First experiences with licensing process in the Netherlands

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Background of licensing

- Access to the Dutch statutory audit market requires a license for the audit firm

- Main aspects
  - Management and other day-to-day policy makers
    - Integrity test
  - Internal quality control system

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Background of licensing

– Internal quality control system: main topics

- 'Tone at the top': conduct and communication
- Client/engagement acceptance and continuation: consider the integrity of the client and the firm's own competence to perform
- Independence: sufficient safeguards and compliance
- Engagement quality control review: objective evaluation before the auditor's report is issued
- High quality audits: story of the audit
- Documentation: audit files

Background of licensing

- PIE license : audit of listed companies, credit institutions, insurance companies and all other statutory audits

- non-PIE license (other statutory audits)

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Approval process (1/2)

- Self-assessment
- Integrity test
- On-site inspection
  - Focus on quality control system
    - Design
    - Operational effectiveness tested by review of various audit files and branches
    - Compliance function
  - Audit files

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Approval process (2/-)

- 18 applications for PIE license
- Approx. 675 applications for non-PIE license
- Electronic application procedure
- PIE licensing by October 1, 2007
- Non-PIE licensing by October 1, 2008

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First outcomes

Firms have put substantial effort into improving quality control systems

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First outcomes

In general, level of compliance related to size of audit practice of a firm; firms with a substantive audit practice comply significantly better

- Reasons?

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Reasons?

- (Economic) interest
- Effort
- Culture
- Skills
- Specialization
- Attitude: professional scepticism