responsible party. The engagement partner should also be attentive to circumstances that may result in a significant public interest if this is not addressed in a timely manner.

Chapter 3 – Concurrence of Statutory audit and other Services at a PIE

The link between chapter 3 and chapter 4 is reflected in the diagram below. If a responsible entity performs both a statutory audit and another assurance engagement at a PIE, Chapter 3.



Article 16

This article was amended on 17 June 2016 in order to comply with Article 5 of the European regulation and Article 24b of the Wta. The definition of the term 'audit service' has been maintained unchanged. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

General
Article 16 regulates concurrence of services of a statutory audit with services other than a audit services. This article applies solely to an assurance engagement other than a statutory audit at a public interest entity. This article does not apply to a statutory audit at a listed enterprise that does not qualify as a public interest entity (Article 16 is exempt from Article 13).

With the implementation of the European regulation, these requirements were placed on the concurrence of services of a statutory audit with other services at a public interest entity, as regulated in:

- Article 5 of the European regulation;
- Article 24b of the Wta; and
- Article 16 of the ViO.

Where Article 24b of the Wta regulates for audit organisations, Article 16 regulates an engagement partner, but via another route: it prohibits the conduct of a statutory audit if services other than a audit services are also provided.

National legislation is stricter than Article 5 of the European regulation. This is possible due to the member state option in the European regulation. As a result, a public interest entity is only permitted to commission 'audit services' in addition to a statutory audit. The phrase 'in supplement to Article 5, first paragraph of the European regulation' expresses the appeal to the member state option (Article 16, first and second paragraphs). Article 24b of the Wta is formulated in the same manner. The concept of 'audit service' as specified in Article 24b of the Wta is explained in more detail in Article 16, fourth paragraph of the ViO (see explanatory notes for the fourth paragraph).

The concept of 'affiliated entity' is defined in Article 24b, third paragraph of the Wta. The definition is as follows:

a *'the legal entity or company who/that, alone or together with other group companies, is at the head of the group or part of the group of which the public interest entity is part, as well as the legal entity or company which can exercise control or unified management over a public interest entity; and*
b *any subsidiary of a public interest entity, other group company which falls under the public interest entity, or other legal entity or company over whom/which the public interest entity may exercise control or unified management.'*

The definition is explained in the Memorandum on the Explanatory Notes of the Financial Markets Amendment Act 2015 (Parliamentary papers 2013-2014, 33918, no. 3, pg. 75).[9] The definition of this concept refers to Article 2:406, first and second paragraph, of the Civil Code pertaining to consolidated accounts. In addition to the concept of 'affiliated entity', the ViO also includes the concept 'affiliated third party'. The concept 'affiliated entity' is only referred to in Article 16. In all other cases, the concept 'affiliated third party' applies.

Like Article 24b of the Wta, Article 16 uses the term 'member state'. For the application of this article, this term specifically includes all states within the European Economic Area (EU member states, Iceland, Norway and Liechtenstein).

In order to ensure consistency within the ViO, the regulation uses the term 'engagement partner'. This term includes external accountants as described in the Wta.

First paragraph, introduction and part a.
This provision prohibits an engagement partner from performing a statutory audit at a public interest entity if the audit organisation or network firm provides services other than audit services as referred to in article 24b, first paragraph of the Wta to that organisation or an affiliated entity.

First paragraph, introduction and parts b and c.
The first paragraph has the same extraterritorial application as the provisions in Article 24b, paragraph 2 of the Wta. This latter article derives its extraterritorial aspects from Article 5 of the European regulation.

The first paragraph, introduction and part b, subsection 3 pertains to the situation in which network firm located *in the Netherlands* provides services other than audit services to an affiliated entity, as described in Article 24b, third paragraph, part a of the Wta, which is located *outside of the European Economic Area*.

The first paragraph, introduction and part b, pertains to the situation in which network firm located *outside of the Netherlands* provides services other than audit services to a public interest entity *in the Netherlands*, or an affiliated entity as described in Article 24b, third paragraph, part a of the Wta, which is located *in the Netherlands*.

Article 16 does not apply to the situation in which network firm located *in the Netherlands* provides services other than audit services *in another member state or country outside of the European Economic Area* to an affiliated entity, as described in Article 24b, third paragraph, part b of the Wta, which is registered *outside of the European Economic Area*. This is because this situation is subject to the provisions of Article 5, fifth paragraph of the European regulation. In summary, in this situation, an engagement partner may only conduct a statutory audit if he implements safeguards to guarantee the independent conduct of the audit, considering the threats to such independence. Under no circumstances is the engagement partner permitted to be involved in decision-making processes or the following services at the audited entity.

- services that entail the role of management or decision-making at the audited entity;
- bookkeeping or drawing up bookkeeping documents and financial overviews; and
- developing and implementing procedures for internal audits and risk management related to the drafting and/or auditing of financial information, or the development and implementation of financial information technology systems.

Please refer to the text of Article 5, fifth paragraph of the European regulation.

[9] *'The third paragraph regulates what is understood under the concept of 'affiliated entities'. The definition of this concept refers to Article 2:406, first and second paragraph, of the Civil Code pertaining to consolidated accounts. Affiliated entities are understood to include the head of a group or part of the group of which the PiE is a part, as well as other legal entities and companies that can exercise control or unified management over the PiE. This means that in addition to the head of the group, holding companies also qualify as affiliated entities. Other affiliated entities include the PiE's subsidiaries, other group companies that fall under the PiE, and all other companies and legal entities over which the PiE exercises control or unified management. This means that all subsidiaries fall under the definition of the concept ' affiliated entities'. 'Special purpose vehicles' can also be considered to be affiliated entities, if they meet the conditions stipulated in parts a or b. For the purposes of Article 24b, the State is not considered to be an affiliated entity under the terms of the fourth paragraph, even if the State can exercise control over a PiE. The State participates in various entities in order to serve the public interest, whether permanently or temporarily. It would be undesirable if the various organs of the State were unable to utilise the services of the audit organisations conducting legal audits at these entities.'*

Second paragraph
The second paragraph pertains to the situation in which network firm located *outside of the Netherlands* provides services to an affiliated entity, as described in Article 24b, third paragraph, part a of the Wta, which is located *outside of the European Economic Area*. The second paragraph prohibits the engagement partner from performing a statutory audit if the accountant cannot determine that identification and assessment of a threat resulting from said services is conducted, and a safeguard is applied, in accordance with rules that are at least as strict as the Code of Ethics. For the sake of clarity, this situation is regulated in Article 16 (not subject to Article 9 of the ViO). Article 5 of the European regulation and Article 24b of the Wta do not regulate this situation.

For the moment, Article 16 regulates the situation in which network firm located *outside the Netherlands, but inside the European Economic Area* provides services other than audit services to an affiliated entity, as described in Article 24b, third paragraph of the Wta, which is registered *outside the Netherlands, but inside the European Economic Area*. (This is not regulated in Article 24b of the Wta). The NBA assumes that Article 5 of the European regulation applies to this situation, without reservations. The various member states and the European Commission are still negotiating a standard interpretation in order to facilitate greater European convergence in the application of Article 5 of the European regulation.

The table below illustrates the international application of Article 16 and Article 5 of the European regulation. The purpose of the table is to indicate which law is applicable to a situation in which:
- an audit organisation (in the Netherlands) provides services other than audit services to a public interest entity (in the Netherlands) or affiliated entities in the Netherlands or abroad;
- parts of an audit organisation's network (in the Netherlands or abroad) provides services other than audit services to a public interest entity (in the Netherlands) or affiliated entities in the Netherlands or abroad;

The term 'abroad' can be divided into the member states (including EU member states, Iceland, Norway and Liechtenstein), and other countries. 'Other countries' are understood to include countries outside of the European Economic Area

The terms 'upstream' and 'downstream' are understood to mean:
- *upstream*: these are the 'affiliated entities' defined in Article 24b, third paragraph, part a of the Wta *(see above)*;
- *downstream*: these are the 'affiliated entities' defined in Article 24b, third paragraph, part b of the Wta *(see above)*.

International application of Article 16

		Public interest entity (in the Netherlands) or affiliated entities in the Netherlands or abroad						
		oob	The Netherlands upstream	The Netherlands downstream	Member state upstream	Member state downstream	Other countries upstream	Other countries downstream
	Audit organisation	16 1a	16 1a	16 1a	16 1a	16 1a	16 1a	16 1a
Network audit organisations	The Netherlands	16 1b	16 1b	16 1b	16 1b	16 1b	16 1b	5 lid 5 EU-V
Abroad	Member state	16 1c	16 1c	16 1c	EU	EU	16 2	5 lid 5 EU-V
Abroad	Other countries	16 1c	16 1c	16 1c	EU	EU	16 2	5 lid 5 EU-V

Third paragraph
Article 16 applies to the same time restrictions as stipulated in Article 5 of the European regulation. If services other than audit services are performed during the period or periods specified in the third paragraph, then it is prohibited to conduct a statutory audit. This is regulated in Article 16, despite the direct application of Article 5 of the European regulation. This clarifies that the periods subject to Article 16 cannot refer back to Article 3, third paragraph.

Note: Article 3 remains relevant to so-called 'transitional activities'. As per Article 3, third paragraph, part b, independence is required during the period in which the assurance work is performed. Transitional activities pertaining to a statutory audit conducted prior to the first reporting period audited seem to fall outside of the scope of Article 5 of the European regulation, and therefore outside of the scope of Article 16. The European regulation provides no clarity as to this situation. The NBA interprets the European regulation in such a way that transitional activities should be seen in the context of the general independence rules in the European regulation.[10] This means that as per Article 3, third paragraph, part b, independence is required, and the accountant must evaluate whether the independent conduct of the audit is guaranteed, or if safeguards are needed, based on the frame of reference provided in Articles 5 and 6.

An extra period applies with regard to the concurrence of services of a statutory audit with services referred to in Article 5, first paragraph, part e of the European regulation. Services as referred to in Article 5, first paragraph, part e of the European regulation include: '*Developing and implementing procedures for internal controls and risk management related to the drafting and/or auditing of financial information, or the development and implementation of financial information technology systems'*. It is therefore prohibited to perform a statutory audit if the internal control services mentioned above:
- are performed during the reporting period to the publication of the audit statement; or
- are performed in the financial year immediately prior to the reporting period.

