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Attention: The Board of Management  
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DATE 1 november 2017  
REFERENCE 001-2017/SdW  
HANDLED BY K.L. van Dorp RA  
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SUBJECT Integrated Reflection

Dear Members of the Board,

In response to your report on the progress of the improvement measures at acconavm controlepraktijk, it is with great pleasure that the Board of management and the Supervisory Board offer you a reflection on your findings.

We find your critical view of our organisation constructive and your findings inspire us to further action. You will find some remarks about this in our reflection. In the months ahead, the further implementation, guaranteeing and evaluation will form a joint challenge to all echelons of our organisation. Everyone will have their own responsibility and focus, but everyone also with the goal that we share without our fellow professionals and stakeholders and with you as the regulator.

Yours sincerely  
Signed on 22 June 2017

M.M. Nelisse,  
Chairman of the Supervisory Board  
acconavm Controlepraktijk B.V.

K.L. van Dorp RA,  
Chairman of the Board of Management  
acconavm Controlepraktijk B.V.

Appendix:  
Board of Management and Supervisory Board acconavm controlepraktijk: Integrated Reflection

## **Board of Management and Supervisory Board accon avm audit practice: Integrated Reflection**

22 June 2017

### **Reader Guide**

This reflection has been compiled from the separate reactions of the Boards of Management and Supervision to your investigation. Where either one was specifically addressed in your report, the reaction is also individual.

### **Introduction**

Accon avm audit practice applied the improvement measures from 'In het Publiek Belang' [In the Public Interest] as part of the basis for restructuring its quality system. The outcomes of the AFM's 2015 spring review prompted the Supervisory Board and the management to accelerate the implementation of the desired fundamental quality changes.

During 2015 and the start of 2016, employees of accon avm audit practice had intensive discussions about the essence of the profession, the organisation's core values and our objectives. This has all been summarised in a vision document, the *Orange Book*, which also sketches the contours of the transition approach required for realising our goals. It was published in the spring of 2016. The integral contribution of everyone to this project also contributes to the robust foundation of the (quality) transition project. In our opinion, there is a real culture for transition at accon avm audit practice. An attitude that contributes to both the implementation and guaranteeing of the transition project and also to improving the quality of our service delivery - including the statutory audits. The question now is whether this culture for transition is primarily expressed in words (the *Orange Book*) or whether it has indeed been implemented and guaranteed and is expressed in the quality of our services.

### **Comments from the Supervisory Board**

The quality vision of the Board addresses your conclusion that the Supervisory Board is focused more than desirable on management rather than supervision. The access that the Supervisory Board has to data about the implementation projects offers a positive incentive that in no way impedes on the critical, supervisory role of the Board. We believe that this addresses your concern that the Supervisory Board and management rarely discuss policy and policy options in respect of managing on the basis of quality. Precisely this level is key to good, timely and future-proof transition.

The comments from the Supervisory Board in the context of this reflection do not deny

that the Board fully agrees with the process as you do this to improve the quality and social relevance of the accounting profession.

### **Activities of the Supervisory Board in respect of your report**

The Board recently convened a meeting to discuss its own functioning in the light of your findings. This meeting raised several points for improvement, partly based on your observations. They will be actively pursued, including visibility towards the organisation and formally addressing management on their tone and exemplary behaviour. The Board will also fine-tune its quality vision, specifically focused on its supervisory role, and then convey this within the organisation.

With the aid of monthly quality reports from the compliance officer to, among others, the Supervisory Board, the supervisory body has developed structural insight into developments and it can now add new dimensions to its role as supervisor and inspiration.

Last May, Ms Riet Nelisse was appointed chair of the Supervisory Board. She has wide experience in supervisory positions and transition processes at financial institutions, including Rabobank. Mr Vincent Wanders joined in January 2016. Ms Nelisse is a lawyer and register controller and Mr Wanders is a chartered accountant. Until their appointment, neither of them had any links with the network organisation or the audit practice. Their appointment has brought fresh blood to the organisation.

### **Reflection on Management and Conduct & Culture**

*"Is there consistency in the implementation and guaranteeing of the transition project and the quality of statutory audits at your organisation?", you want to know.*

We recognise consistency in the implementation and guaranteeing of the transition project and the quality of (statutory) audit engagements. We believe that neither is possible without the other, and that again underlines the importance of the implementation and guaranteeing of the transition project. In our opinion, this project is not limited to only (statutory) audit engagements. For us, it is about the entire range of engagements: from review engagements to (statutory) audit engagements to other engagements.

We believe that the quality awareness of the status of today is certainly present, also in view of the changes set motion. That said, the management's direction and the available management information is still insufficiently focused on the somewhat 'softer' elements in the context of influencing quality factors in conduct and culture. This is clearly reflected in your report concerning Dashboard 2016.

Although your conclusions may suggest otherwise, the management certainly does not lack awareness of quality. The quality item is at the top of the agenda. The reason why it was insufficiently present during your investigation, in our view, has something to do with the short period between the publication of the Orange Book (the quality system in setup) and your assessment. Now, nine months after the AFM investigation, we are confident to say that the transition project has resulted in a first qualitative improvement drive in the implementation of our engagements. This also implies a transition in culture in the full width and depth of our organisation, culture and overall operating processes. We derive this opinion from the outcomes of the quality reviews, the nature, scope and results of the consultations, the external coaching and the regular discussions with our colleagues, all within the framework of our core values. Partly because of your review, we have become more aware that all of this is but a first step in our transition process and that many quality improvements are still required, particularly in influencing behaviour and culture.