Fourth paragraph
To qualify as an audit service, it is important that a professional service is performed for the purpose of the public or the supervisory task of the supervisory board. The party providing the engagement is irrelevant. The management of an enterprise may provide the engagement. The professional accountant should be satisfied that the external user or the supervisory board require the accountant's investigation, and that the organisation's internal rules with respect to providing engagements are observed.

As part b of the fourth paragraph of this article indicates, information with which the responsible party gives account should be verified. This means that the professional accountant uses procedures including:
- making enquiries;
- performing analytic procedures;
- recalculating, comparing or other accuracy tests;
- on-site observation;
- verification procedures;
- obtaining confirmation from third parties.

Furthermore, it is important that there are applicable arrangements the professional accountant can use for verification. Arrangements are applicable if the characteristics display relevance, completeness, confidentiality, neutrality and understandability.

These specific procedures referred to in Standard 4400 NV COS qualify as a permitted audit service only if they meet the stated conditions in article 16. The report of factual findings may not contain any advice or suggestions.

[10] As stated in the Eighth Directive, and confirmed in the amendment guideline.

Chapter 4 - Provision of non-assurance services at a PIE where no Statutory Audit is Performed or at an Entity that is not a PIE

Articles 17 to 22

Chapter 4 of the ViO indicates when a non-assurance service poses a threat to the independent conduct of an assurance assignment, in which a specific or non-specific safeguard is needed or if the conduct of an assurance engagement is not permitted (prohibition).

Traditionally, audit units provide a wide range of non-assurance services to responsible entities owing to their expertise. However, this form of services can threaten the independent performance of the assurance engagement at the responsible entity due to the risk of self-review, self-interest, and advocacy.

Consultation between the engagement partner and the responsible entity is an important part of the assurance process in order to come to a technically adequate accountability document. This includes issues such as:

- the applicable conventions;
- the applicable reporting standards;
- the applicable disclosure requirements;
- the appropriateness of the internal controls and safeguards applied by the responsible entity;
- questions and advice of technical nature; and
- suggesting correcting entries.

These are a normal part of the assurance process and generally do not lead to a threat to the independent performance of an assurance engagement.
Before the audit unit accepts an engagement to provide non-assurance services for a responsible entity, he must review whether providing the non-assurance service presents a threat. Every threat to the independent performance of the assurance engagement of which the professional accountant knows or should know that results from the provision of non-assurance services is considered in the professional judgment. If a threat cannot be eliminated by a safeguard, the provision of non-assurance services cannot take place. The aforementioned applies, mutatis mutandis, to the situation where the performance of an assurance engagement is considered for an entity when a non-assurance service has already been performed.

A non-assurance service comprises every service that does not qualify as an assurance engagement (article 1 ViO) Examples of non-assurance services include:

- administrative services;
- design and implementation of a financial information system;
- services in the field of appraisal;
- services in the field of internal control;
- legal services;
- mediation in the recruitment of higher management for a responsible entity;
- interim management;
- corporate finance services;
- temporarily putting staff at disposal.

NBA Supplement 1131 Application of the ViO includes more detailed examples of the application of the ViO.

When considering whether to accept or begin providing a non-assurance service, it is not always possible to estimate all future developments and effects. In accordance with the ViO, the engagement partner is expected to abide by the principle of what an objective, reasonable and informed third party would consider acceptable and sufficient (Article 5, ViO). Moreover, during the provision of a non-assurance service, the accountant must observe whether developments or effects occur that may threaten the independent conduct of the assurance engagement.

Whether a non-assurance service cannot be performed in combination with an assurance service depends on the outcome of the application of Articles 17 to 22.

Any time there is a concurrence of services, the engagement partner must take Articles 18 to 20 of the ViO into consideration. If there is a concurrence of services at a public interest entity in which no statutory audit is being conducted, then Articles 21 and 22 of the ViO must be consulted as well. In the event of a concurrence of services, then the result of the consideration of these articles will lead to one of the following options:
1 concurrence of services is permitted;
2 concurrence of services is not permitted (prohibited); or
3 concurrence of services is permitted if one or more specified or unspecified safeguards are applied.

If the consideration of Articles 18 to 20 indicates that safeguards are required, then the accountant may be authorised to determine which safeguards to apply (for example, Article 19 of the ViO). In these unspecified safeguards, the accountant must constantly ask himself if an objective, reasonable and well-informed third party would consider the intended safeguards to be acceptable and sufficient.

The explanatory notes of these articles elaborate on the principal rules pertaining to the concurrence of services. There is an elaboration in an NBA practice note based on examples.

Article 17
The concurrence of services of a statutory audit with other services at a public interest entity is regulated by Article 16 of the ViO.

Article 18
The professional accountant or network firm making decisions on behalf of or participating in the decision-making process of the responsible entity creates a threat as a result self-interest and self-review. A confidentiality risk is also present, as the audit unit is excessively associated with the judgments and interests of the responsible entity's management. As per Article 18 of the ViO, in this situation it is not permitted to conduct an assurance engagement at a responsible entity.
The management of an entity conducts many activities with the purpose of directing the entity in such a way that the interests of the stakeholders are satisfied. It is not possible to specify all of the management's responsibilities. In any case, these responsibilities include making important decisions regarding the purchase, the strategic exertion and the control of personal, financial, physical and immaterial resources. This means that the involvement of the audit unit or network firm in making decisions that normally would be made by the management of the responsible entity, and for which the management is responsible, is not permitted. In order to prevent such involvement, it is necessary for the management to possess sufficient knowledge and experience to bear that responsibility, and to make or understand considerations upon which decisions and the decision-making process rests.

The accountant must realise that a lack of knowledge at the responsible entity entails that the accountant will quickly become involved in the decision-making process, or may seem to be involved in the process. In the event of a lack of knowledge at the responsible entity, the accountant must evaluate whether safeguards are available to prevent him from becoming involved in the decision-making process, or seeming to be involved in the process. It is vital that the responsible entity be able to make decisions independently.

These tasks generally do not comprise routine and negligible actions. The accountant may contribute to the decision-making process by providing management with an objective illustration of the various options available, so that it can make a decision on its own.

When considering his involvement in the decision-making process, the accountant must ask what an objective third party might think of his actions. The accountant must be able to justify and prove to such a third party that he has implemented safeguards to prevent becoming involved in the decision-making process.

Below are a few examples of services that, under article 18, lead to a prohibition on performing an assurance engagement:
- services in the area of a part of the internal control that is material to the assurance object, and where management tasks are performed, for example if the responsible entity has not confirmed its responsibility for the design, implementation and maintenance of the internal control.
- services related to design and implementation of an information system that is material to the assurance object while management tasks are not performed by the responsible entity, for example

if the management of the responsible entity neglects to evaluate the efficacy of the design and the result of the implementation of the information system.

Article 19
Whether a non-assurance service is material to the assurance object depends on the facts and circumstances. Whether the assurance service relates to a material part of the assurance object is not utterly relevant.

When determining whether there is material influence, the engagement partner takes into consideration the effect (quantitative or qualitative) that the non-assurance service has or could have on the assurance object. The non-assurance service is considered to have a material influence when the results of a non-assurance service can have such an impact on the assurance object that could reasonably be expected to influence the decisions users make based on the assurance object. This means that if the non-assurance service results in the assurance object itself, or in a material post in the assurance object, then there are grounds for material influence.
Therefore, the nature and scale of the service are factors when determining whether there is material influence. The accountant must include the following aspects in his considerations, in the order they are listed below:
1 Are the nature and scale of the non-assurance service known?
2 Are the nature and scale of the assurance object known?

Will the non-assurance service result in the entire assurance object or a material element of the assurance object? If the answer to the third question is affirmative, then there are grounds for material influence.

In such a situation, minimum safeguards must be applied to eliminate the threat of self-review. Here, too, the standard is what an objective, reasonable and informed third party would conclude (Article 5 ViO). Would such a third party consider the proposed safeguards sufficient?

For example, entering one invoice is less likely to qualify as material than entering all invoices that are related to a part of the assurance object.

The outcome of the non-assurance service in itself is also not a determining factor. Imagine that the audit unit performs an assessment of a property in addition to an assurance engagement. Even if the outcome of the assessment indicates that impairment of the property is not necessary, this outcome would have been material if the measurement and disclosure regarding this property is part of the assurance object.

Examples of possible safeguards include:
- consultation with the independence officer who is charged with the independence issues within the audit unit; The accountant must draft a report of this meeting;
- separating engagement teams under the leadership of different professional accountants for the performance of the assurance engagement and the non-assurance (administrative) service;
- consultation with a professional accountant outside the own audit unit, or obtaining advice within the professional body;
- conduct an engagement-oriented quality evaluation, with specific attention to the risks presented by the threat.

Article 20
Article 20, second paragraph was amended on 17 June 2016. Where the previous explanatory notes clarified how to interpret an article, the explanation has been adopted as a regulation. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

First paragraph, part a
If during the evaluation of Articles 18 and 19 of the ViO, it is determined that the non-assurance service does not involve participation in the decision-making process, but that the non-assurance service exercises material influence on the assurance object, then the accountant must evaluate whether the service provision is subjective or not-routine.

Some services may contain subjective or non-routine elements. In case of a subjective or non-routine activity, it is likely that when this is performed by more than one party, the results can differ materially. This will be the case when the service provider himself has to choose between available acceptable alternatives when performing the non-assurance service. This includes the independent choice from among various methods and techniques, and not the choice of principles or variables (=decision-making process).

Here, too, the standard is what an objective, reasonable and informed third party would conclude (Article 5 ViO). If the material is of an highly specialist nature, and the responsible entity cannot reasonably be expected to possess sufficient knowledge of the material, then an objective third party would be more likely to think that the responsible entity would not be able to make the choices itself, which would present an argument in favour of subjectivity. The prohibition described in Article 20 of the ViO would then be applicable.

An example of a non-subjective or routine activity is calculating the linear depreciation expense of material assets based on the depreciation scheme approved by management. A subjective character arises if an impairment calculation must be established for the same material assets. In this situation, the responsible entity would independently determine the principles, but the results may differ materially if this calculation were to be conducted by more than one expert. Various methods may be used for the impairment calculation, which could lead to different results.

First paragraph, part b
It is possible that the effectiveness of a recommendation involving material influence on the assurance object may depend on the treatment used on the assurance object.
If the assurance team doubts whether the effective treatment for the advice is in accordance with the reporting framework applicable to the assurance object, and if there is a material influence on the assurance object as specified by the evaluation of Article 18 of this regulation, this could lead to a major threat to the independence for which there are no suitable safeguards available. The prohibition described in Article 20 of the ViO would then be applicable.

First paragraph, part c
If a non-assurance service exercises material influence on the assurance object and involves advocacy, then the accountant is prohibited from also performing an assurance engagement at the responsible entity. Advocacy is understood to mean: defending the responsible party against other parties, or forming or propagating judgments on behalf of the responsible entity, which leads to such identification with the interests of the responsible entity or seems to lead to identification with the interests of the responsible entity that there is an unacceptable risk that the opinion or conclusion concerning the assurance object is or will be affected.

Examples of advocacy include: acting as an attorney for the responsible party, dealing in shares of the responsible party, and recruiting personnel for the responsible party.

Below are a few examples of services that lead to a prohibition on performing an assurance engagement under Article 20.

- For non-routine administrative services with a material influence on the assurance object, for example if the non-assurance service consists of drawing up an impairment model used to assess the ‘material fixed assets’ post and to determine the model on which the impairment is based, it is likely that two parties may come to substantially different values for the impairment (Article 20, first paragraph, part a ViO).
- Subjective valuation with a material influence on the assurance object for an entity that is not a PIE. In this activity, the engagement partner rests on assumptions made by the audit unit to such an extent that no safeguards are available to guarantee the independent conduct of the assurance engagement (Article 20, first paragraph, part a).
- Legal aid during fiscal legal proceedings where the amounts involved in the proceedings have a material effect on the assurance object (Article 20, paragraph 1, part c).
- Legal service in event of a dispute where the amounts involved have a material effect on the assurance object. As a result, this form of service often entails advocacy (Article 20, first paragraph, part c).
- A fiscal advice which the team doubts its application in the assurance object, and where the advice exercises material influence on the assurance object. If the application or interpretation of fiscal

legislation is subject to a substantial degree to the advisor's judgement, then the recommendation can be considered to be non-routine or subjective (Article 20, first paragraph, part a).
- A corporate finance advice, where the team doubts its application in the assurance object, and where the advice exercises material influence on the assurance object. In this case, the effectiveness of a corporate finance recommendation may be dependent on the treatment in the assurance object (Article 20, first paragraph, part b).
- Services in the field of corporate finance consisting of promoting the trading of shares of the responsible entity, or trading shares of the responsible entity on one's own account, or standing surety (Article 20, first paragraph, part c).

An explanation of the aforementioned:
- In case of a non-routine administrative service with respect to the assurance object (the first example in the table above), this will always have a material effect on the assurance object.
- The following applies to the latter provision: When a professional accountant promotes the interests of the responsible entity for corporate finance services by interfering with the investment of shares, this will always be qualitatively significant due to the entity's interest in the matter.

Second paragraph
The second paragraph stipulates that the prohibition in the first paragraph does not apply when the terms, as referred to in Article 3, paragraph 7, or Article 4, are met. However, these provisions do not eliminate the threat. In that case, one or more safeguards will be required in order to guarantee the independent conduct of an engagement assignment. The safeguard is geared towards eliminating those threats that are related to the material influence on a non-assurance service, and to one or more of the conditions listed in Article 20, such as subjectivity or non-routineness.

The requirement that 'a safeguard is applied that secures the independent performance of the engagement' is in accordance with Article 6, third paragraph, introduction and part b. This means that if insufficient or no safeguards are applied, then an assurance object for a specified group of users may not be accepted or continued.

Article 21
Providing a non-assurance service in combination with an assurance engagement at a public interest entity is prohibited if the non-assurance service has material influence to the assurance object. The definition of material influence is described in Article 19. Article 17 of the ViO stated that the above is not applicable in the event of a statutory audit.

Article 22
The board is responsible for establishing the assurance object and fairly reflecting this in accordance with the applicable requirements. If the audit unit provides administrative services to a public interest entity with respect to the assurance object, there is a self-review threat against which there are no safeguards. In practice, there are several descriptions of 'administrative services'. The formal definition is not material to the evaluation of the presence of a threat. The details and nature of the activities remain the determining factor, and may be evaluated with reference to Articles 19 and 20 of the ViO.

Consultation between the engagement partner and the responsible entity is an important element of the assurance process. Discussing subjects such as the applicable conventions, the appropriateness of controls, technical questions and proposing correction entries is a normal part of the assurance process, and generally does not lead to a threat to the independent performance of an assurance engagement. When considering his involvement in the decision-making process, the accountant must ask what an objective third party might think of his actions. The accountant must be able to justify and prove to such a third party that he has implemented safeguards to prevent becoming involved in the decision-making process.

Chapter 5 - Fees

Compensation based on employment relationships are not included in this chapter. These are included in chapter 13.

Article 23
A contingent fee for an assurance engagement leads to a self-interest threat. This self-interest could, for example, arise because a professional accountant considers the possible results of the activities he performs or the opinion he forms for the contingent fee.
Even though the professional accountant can assure that such a fee does not comprise his independence, appearances are against him with respect to third parties.

This has resulted in the ViO stating that such a threat cannot be eliminated by a safeguard.

The professional accountant's opinion can also be subjected to pressure if he thinks that this may influence his contingent fees for a non-assurance service. That is why there are limitations regarding contingent fees for engagements that influence the assurance object or that are of material financial influence.

Article 24
If the total fee received from a responsible party is quantitatively or qualitatively material to the audit firm, the network or the engagement partner, this leads to threats of self-interest (for the revenue dependency of this single responsible party) and threats of intimidation (the concern for possible losses of the responsible party). This threat also arises if the total amount of compensation is an important performance indicator for parts of the audit firm or network. Another part of an audit firm or the network, to which these fees are an important performance indicator (hereinafter: other part) could include different parts of the audit firm or the network, depending on the organisational structure. This includes an office of the audit firm, a branch or a regional unit, for example. Whether there is a threat, and what the size of this threat could be, depends on several factors.
In case of the audit firm, network or other unit, the following factors may be of influence:
- the size of the audit firm, network or other part;
- whether this is an established enterprise, or one that was founded only recently;
- whether someone is employed at a local, national or international level;
- the general business climate in the business markets where the organisation operates.

In case of the engagement partner related to the audit firm, other factors play a role, including:
- the size of his client portfolio;
- whether the professional accountant has recently been appointed as partner;
- the extent in which the partner's compensation depends on these fees.

Examples of possible safeguards include:
- having a professional accountant to whom the threat in question does not apply perform an engagement quality control review;
- limiting the dependence of the client by agreeing to a longer duration of contracts, for example, which reduces dependence in the short run;
- consultation with the professional body or other professional accountants with respect to important decisions for the purpose of performing the engagement.

Articles 25 and 25a

Article 25a was added on 17 June 2016. This article applies solely to a statutory audit at a public interest entity. These regulations apply in addition to Article 25. Article 25 is maintained without amendments, with the understanding that the concept of 'financial year' has been replaced by 'reporting period'. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

Article 25
First and second paragraph
In the Code of Ethics, the 15% limit solely applies to public interest entities. The threat, however, occurs to the same extent with respect to fees that are received for services provided to a small or medium-sized entity, for example, and would probably rather occur at an SME than at firms that are audited by a public interest entity considering its smaller total revenue. Therefore, in this regulation this quantification of 15% and applying mandatory safeguards is applicable to all types of responsible parties.

With respect to this threat, the 15% limit is an upper limit of the interpretation of the definition material interest. As stated in article 24, the engagement partner must also check whether there is a self-interest threat or intimidation threat in the event of smaller proportions.

Additionally, the Code of Ethics consists of the choice between two specifically prescribed safeguards, namely an engagement quality review prior to the issuance of the assurance report (pre- issuance review) or an engagement quality review after issuance of the assurance report (post- issuance review).

In accordance with paragraph 290.216 of the Code of Ethics, the post-issuance review would apply if, after issuance of the report, other circumstances show that turnover in the second year exceeds the 15% limit. However, if after publication of the assurance report it becomes clear that the 15% limit has been exceeded, there is no factual threat to the independence at the moment the assurance report was published (as the excession was not known at the time). For that reason, only the pre-issuance review is effective. Consequently, the ViO offers no alternatives, and article 25 paragraph 2 of this regulation only prescribes an engagement-specific quality evaluation as a specific safeguard. This specific safeguard should be applied to every assurance report that is issued in the second reporting period. As long as the 15% limit is also exceeded in the consecutive years, the specific safeguard remains in effect.

It is expected that the compensation received from a responsible party and its related third parties are primarily material in relation to the total revenue of the fees received by the audit firm during the start-up phase of audit firm.

Third paragraph
It is possible that the 15% limit is not exceeded by the audit firm itself, but that it does lead to the limit being exceeded by the Dutch part of the network. As a result, the ratio of income from the responsible party and the affiliated third parties must be compared to the total revenue at the level of this part of the network.

Article 25a
General
This article stipulates supplementary requirements for a statutory audit at a public interest entity. These requirements are in addition to those stipulated in Article 25.

The European regulation places at limit of 15% on the receipt of compensation from the same public interest entity. Article 4, third paragraph, first section of the European regulation stipulates that if the total amount of compensation received from an audit firm's statutory audit client, which is also a public interest entity, over the past three consecutive reporting periods amounts to more than 15% of the total compensation from all clients, then the audit committee must be informed of that fact and the threats to independence and any safeguards implemented must be discussed with the audit committee. In that case, the audit committee must consider whether the engagement-oriented quality evaluation should be conducted by an external accountant from outside the audit organisation[11] *(Article 4, third paragraph, first section of the European regulation).*

Article 4, fourth paragraph of the European regulation presents a member state option to implement stricter regulations. The ViO takes advantage of this option. In Article 25, the 15% limit applies after two reporting periods, and an engagement-oriented quality evaluation must always be applied by an accountant from *outside* the audit firm.

In order to ensure consistency within the ViO, the regulation uses the term 'engagement partner'. This term includes external accountants as described in the Wta.

First paragraph
This paragraph takes the authorisations which the European regulation delegates to the audit committee in this specific context to participate in decisions pertaining to safeguards. As a result, the engagement partner is obliged to coordinate with the audit committee as to whether the statutory audit

[11] Article 8 of the European regulation regulates the engagement-oriented quality evaluation. This article is based on the premise that an engagement-oriented quality evaluation is conducted by a 'statutory auditor' from an in-house 'audit bureau'.

can continue, and if so, whether additional safeguards are needed in addition to the engagement-oriented quality evaluation. The accountant is asked to confirm the choices made in writing.

Second paragraph
The phrase 'in deviation from' expresses the fact that the stricter provisions of Article 25a, first paragraph and Article 25 apply instead of Article 4, first paragraph, first line of the European regulation.

Third paragraph
This paragraph emphasises that Article 4, third paragraph, section two of the European regulation remains applicable. This provision delegates to the audit committee the authority to decide on objective grounds that if the compensation paid by a public interest entity exceeds the 15% limit for more than three financial years, that a statutory audit may be continued over a supplemental period of no more than two years. As a result, if the 15% limit is exceeded for a period of five consecutive financial years, a statutory audit must be conducted at a public interest entity.

Article 26
Self-interest and intimidation threats can arise when there are accounts receivable with respect to the responsible party, in particular if an important part of the accounts receivable had not been satisfied before the assurance report was issued.
Examples of possible safeguards include:
- engaging an independent quality reviewer;
- having a professional accountant who has not been involved in the assurance engagement or another service to the responsible entity review the situation;
- obtaining advice from the professional body.

Fees that are overdue could be characterised by a funding of the kind referred to in chapter 9.3, for example, when arrangements have been made concerning an instalment, interest payment or when collateral or standing surety has been agreed.

Chapter 6 – Gifts and Hospitality

Article 27

This article was amended on 17 June 2016. Article 27 has been amended with the addition of a new first paragraph to bring it into line with the revised Eighth Directive. The principle that gifts valued at more than € 100 raise questions about independence has been maintained, along with the opportunity to refute that assumption with justification (new second paragraph). The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

This article pertains to gifts and (via the third paragraph) personal expressions of hospitality. For the sake of legibility, the explanatory notes to the first two paragraphs are limited to 'gifts', but also apply to personal expressions of hospitality. Requesting, receiving, offering and providing gifts presents a threat to the independent conduct of an assurance engagement. The summary applies to all of these situations, even if they are not all listed specifically.

General
As a matter of principle, providing gifts or personal hospitality (personal expression) does not fit in a relationship between a professional accountant (auditor) and the responsible party (auditee). Therefore, the premise of Article 27 is that gifts or hospitality that are not business-related should not be exchanged. At the same time, a prohibition of gifts and hospitality as a whole is not reasonable. Therefore, gifts with a negligible or insignificant value are exempted from the prohibition in the first paragraph. Receiving or providing gifts valued at more than € 100 may raise concerns as to independence. The second paragraph describes a special procedure for gifts valued at more than € 100.

It is important that the responsible party is clear that providing gifts may present a conflict of interest for the members of the assurance team and the audit unit.

If an accountant is presented with a gift nonetheless, he must always ask how an objective, reasonable and well-informed third party would view the exchange (Article 5). It is vital that the accountant ascertain the reason behind the gift, regardless of the value of the gift, and how the public would perceive the acceptance or offer of the gift considering those reasons (does it seem as if the purpose of the gift is to influence the recipient?) The circumstances play an important role: for example, when and why was the gift offered; is it a one-time occurrence, or has the same relation offered gifts in the past (is there a pattern); and have other members of the assurance team received gifts from the same relation, or has the audit unit as a whole received the same gifts?

A bouquet of flowers or a gift to commemorate a birth, marriage or hospital stay usually does not present a threat to the independent conduct of an assurance engagement, as long as the gift remains within reasonable limits. A personal expression of hospitality to mark a special event, at which other relations are also invited, such as an anniversary for the responsible party, does not necessarily present a threat. If it is considered necessary to accept a gift in the interests of maintaining the relationship, then such may present a threat. Whether or not the gift or invitation presents a threat must be evaluated based on the frame of reference described in Article 27 (criteria: negligible or insignificant?).

Article 27 pertains to gifts within the relationship between the responsible entity or affiliated third parties and:
- members of the assurance team;
- the audit unit;
- network firm; or
- a manager or internal regulator of the audit unit or of network firm.

Internal regulators are understood to include: the internal members of the supervisory board or a similar body of an audit firm, or a part of the network. External members of the supervisory board or a Public Interest Committee are regarded as external officers charged with governance.

Article 27 falls under the scope of Article 9. As a result, threats presented from gifts related to persons involved in foreign parts of the network or foreign third parties may be evaluated based on the Code of Ethics or stricter local regulations.

First paragraph
The first paragraph prohibits an engagement partner from conducting an assurance assignment if gifts of more than a negligible or insignificant value are exchanged. This means that an accountant must consider whether an objective, reasonable and informed third party would consider the value of any gift, regardless of its value in Euros, to be negligible or insignificant, or whether such a party would consider it to be a threat that requires the refusal or termination of an assurance engagement.[12] Whether the value of the gift is negligible or insignificant depends not only on the value of the gift, but also the circumstances (see above). This applies to gifts valued at less than € 100, as well as gifts valued at more than € 100.

Second paragraph
The second paragraph is based on the perception of a well-informed third party. The principle is that receiving or providing gifts valued at more than € 100 may raise concerns as to independence. This is a rebuttable presumption. An engagement partner who wishes to initiate or continue an assurance engagement despite receiving a gift valued at more than € 100 must justify why the gift should be considered as negligible or insignificant. He will have to justify his evaluation within his own organisation and to the individuals charged with governance at the responsible entity. The second paragraph describes the procedure for doing so.

This explanatory note emphasises that the second paragraph does not imply that an accountant need only consider whether a gift is negligible or not if it is valued at more than € 100. An accountant must always consider whether a gift is appropriate, regardless of the value in Euros (*see explanatory notes*

[12] The general reporting requirements stipulated in Article 12 of the ViO apply (reporting threats). A possible justification for why a gift valued at more than € 100 can be considered as negligible or insignificant must be reported in writing (Article 27, second paragraph, in combination with Article 12). This is based on the principle that gifts valued at more than € 100 raise questions about independence.

to the first paragraph). The difference is based on the requirement to justify whether a gift is negligible or insignificant in advance.

It is not likely that a gift from the responsible entity with a value significantly higher than € 100 can be considered to be negligible or insignificant.

The amount of € 100 applies per gift. Naturally, this does not mean that the accountant can disregard the frequency of the gifts.

The ViO does not regulate how an audit unit should monitor and register gift reports.

Third paragraph
According to the definition, personal hospitality does not solely relate to business practices. Business expressions include providing a lunch, providing hotel accommodation if it is not possible to sleep at home or, paying for travelling expenses. Bear in mind that a business expression can create a threat if this is executed in a non-businesslike manner. If an accountant feels obliged to accept an invitation, this may be an indication of a threat. Whether or not the threat is present (negligible or insignificant), must be investigated.

A dinner on the occasion of the completion of the audit is not considered to be a business matter. This situation should be evaluated based on the frame of reference described in Article 27. This means that spending over € 100 should be accounted for. Naturally, both parties could opt to bear their own expenses.

Gifts for an internal or governmental auditor that are provided by the employer, such as a Christmas box, are not included in this article if the requirements of Article 3 paragraph 7 are observed.

When the audit unit invites representatives of the responsible entity to an event such as a golf clinic, sailing event or soccer game, such actions may be considered to be expressions of personal hospitality. These situations fall under the scope of Article 27.

Chapter 7 – Long-term involvement in services to the responsible party

Article 28
First paragraph
A threat to the independent performance due to confidentiality and self-interest can arise when a member of the assurance team has been involved in services to the same responsible party for a long time. The chance of such a threat increases as the period during which the professional accountant maintains relations with the client progresses. Elements that could play a role include:
- how long a team member has been involved in providing services to the responsible entity;
- the role a team member plays in providing the services;
- the nature of the assurance engagement;
- any changes within the management of the responsible entity;
- the nature or complexity of the accounting and reporting issues.

The engagement partner annually assesses the possible threats posed to the senior members in his team. Whether a member of the assurance team should be regarded as senior member does not depend on seniority in years, but rather seniority in capacity and experience. This includes positions such as key assurance partners, senior managers and senior staff.

Examples of safeguards include:
- an engagement quality review prior to the issuance of the assurance report, performed by a professional accountant who is not involved in the performance of the assurance engagement;
- the engagement partner or the senior member resigning from the assurance team, after which at least a sufficient cooling-off period should be observed before he might possibly be involved in an assurance engagement for the responsible party;

- applying phased rotation when there are several senior team members who have been involved for a long time. A newly appointed senior team member can review the work of the senior team members who have not yet rotated;
- in case of an internal or governmental auditor, the audit department can establish a rotation scheme which avoids long-term involvement in the same part of the responsible entity.

A period of at least two years is considered acceptable for the term of a sufficient cooling-off period as specified in the second bullet point. The extension of the cooling-off period for assurance engagements at a public interest entity as per 17 June 2016 (Articles 29 and 29a) do not present cause to reconsider this provision.

Second paragraph
Paragraph 2 of this article indicates that after a consecutive period of seven years, there is the possibility that there is actually no unacceptable risk of confidentiality or self-interest, if justified with annual documentation. This justifies the lack of a threat to the independence, so safeguards need not be applied. The aforementioned elements could play a part with the justification in question.

Such documentation should be approved by an officer appointed by the audit unit. This officer appointed by the audit unit authorised to approve the justified documentation may be a compliance officer, or a representative in case of a small audit unit. Both the documentation and its approval should be included in the file.

The second paragraph only applies if the accountant has been involved with the assurance engagement for at least seven years. The number of years of involvement in engagements other than assurance engagements prior to the assurance engagement do not count towards the seven year term. If an accountant at a responsible party, which is not a public interest entity, conducts a composite engagement for five years, and then conducts a voluntary audit for the next three consecutive years, then the seven-year term is not applicable in audit year 3.
However, this does not mean that there is no risk of a threat due to long-term involvement. Such must be evaluated in accordance with Article 28, first paragraph. If the long-term involvement is considered to be a threat, then the audit engagement may only be continued if the threat is eliminated. To this end, safeguards must be implemented to guarantee the independent conduct of the audit engagement (Article 28, first paragraph, and Article 6, third paragraph, part b). In that event, the general reporting requirements stipulated in Article 12 of the ViO apply.
Furthermore, when determining the seven-year period, it is relevant to begin from the moment when a member would normally be considered to be a senior team member. Previous involvement in the capacity of other positions, and activities at a more junior level, do not apply. Here, too, a long-term involvement may present a threat that must be reviewed based on Article 28, first paragraph.

Articles 29 and 29a

As of 17 June 2016, the statutory audit at a public interest entity has been removed from Article 29 and brought under the scope of the new Article 29a. The cooling-down period has been extended from two to three years (Articles 29 and 29a). For the rest, Article 29 was maintained unamended. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

In addition to an article-by-article summary, the diagram below illustrates the rotation and cooling-down periods effective as of 17 June 2016. Naturally, if a threat presents itself earlier, or continues longer, as the result of long-term involvement in services to the responsible party, the person may rotate earlier or observe a longer cooling-down period.

Rotation and cooling-down periods for an assurance engagement for a public interest entity, as of 17 June 2016		
	statutory audit	**assurance engagement other than a statutory audit**
rotation period for the engagement partner	5 years	7 years
rotation period for the key assurance partner other than the engagement partner	7 years	7 years

cooling-down period for the engagement partner and other key assurance partners	3 years	3 years

Article 29
First and second paragraph
This article applies to assurance engagements other than a statutory audit at a public interest entity (Article 29a). Article 29 is supplemental to Article 28. The second paragraph, together with the provisions of Article 28, entails that the engagement partner must evaluate whether the conduct of an assurance assignment is not threatened by the long-term involvement of key assurance partners in the assurance team. A threat is posed in any case if a key assurance partner participates in an assurance engagement at the same public interest entity for seven consecutive years. This situation requires a specific safeguard.

Third paragraph
A person who was involved in an assurance engagement for a public interest entity or a related party in the capacity of key assurance partner for seven consecutive years, should cease the activities related to that assurance engagement. He cannot interfere with any assurance engagement for the responsible party for three years, from the moment he stopped working, and that also excludes a role other than key assurance partner. This means that he cannot re-join the old assurance team during the cooling-down period, even in a role other than key assurance partner. He also may not participate in another assurance engagement at the public interest entity, including a statutory audit. The degree of confidence that leads to the threat is linked to the person and not to his position within the assurance team.

The cooling-down period of three years is derived from the European regulation. Upon completion of the cooling-down period, key assurance partners are in principle considered capable of evaluating an assurance engagement with a fresh perspective. It is therefore reasonable to apply the same cooling-down period for all assurance engagements. This is because it is difficult to explain to a third party why a threat resulting from confidentiality in statutory audits has been eliminated only after three years, but other assurance engagements are subject to a threat for only two years.

Article 29 must be read in relation to Article 6, third paragraph, part a. An engagement partner must refuse or terminate an assurance engagement if a key assurance partner has not rotated after seven consecutive years of involvement, or if he becomes involved with the conduct of the assurance engagement during the cooling-down period.

Fourth paragraph
It can happen that a member of the assurance team had already been involved in an assurance engagement before a responsible party qualified as a public interest entity. The terms referred to in Article 29 relate to the total duration of involvement in the assurance engagement, in which are the years prior to the moment the responsible party becomes a public interest entity also count.

Fifth paragraph
If a key assurance partner has been involved in the assurance engagement for more than 7 years, and the responsible party qualifies for the first time as a public interest entity that very year, the key assurance partner can complete the current assurance engagement at that time and finishes his involvement after completion of this current engagement. He will terminate his involvement upon completion of the current engagement. The ViO does not distinguish between the number of years the professional has already been involved. For example, if a professional accountant has been involved in the audit of the financial statement for a small- or medium-sized entity for nine years, and this entity becomes a public interest entity in year 10, then the professional accountant can complete year 10 even if that means he has been involved in the services to the enterprise for more than seven years. Naturally, the requirement in article 28 to apply safeguards with respect to the long-term involvement must be observed.

When a responsible entity merges with another entity, a conceptual framework should indicate whether the preceding years of service cannot reasonably be included in the 7-year term for the new entity. Important factors include: the composition of management, those charged with governance and

persons with significant influence on the assurance object, and relevant decisions made pertaining to the assurance objects.

Article 29a

This article was added on 17 June 2016. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

General
Article 29a applies solely to a statutory audit at a public interest entity.

With the implementation of the European regulation, requirements were placed on long-term involvement in a statutory audit at a public interest entity, divided among:
- article 17, seventh paragraph, of the European regulation;
- article 24 of the Wta; and
- articles 28 and 29a of the ViO.

Article 17, seventh paragraph, first section of the European regulation has direct application. This provision requires the 'key assurance partner/partners responsible for the conduct of a statutory audit' to rotate after no more than seven years and to observe a cooling-down period of at least three years. The second section of Article 17, seventh paragraph of the European regulation contains a member state option to require the key assurance partner or partners responsible for the conduct of a statutory audit to rotate earlier than the seven-year deadline. The Netherlands utilises this member state option, and has limited itself to the term 'external accountant' referred to in the Wta. This is embedded in Article 24 of the Wta. Based on Article 24 of the Wta, an audit unit may not assign an external accountant who has been responsible for the statutory audits at a public interest entity during the previous five financial years to conduct a statutory audit at the same public interest entity.

The concept 'key partner' is not implemented separately in the Wta. The Explanatory Notes to the Implementation Act, decree and regulation for statutory audits of annual accounts states that in the Dutch context, this should be understood to mean the external accountant. The definition of the key assurance partner in the European regulation is:[13]
a *'the statutory auditor(s) who have been appointed for a specific audit engagement as the engagement partner(s) for the conduct of the statutory audit of the annual accounts on behalf of the audit firm; or*
b *in the event of a group audit, at least the statutory auditor(s) who have been appointed for as the engagement partner(s) for the conduct of the statutory audit of the annual accounts at the group level, and the statutory auditor(s) appointed as the engagement partner for the conduct of the statutory audit of the annual accounts at subsidiaries; or*
c *The statutory auditor(s) responsible for signing the audit statement.'*

In order to ensure consistency within the ViO, Article 29a uses the term 'engagement partner'. This concept includes the 'external accountant' referred to in the Wta.

An external accountant qualifies as a key assurance partner as described in the Wta. The definition of a key assurance partner in the ViO is:
'engagement partner, the person who performs the engagement quality control review of the assurance engagement to be completed, or a professional accountant within an assurance team who is co-responsible for reporting on important matters'.

First paragraph
Article 29a is supplemental to Article 28. The first paragraph, together with the provisions of Article 28, entails that the engagement partner must evaluate whether the conduct of an assurance assignment is not threatened by the long-term involvement of other key assurance partners in the assurance team. A threat is posed in any case if a key assurance partner participates in a statutory audit at the same public interest entity for seven consecutive years. This is also the case if a key assurance partner (who is not also the engagement partner), has worked as a key assurance partner for another

[13] The European regulation uses the definition of 'key engagement partner' from the revised Eighth Directive (Article 2, part 16).

assurance engagement at the same public interest entity for five years, and then subsequently the statutory audit for two consecutive years.

Based on Article 24 of the Wta, an audit unit must rotate an external accountant after a period of five years. That is why the first paragraph of Article 29a also expresses that a threat still exists, even after five years.

Second paragraph
Key assurance partners who rotate after seven years may not be assigned to the task again during the cooling-off period. Until 17 June 2016, the cooling-down period was two years, but this has since been raised to three years. Three years is in accordance with the cooling-down period for a 'key assurance partner or partners responsible for the conduct of a statutory audit' stipulated in Article 17, seventh paragraph of the European regulation.

Key assurance partners other than an external accountant who conducts a statutory audit after a period of seven years in order to ensure independence may not be involved in a statutory audit at a public interest entity during the cooling-down period. They also may not participate in *another* assurance engagement at the public interest entity. This also applies to the external accountant leaving a statutory audit after five years. This is expressed in the second paragraph ('no member of any assurance team').
A threat as specified by Article 29a is posed in any case if a key assurance partner participates in an assurance engagement other than a statutory audit for seven years, then participates in a statutory audit at a public interest entity during the cooling down period.

Article 29a must be read in relation to Article 6, third paragraph, part a. An engagement partner must refuse or terminate a statutory audit if a key assurance partner has not rotated after seven consecutive years of involvement, or if he becomes involved with the conduct of the statutory audit during the cooling-down period.

Note: as the statutory structure stipulates that the rotation of cooling-down periods for an external accountant is regulated by Article 24 of the Wta, and Article 17, seventh paragraph of the European regulation, respectively, it is unnecessary to refer to these articles in Article 29a.

Chapter 8 – Financial Interests

Article 30
First paragraph
The definitions 'direct financial interest' and 'material indirect financial interest' are indicated with the term 'financial interest' for the sake of this chapter's legibility.

Financial interests can be held directly or through an intermediary. Whether a financial interest should be regarded as a direct or indirect financial interest depends on the question if the beneficiary can influence the formulation of investment policy, or if he has an opportunity to influence investment decisions. In that case, there is a direct financial interest and if not, an interest is regarded as an indirect financial interest.

Examples of financial interest include:
- direct or indirect participation in the capital of the responsible entity;
- holding or marketing the responsible entity's securities, regardless of the size;
- holding a financial interest in a joint venture with the responsible entity or with an owner, director or other person within higher management of the responsible entity;
- accepting benefit pension plans or other allowances from the responsible entity.

Agreements to hold a financial interest (for example contracts to obtain a financial interest) or derivative instruments that are directly linked to this financial interest (for example, stock options, futures, debentures, etc.) should be treated similarly to an existing financial interest.

Whether an indirect financial interest is material to at least one of the parties depends on the specific circumstances of the parties. These include: an individual's capital holdings, or the degree to which the financial interest enables the holder to influence the entity in which the interest is held.

Second and third paragraph
A financial product or service the responsible entity offers its clients for the purpose of normal business can also have the characteristics of a financial interest. Examples include: an endowment mortgage that has been negotiated with a bank, or a pension policy that has been agreed with an insurance company.
In principle, such a financial product or service is evaluated in the context of the acquisition of goods and services (chapter 9) unless they are part of the risk-bearing capital (the equity and subordinated debts and other subordinated components of equity, such as a loan certificate with the (Rabobank) of the responsible entity.
'Normal business operations' include when the product or service can be acquired by third parties under similar conditions, when the responsible entity has the required permits to provide these products or services and is organized to do so.

Article 31

On 17 June 2016, the term 'audit committee' was changed to 'audit committee or body with similar duties' in the fourth paragraph. This does not entail a material change.

First and second paragraph
Holding a financial interest can lead to threats of self-interest, confidentiality or intimidation. Holding shares, for example, entails that the professional accountant has an interest in the results of his audit. This includes the situation in which a possible sustainable impairment may influence the market price of shares. The assumed threat is such that this cannot be controlled with safeguards in certain situations, for example when the engagement partner holds shares himself. That is why this article identifies a few situations where holding such a financial interest is not allowed.

The Code of Ethics states that a financial interest held by a partner from the same location as the professional accountant's creates an unacceptable threat to the independence.
The ViO departs from the premise that the threat does not solely arise due to financial interests held by partners from the same location, but also due to partners from the audit firm or network firm. Normally, there is more cooperation than solely at location level. This includes branches, team compositions across firms and specialisation across firms. These forms of cooperation present a threat if partners who do not work at the same location hold a financial interest.
The engagement partner can use the courses of action, procedures and systems the audit unit applies when complying with this chapter, as stated in the disclosure with respect to Article 5, part b. This does not relieve him of his responsibility to secure the independent performance of the assurance engagement.

Third paragraph
A pension plan includes an enterprise pension fund or a pension scheme under internal management.

Fourth paragraph
Obtaining a financial interest can be part of the terms of employment for governmental auditors. Although the internal accountant does not need to be independent of the responsible entity, and therefore a financial interest does not need to be a problem, the threat may be of such a nature that it is necessary to apply a specific safeguard. This is considered necessary, as the accountant informs his most important user, the audit committee or similar body, or persons charged with governance, about his financial interests. Share options that have been communicated to the audit committee or a similar body on account of the compensation policy are not included in this provision. The ViO equates bodies with duties similar to those of an audit committee, but which operate under a different title, with an audit committee.

Fifth paragraph
The fifth paragraph is included in order to prevent employees of audit units being unable to invest in investment funds. Investment funds often qualify as financial products of a financial institution where the investor participates in the equity of the investment fund. Because of this structure, these funds in the Netherlands also require a mandatory audit. The influence of the investors in the field of investing

is limited in such a way that this justifies an exception to the prohibition for a partner, director or internal officers charged with governance who are not a member of the assurance team. Holding such a financial interest presents an independence threat requiring the application of sufficient safeguards.

An example of a safeguard includes the annual confirmation by the partner, director or internal officer charged with governance of the fact that he has not been in contact with the assurance team with respect to his financial interest in the responsible entity.

Internal regulators are understood to include: the internal members of the supervisory board or a similar body of an audit firm. External members of the supervisory board or a Public Interest Committee are not included in the definition of 'internal officer charged with governance', but are rather regarded as external officers charged with governance.

Article 32
Obtaining a financial interest as a result of a working relation could include share options that are made available to the staff.

Article 33
It could happen that an individual obtains a financial interest that is not permitted due to circumstances that are reasonably outside the control of the person involved, for example because of an inheritance. When necessary, the person obtaining the financial interest disposes of such interest as soon as possible. The circumstances also determine how quickly this can be done. For example, a situation where one would need consent of the family involved for transferring an inheritance when selling obtained shares, or that it is agreed that the shares bequeath property to the other heirs, but the formal settlement is delayed.

Chapter 9 – Business Relationships

Article 34

On 17 June 2016, the term 'audit committee' was changed to 'audit committee or body with similar duties' in the third paragraph. This does not entail a material change.

Collective business interests are relations where there is a collective commercial or financial interest between the persons, entities or bodies referred to in this article. Naturally, the engagement partner is a member of the assurance team.

The definition of collective business interest does not include:
- the assurance engagement and engagements to other services;
- the employment contract, including the agreements concerning secondary terms of employment for the internal and governmental auditor;
- an employment contract similar to an agreement between the internal and governmental auditor and the employer.

The following are a few examples of collective business interests that, if they are material to at least one of the parties, may present a threat of self-interest, advocacy, or intimidation:
- agreements to combine one or more services or products of the audit firm with one or more services or products of the responsible party and market these collectively;
- agreements concerning distribution and marketing, where the audit firm operates as distributor or provider of services of the responsible party and vice versa.

Paragraph 1 of this article identifies a number of situations in which the business interest has such an influence on the person involved, for example because the financial welfare of that person with whom there is a business interest, directly influences the individual's personal welfare, which renders the independent performance of the engagement impossible to safeguard.
An example of a possible safeguard includes the existence of an interest as referred to in the second paragraph that is curtailing the business relation, for example by limiting the level of the transactions.

Additionally, it is possible to reverse the circumstance by removing the team member in question from the assurance team.

Agreements to enter into such relations are treated as if they were existing relations.

In case of engagements for a restricted user group, the engagement partner need not be independent of the responsible entity. The provisions with respect to the business interests with the responsible entity therefore do not apply to an internal or governmental auditor who performs an engagement for a specified group of users (for example for the management of the entity where the governmental auditor is employed). A business relation with an entity does, however, create such a specific circumstance that it is important to inform the supervisory body or a representative on the relevant business relations, regardless of the fact that such a situation does not need to be prohibited. With whom and how this takes place also depends on the agreements made within the organisation. The ViO equates bodies with duties similar to those of an audit committee, but which operate under a different title, with an audit committee. This is considered to present a threat that requires a specific safeguard.

Article 35
Examples of goods and services include: insurance and bank services, office equipment, software, and commercial vehicles. If these transactions take place in an objective and businesslike manner, as between independent parties, they normally do not create a threat to independent performance (for example, the purchase of goods that are offered under normal conditions and are available for all other and similar consumers of the responsible entity under the same conditions).

When the transaction has not come about in an objective and businesslike manner, such a transaction must be considered to be motivated by the potential to influence the relationship with the professional accountant. That is why such a transaction is regarded as not-permitted.

However, the engagement partner carefully considers if even an objective and business transaction between these parties can reach such a size or duration that this leads to a threat to independent performance, because the transaction causes a dependence of mind or in appearance.

With respect to the international regulation, the decision has been made to apply an added safeguard when the responsible entity provides services. This safeguard stipulates that receiving a professional service cannot be a condition to providing the assurance engagement. When such a condition is made, this greatly devalues the professional character of the relationship between the entity and the professional accountant, creating a threat of self-interest.

Article 36
If a loan, guarantee or other form of debenture is provided by a bank or comparable institution, a threat to the independence of the assurance engagement may arise if the audit unit performs an assurance engagement at this bank or comparable institution. As long as the loan, guarantee or other form of debenture comes about under terms that are in accordance with the market or terms pertaining to industrial law that have been documented for the internal or governmental auditor it is possible to apply safeguards to reduce the threat to an acceptable level.

However, the engagement partner carefully considers if even an objective and business transaction between these parties can reach such a size or duration that this leads to a threat to independent performance, because the transaction causes an dependence of mind or in appearance.

Third paragraph
Lending money to the responsible party is not part of the normal business of the people and the entities referred to in this paragraph. Consequently, such a loan, even is this has come about under business conditions, presents a threat against which no safeguards are possible when the loan is material to one of the parties involved.

Fourth paragraph
An example of a safeguard includes having a professional accountant to whom the threat in question does not apply perform an engagement quality review. This could be a professional accountant from a part of the network who has not received the loan or a professional accountant outside the audit unit.

Internal or governmental auditors are permitted to receive loans, guarantees or other forms of debentures from the employer, if these provisions by the employer are included in the employer's employment policy, and the conditions under which this occurs apply to all personnel.

Article 37
If the responsible entity or the audit unit decide to make a relationship public for advertising or marketing purposes, then there is an association between these parties. This association is the result of the fact that this communication will only occur if the purpose is considered important or adds value. As a result of this association, the threat to the independent performance of the assurance engagement becomes too substantial to accept the assurance engagement or to continue unless the relationship is clearly insignificant.
Examples of association include: sponsoring by means of shirt advertising, installing bill boards at events, or appearing in a marketing campaign by the responsible entity.

If the association is insignificant, it is not prohibited. This includes providing shirts to a youth soccer or hockey team, for example. Conversely, shirt advertising for a professional soccer team is regarded as a prohibited association under the terms of the ViO in addition to performing an assurance engagement.

Providing a discount for services without reciprocation is not included in the definition of association. Providing a discount may play a role with respect to a charitable institution, for example. One should not, in any way – other than described in the regulation – communicate to third parties that this kind of support is provided to the charitable institution.

Sponsoring does not entail association, but could also include providing entrance tickets to an event, specific venues and similar gestures. One should avoid allowing the use of these facilities to lead to association. An audit unit may clearly indicate where guests have to check in, but massive billboards focusing on all people present are not allowed. If the audit unit invites assurance clients to an event, this is an expression of hospitality and subject to the provisions of Chapter 6.

Chapter 10 – Working relationships with a responsible entity

This article was amended on 17 June 2016. Articles Article 38, first and second paragraph, and Article 38a are new. For the rest, Article 10 was maintained unamended. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

Specific functions at the responsible entity

As of 17 June 2016, the positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat (in Articles 38, 39, 41, 42, 43 and 44). This is not a material amendment. Such positions already fell under the scope of the original Chapter 10, because persons who hold such positions qualify as 'persons charged with governance' in the meaning of Article 1 of the ViO.

The articles in this chapter, with the exception of Article 40, are based on the premise that certain specific positions at the responsible entity or an affiliated third party may exercise material influence on the results of the assurance engagement, or may give the appearance of such influence. Threats are considered to arise if one of the persons specified in these articles holds such a position under the circumstances described in the articles. This includes the following activities:
- director;
- member of the audit committee or body charged with similar duties, or another function charged with governance;
- position where he material influence on the assurance object can be exercised;
- manager (only Article 43).

Members of the audit committee or body with similar duties qualify as 'persons charged with governance' in the meaning of the ViO. This is already covered by the definition of 'persons charged with governance' in Article 1:

'the person, persons or organisation(s) charged with governance: de person, persons or organization(s) responsible for overseeing the strategic direction of the responsible entity and the obligations related to the accountability of the responsible entity. This responsibility includes overseeing the financial reporting process. In some entities in some jurisdictions, those charged with governance may include management personnel, for example executive members of a governance board in a private or public sector entity or an owner-manager'.

Explicit mention of the position 'member of the audit committee or a body with similar duties' prevents the incorrect assumption of a divergence from the Wta regarding this point. Article 29a of the Wta specifies membership in the audit client's audit committee or a body with similar duties as a 'prohibited' position, inasmuch as the position is held within the cooling-down period. In deviation from Article 29a of the Wta, membership in a supervisory body for the responsible entity is not explicitly specified. This is unnecessary, as the governance duties are already covered by the definition of 'persons charged with governance'.

The ViO equates bodies with duties similar to those of an audit committee, but which operate under a different title, with an audit committee.

Appointments to the membership of an audit committee or a body with similar duties is not intended to hinder an accountant participating in audit committee discussions as part of his duties.

Articles 38 and 38a
General
Threats of confidentiality and intimidation may arise if persons involved in the audit unit enter employment with the responsible entity. This is due to the fact that when a person transfers to a commercial client, he can be influenced by this transfer in his actions and judgements. Moreover, the transition may involve an undesirable degree of confidentiality between the assurance team and an official at the responsible entity who is important to the assurance object. Other factors influencing the threat include the role that the person performs in relation to the assurance team, how long ago he transferred, and whether the person is still involved in the audit unit.

The above applies even if a former colleague within the responsible entity changes positions.

Background Article 38, first and second paragraph, and Article 38a
Article 38, first and second paragraph, and Article 38a are derived from Article 22 bis, second paragraph of the revised Eighth Directive. This last article stipulates that persons who are admitted to a position as 'personal statutory auditor', and who are employed in a specific position at an audit client in which they must first conduct a statutory audit or have conducted such an audit, must be required to observe a cooling-down period. It is not relevant whether the position is at a public interest entity or another statutory audit client. The same cooling-down period of at least one year applies. When applied to the situation in the Netherlands, persons who have been admitted as statutory auditors must determine which accountants involved in a statutory audit are registered as external accountants with the Financial Markets Authority (AFM).

When these provisions were added, the decision was made to maintain the principle of the ViO not to differentiate according to the nature of the assurance engagement. This is because it is difficult to explain to a third party that a cooling-down period should only apply to statutory audits, while assurance engagements are increasingly relevant to the public, such as engagements pertaining to integrated reporting. Moreover, the regulation acknowledges that it is not only accountants registered as an external accountant in the AFM register who can pose a threat. This depends on factors such as the accountant's authorisations, his role in the conduct of a statutory audit, and the number of years of work experience as an accountant. However, limitations have been added in the interests of the assurance engagement in line with the European regulation. In this context, the decision was made to declare the prohibition applicable to:

- assurance engagements for the broader public (and not a publication statement or subsidy statement for a specific group of users, for example);

- key assurance partners;
- any accountant who is registered as an external accountant in the AFM register;
- accountants who have been authorised by their audit unit to act as the signatory accountant for an assurance engagement.

Due to potential labour law consequences, the decision has been made to only require accountants involved in a statutory audit to submit to a cooling-down period, as this is derived from the revised Eighth Directive.

The first paragraph of Article 22 bis of the revised Eighth Directive has been implemented in Article 29a of the Wta *(see under 'Article 38a')*.

Article 38

This article was amended on 17 June 2016.
The first and second paragraphs are new. Explanatory notes on the background of the new first and second paragraphs have been included. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).
For the rest, Article 38 was maintained unamended. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat to independence. This is an editorial amendment.
(See: Specific functions at the responsible entity')

First and second paragraph
An engagement partner may not conduct a statutory audit or an assurance engagement for an unspecified group of users if one or more of the accountants listed below have transferred to the responsible entity within 12 months of their departure from the assurance team, and have begun working there in a specific position. In so doing, they endanger the independent conduct of current or subsequent engagements.

This pertains to the following accountants in the assurance team.
- key assurance partners;
- any accountant who is registered as an external accountant in the AFM register;
- accountants who have been authorised by their audit unit to act as the signatory accountant for an assurance engagement.

This also includes the following functions at the responsible entity:
- director;
- member of the audit committee or body charged with similar duties, or another function charged with governance;
- position where he material influence on the assurance object can be exercised.

The application of the prohibition is based on the terminology as utilised in other parts of the regulations. Key assurance partners must be accountants in the assurance team with clearly delegated responsibilities for discernible, important parts of the assurance engagement, such as group entities. These do not include a manager who, despite supporting the engagement partner, is not considered by the audit unit to be responsible for the conduct of important parts of the assurance engagement.

Third to sixth paragraphs.
The concept 'material relations', as intended in the third paragraph, are explained in greater detail in the fifth paragraph (audit firms) and sixth paragraph (audit departments).
The scope of the prohibition in the third paragraph also includes a situation in which one of the persons mentioned in the fourth paragraph transfers to the responsible entity.

Article 38a

This article was added on 17 June 2016. Explanatory notes on the background of Article 38a have been included. The transitional provisions apply to the amendments of 17 June 2016 (Article 48).

This article applies only to a statutory audit. This article directly subjects certain specific accountants to a cooling-down period before they can enter employment in certain specific positons at the responsible entity or an affiliated third party. If these accountants were to transfer during the cooling-down period, then this would result in a prohibition for the engagement partner (Article 38, first and second paragraph).

This pertains to the same accountants specified in Article 38, first and second paragraphs, but only inasmuch as they have been or are involved in the conduct of a *statutory audit*. Re:
- key assurance partners;
- any accountant who is registered as an external accountant in the AFM register;
- accountants who have been authorised by their audit unit to act as the signatory accountant.

This also includes the same functions at the responsible entity as those described in Article 38. This is the position of:
- director;
- member of the audit committee or body charged with similar duties, or another function charged with governance; or
- position where he material influence on the assurance object can be exercised.

The accountant who has been responsible for conducting a statutory audit as an external accountant falls under the provisions of Article 29a of the Wta. This is a result of the legal structure (the Wta supersedes the ViO). Article 29a of the Wta requires the external accountant transferring to the audit client to observe a cooling-down period. The cooling-down period must be at least one year for an audit client that is not a public interest entity, or two years for an audit client that is a public interest entity. This applies to the same positions as stipulated in Articles 38 and 38a of the ViO.

The relationship to Article 38, first and second paragraphs, entails that Article 38a is applied if an accountant transfers to a third party affiliated with the audit client.

Articles 39 and 40

Article 39 has been amended as of 17 June 2016. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat. This is an editorial amendment. *(See: Specific functions at the responsible entity')*

In the situations described in articles 39 and 40, threats may arise due to confidentiality and intimidation. If an accountant knows or suspects that he will enter employment with the responsible entity during the conduct of an assurance engagement, then a risk of self-interest is also created (Article 40). Generally, these threats are less severe than the situations described in Articles 38 and 38a. Therefore, in the situations of articles 39 and 40 it is possible to guarantee independence by means of a further specified safeguard.

Examples of possible safeguards include:
- adjusting the approach of the assurance engagement and/or the working program;
- making sure that people with sufficient authority are included in the team in order to resist the possible influence of the person working for the responsible party;
- having a professional accountant review the work of the team member who is leaving or who has left.

Article 41

Article 41 has been amended as of 17 June 2016. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat. This is an editorial amendment. *(See: Specific functions at the responsible entity')*

The prohibition in Article 41 supplements Articles 38, 39, and 40. The engagement partner confronted with the transfer of a member of the assurance team to a specific position at a public interest entity (responsible entity), for example, will have to evaluate that situation based on Articles 38 and 41.

If a professional accountant is key assurance partner and enters employment with the responsible entity, he creates a threat to the independent performance of the assurance engagement if he does not comply with the conditions referred to in this article. This also applies to the chief executive officer and comparable officers of the audit firm or network firm. Given the important role a key assurance partner plays within the assurance team, there are no safeguards that can ensure the independent performance of the assurance engagement in such a situation. A cooling-off period of 24 months is in line with the provisions of Article 22b, paragraph 1 of the revised Eighth Directive.

If the transition as referred to in this article is made by a professional accountant, and he does not comply with the stated cooling-off period, this creates a position that threatens the independence as referred to in Article 3, fourth paragraph.
Article 41 applies to all assurance engagements at a public interest entity. Article 41 no longer applies if an assurance engagement for a specified group of users is conducted, and the conditions stipulated in Article 8 (light regime) have been met.

Article 42

Article 42 has been amended as of 17 June 2016. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat. This is an editorial amendment. *(See: Specific functions at the responsible entity')*

Threats due to self-interest, self-review and confidentiality arise when a member of the assurance team who has recently worked for the responsible entity performs activities related to parts of the assurance objects while performing the administrative work when he still worked for the responsible entity. The person in question was allowed to work for the responsible entity during the cooling-off period of two years, however. It is essential that he did not work in the position that creates a threat for a period of two years.

Article 43

Article 43 has been amended as of 17 June 2016. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat. This is an editorial amendment *(see: Specific functions at the responsible entity').*

Articles 38 to 41 describe a situation where a certain individual leaves or has left the audit unit. However, it is also possible that an individual remains involved with the audit unit, but has an additional job at the responsible entity. If this is the case, and the additional job involves one of the positions listed in this Article, then the person concerned presents a threat to the independent performance of the assurance engagement. Given the important role such an individual plays on behalf of the audit unit, there are no safeguards that can ensure the independent performance of the assurance engagement in such a situation. The above also applies to side jobs of persons from the audit unit's network.
Situations in which an individual may act as a cash or other property manager (paragraph 1, part c) include:

- managing an inheritance;
- acting as an executor;
- acting as administrator in a situation of debt counsellor.

Chapter 11 – Close personal relationships

Article 44

Article 44 has been amended as of 17 June 2016. The positon 'member of an audit committee or body with similar duties' is explicitly mentioned in the list of positions at the responsible entity which present a threat. This is an editorial amendment. *(see: Specific functions at the responsible entity')*

Close personal relations between the engagement partner or a member of the assurance team, and someone who holds office on the committee or somewhere else within the responsible entity, could

present a threat of self-interest, confidentiality or intimidation. When identifying circumstances, factors such as the following should be taken into consideration:

- the position of the close personal relation at the responsible entity;
- the role of the member of the assurance team within the assurance team;
- the exact nature of the relation.

An example of a possible safeguard includes separating responsibilities within the assurance team in such a way that the member with the personal relation should not engage in activities that are the responsibility of the personal relation.

Additionally, it is possible to reverse the circumstance by removing the team member in question from the assurance team.

Chapter 12 – Legal proceedings against the responsible party

Article 45

Actual or imminent legal proceedings could, according to international regulation, lead to a threat depending on the circumstances against which safeguards should be applied. In some situations, the threat is of such a nature that the engagement cannot be continued. For the application of this chapter, disciplinary proceedings against the engagement partner or a member of the assurance team are also included in the term 'legal proceedings'.
In the ViO, the first paragraph is based the idea that actual or imminent legal proceedings always present a threat, against which at least one safeguard should be applied.
Additionally, the second paragraph reflects concrete circumstances against which no safeguard is possible. These situations are explained in more detail below.

If the engagement partner, a member of the assurance team or the audit unit is involved in legal proceedings with the responsible entity, the threats due to self-interest and intimidation are such that such a person can no longer be involved in the engagement, also because of the emotions that are coupled with a law suit.

Legal proceedings or potential legal proceedings instituted by or on behalf of the client may relate to an opinion or conclusion provided by the engagement partner of the audit unit. The threat to the independence of the professional accountant or the audit unit who knows that the client will dispute his opinion is such that no safeguard is possible. If the client disputes the expertise and due care or compliance with the other fundamental principles, it may be necessary to terminate the engagement.

Article 15 stipulates that in extraordinary cases it could be in the public interest to continue an assurance engagement, even if this departs from the ViO. Naturally, this also applies to article 45. This may be the case, for example, when the responsible party cannot meet its legal reporting requirement or is not capable of acquiring necessary funding due to the discontinuation of the assurance engagement. It is expected that at that moment an objective, reasonable, and well-informed third party would conclude it is better to continue the engagement than to terminate it.

In these cases, the professional accountant may continue to perform the engagement under strict conditions. In case of a statutory audit, a statement should be made to and coordinated with the AFM. In other cases, this is the NBA. The professional accountant is expected to perform the engagement independently.

An example of a possible safeguard in the event of a threat as referred to in the first paragraph 1 includes having a professional accountant who is not involved in the legal proceedings perform an engagement quality review.

Chapter 13 – Performance-based review and compensation

A performance-based fee the audit unit or network firm receives is not included in this chapter. These are included in chapter 5.

Article 46

First paragraph
If the review or the compensation of a member of the assurance team is based on a commercial performance at the responsible party, there is a self-interest risk.
Selling non-assurance services to the responsible party is at least regarded a commercial effort. Internal agreements concerning budget realisation and margin realisation are also included in the term commercial performance. Compensation based on commercial performances as referred to in this article is not included in the profit sharing agreements between partners and general profit sharing agreements for employees.

A review or compensation is negligible when this amount does not have an effect on the behaviour of the member of the assurance team. This way, the NBA executes the action plan which indicates that providing compensation and review should be characterised by the quality of the activities performed.

Second paragraph
An engagement partner could receive a performance-based review or compensation from the audit unit or employer for his work. If this is related to the outcome of his opinion regarding an assurance engagement, this creates such a self-interest threat that this performance-based review or compensation is prohibited. For this purpose, bonuses are also regarded as performance-based compensation.

Chapter 14 – Repeal of Regulations

Article 47

With the coming into force of this regulation, the *Nadere voorschriften onafhankelijkheid voor intern, openbaar en overheidsaccountants* will be repealed.

Chapter 15 – Transitional and final provisions

Article 48

Article 48 was amended on 17 June 2016. It now regulates the transitional provisions prior to the amendment of the ViO. The transitional provisions required when the ViO went into effect on 1 January 2014 were moved from the former Article 48 to the new Article 48a, inasmuch as they could be maintained unamended.

Article 48 regulates the transitional law needed due to the application of the Amended ViO 2016. If no transitional law is applicable, then the amendments effective 17 June 2016 would have applied to all current assurance engagements. This could result in practical, unforeseen problems in the conduct of the engagement.

With regard to statutory audits, the transitional provisions are superseded by the transitional provisions resulting from the European regulation. This means that all amendments pertaining to statutory audits apply as of the start of the first reporting period beginning on or after the Amended ViO 2016 went into effect. For all other assurance engagements, the same transitional period should be applied based on the principle expressed in the ViO not to differentiate according to the nature of the assurance engagement. A longer period is permitted only in instances where this transitional period would result in disproportional difficulties.

First paragraph
This provision is related to the principle that all amendments go into effect starting from the first reporting period that begins on or after the Amended ViO 2016 went into effect on 17 June 2016.

Second and third paragraph
This provision offers a transitional provision for current cooling-down periods, in order to prevent a current cooling-down period from being extended by another year on 17 June 2016.

This entails the following for a statutory audit. Cooling-down periods that began before 17 June 2017 are subject to a term of two years, regardless of whether a statutory audit is conducted during the cooling-down period but after 17 June 2017 which pertains to a reporting period that begins on or after 17 June 2017 (second paragraph, part a). The three-year cooling down period only applies to cooling-down periods that begin on or after 17 June 2016, even if the statutory audit pertains to a reporting period that started prior to 17 June 2016.

For assurance engagements other than statutory audits, the longer cooling-down period of three years applies only if the cooling-down period began on or after 16 December 2017 (second paragraph, part b).

Fourth paragraph
This transitional provision only has consequences for the new prohibition stipulated in Article 38, first and second paragraph. For the rest, Article 38 was subject only to technical or editorial amendments. The prohibition in Article 38, first two paragraphs, applies to a statutory audit pertaining to a reporting period that started prior to 17 December 2016. Until then, only the prohibition on material relationships is applicable.

For assurance engagements other than a statutory audit, the prohibition in the first two paragraphs applies to a reporting period that started on or after 16 December 2017. Until then, only the prohibition on material relationships is applicable.

Article 48a

Article 48a was added on 17 June 2016. The content is derived from Article 48 of the ViO as formulated until 17 June 2016. Article 48a regulates the transitional provisions needed due to the application of the ViO on 1 January 2014. Inasmuch as the transitional provisions could be maintained unamended, and the relevant circumstances can occur in practice, the provisions have been maintained and included in Article 48a.

The transitional provision in Article 48a pertains to certain specific threats arising from agreements made prior to 17 December 2013.

The new regulation not only applies to events that occur after it went into effect, but also existing circumstances, such as existing assurance engagements (effective immediately). As the immediate application of the ViO to current assurance engagements may present an unreasonable burden, transitional provisions have been included for parts of these engagements.

This involves certain relationships that are subject to stricter regulations in the ViO, or which are new compared to the *Nadere voorschriften onafhankelijkheid voor intern, openbaar en overheids-accountants* (NVO) which went into effect along with this regulation. Although the NVO was revoked when the ViO went into effect, the circumstances and conditions stipulated in Article 48a nonetheless continue to remain in effect. The amendment to the ViO of 17 June 2016 does not change this.

When this provision went into effect, the decision was made to have the transitional law apply solely if a specific threat has arisen due to agreements made before 17 December 2013. This is the day after the general meeting at which the ViO was approved. The justification lies in the fact that from the moment that the regulation was approved, the members should have been aware of the circumstances under which an assurance engagement may no longer be conducted, or only with the application of certain safeguards, after the ViO went into effect.

First, second and third paragraph
Articles 28, second paragraph, and 29 of the ViO do not apply to assurance engagements which began before 17 December 2013. These assurance engagements may be completed, even if the ViO states that the long-term involvement presents a threat.

The provisions in the NVO relevant in this context will remain applicable to these assurance engagements. If the NVO does not specifically deal with the circumstance described in Articles 28, second paragraph, or 29, then the engagement partner must evaluate whether there is a threat based on the conceptual framework provided in the NVO, and decide which action to take.

Fourth and fifth paragraph
The fourth paragraph stipulates how the transitional provisions are applied after the extension of an engagement without notice. For example, if an audit of annual accounts is extended without notice, then the transitional provisions apply to the annual account audit for 2013. In this case, the engagement may be completed, regardless of when the completion occurs.

The same applies to the fifth paragraph, with the understanding that the audits of the annual accounts for 2013 and 2014 fall under the transitional provisions. This relaxed transitional provision was chosen because Article 29 stipulates a required rotation, while Article 28 mentions other possible safeguards.

Sixth paragraph
This transitional provision pertains to an employment relationship or statutory proceedings completed before 17 December 2013. The provisions in the NVO relevant in this context will remain applicable until the employment relationship or statutory proceedings have been terminated. During the transitional period, it is possible to accept new assurance engagements, even if the requirements pertaining to such circumstances stipulated in the ViO are not met, insofar as the independence regulations applicable prior to 17 December 2013 allow.

Article 49
Article 49 provides the possibility that the detailed regulations include more detailed independence rules (Article 19, third paragraph, Wab). The board will inquire the general meeting regarding any draft detailed regulations. Any detailed regulations require the approval of the Ministry of Finance, inasmuch as they relate to the conduct of statutory audits (Article 34, first paragraph, part b, Wab).

Article 50
This regulation could also be referred to with the abbreviation ViO (Article 50).

Article 51
The date of 1 January 2014 refers to the date that the ViO went into effect. This article was amended on 17 June 2016. The changes are *not* retroactive. Like the revised European regulations, the amendments to the regulation apply to reporting periods beginning on or after 17 June 2016. Accountants are encouraged to refer to the transitional provisions in Articles 48 and 48a.

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