*What do the outcomes of the review tell you (cause and effect)?*

The outcomes of the 'Dashboard 2016' are clear. Many of our measures will focus on the quality aspects in conduct and culture. We take on board the recommendations it contains. In translating these recommendations, we refer to the basic principles in the Orange Book; 'quality in Mind, Heart and Hands'. We know what we want to achieve. One of those involved described it as follows: The 'Mind' is clear and is described in the Orange Book. The 'Hands' are working strongly. However, the connection with the 'Heart' still misses too much. As accon avm audit practice, we are still not 'living' the quality sufficiently. The love for the profession is not yet visible enough. The 'Heart' will need a lot of our attention in the period ahead. The quality awareness is present in the basis, but needs to be further enhanced to make the day-to-day quality thinking and the day-to-day quality action a common good.

You have set a clear deadline for realising improvement measures and we are convinced that we will make the deadline. The process of transition, adaption and improvement is not a question of months, but demands an ongoing effort. So is management on the basis of quality also a dynamic process. The quality of today is different from the quality of tomorrow.

*Which dilemmas do we see in implementing and guaranteeing the transition project and (improving) the quality of the statutory audits?*

In our process of transition, we do not see any insurmountable dilemmas and we are confident that we will achieve the quality drive on time and properly. That does not

mean that there aren't any dilemmas at all. The influencing of behaviour and culture set in motion could possibly not have the desired outcome with a number of employees. Needless to say, we are deploying the whole range of instruments in the field of training, coaching, and support from an external behavioural expert to take everyone along in this transition project. We are also taking proactive measures in the field of recruitment and retention of quality to strengthen our workforce. These include both horizontal inflow and build-up and growth from the bottom up. The first measures in this respect have already been set in motion. Moreover, we are happy to have welcomed a new accountant from outside on 1 June to reinforce our organisation. Quality is also a key principle where it concerns outflow. In our letter of some weeks ago, we informed you about our recent steps in this respect. In the future, too, we will not back away from painful measures towards employees who fail to meet the required quality level.

From the basis 'Mind, Heart and Hands', we have recently compiled a vision document - entitled 'From A to B' - in support of guaranteeing and realising our quality objectives. Some quotes from it: "Our aim is to enhance the high-quality and professional audit practice and to comply at all levels with demands of internal and external supervisors and regulators and other stakeholders. A key prerequisite here is improving the conduct and culture of our professionals, optimising our processes and the corresponding resources, such as audit and review methodology, audit software and other supporting *tooling*. By far the most important priority for us as management, in particular, is improving our quality through influencing behaviour and culture among our people". *What actions have you already initiated in response to your reflection on the outcomes of the investigation?*

Compiling the vision document 'From A to B' is the main (re)action to the outcomes of the AFM Dashboard 2016 review. This vision and the measures it contains have now been discussed with the Supervisory Board and the full workforce. The implementation for the engagements for the 2017 financial year and for the processes and business culture within our organisation as a whole has also been started. We are confident that this will result in a substantial increase in quality awareness, quality thinking and quality actions. Some measures elaborated in the vision document include:

#### *Audit Quality Indicators*

Key aspects for realising our goals are (influencing) behaviour and culture and the management information required to do so. To this end, we have recently identified a number of Audit Quality Indicators. These will replace an important part of the current

KPIs with effect from 1 September 2017. We drew on external studies, among other things, for defining the AQIs. These quality indicators will enable us to manage on quality in both thinking and doing. We have identified ten of the twenty Audit Quality Indicators as Key Quality Indicators (KAQI's) for 2017/2018. These consist of both hard and soft (measurable) quality indicators. A standard/goal has been defined for each KAQI. The periodic results are analysed on mutual coherence and included in the bi-monthly report by Risk, Reputation & Compliance. The findings from that are then discussed by us as management, monitored and, where necessary, converted into measures aimed at achieving our quality objectives. We apply the PDCA cycle to this.

#### *Quality sessions*

We expect an active contribution from each and everyone to continually improve. We are receptive to improvements by and for supervisors and from one another. The required annual engagement evaluations (minimum of four per professional per year) are therefore already a valuable means, as are the regular Horizon gettogethers. However, this is not enough in the context of our transition project. Starting in September 2017, we will organise quarterly quality sessions for each cluster. Small-scale, in the vicinity of the offices, which will guarantee participation. Each meeting is the same for each cluster as far as setup and content are concerned. Prior to each, a brief survey will be conducted on vision and experience of quality. The outcomes of these surveys result per quarter in one of the main KAQIs and will lead, together with other findings from the analysis of the KAQIs, to the agenda for the next session. These sessions will be facilitated by an external behavioural expert assisted by the compliance officer or one of the management team members. The members of the Supervisory Board have a *standing invitation* to these meetings. The goal of these meetings is to learn to live from quality and to realise our quality objectives together.

#### *Cause analysis*

In a quality-aware culture, we manage based on the desirable conduct or behaviour. Cause analyses focus on engagements that have gone well and not so well, with the behaviour that contributed to it being analysed. The Causes Committee has been under the leadership of the compliance officer since 2017. The Causes Committee will be strengthened by a behavioural expert. Cause analyses are frequent and are therefore carried out close to the practice. The aim is to learn from causality and to establish the desired conduct and the desired culture to achieve optimum performance of the engagement. The outcomes of this analysis are discussed and analysed within management and translated into concrete measures. These measures are shared with all the employees to give shape to the learning organisation.

### **Supervisory Board's reflection on coherence between the transition project and the quality of the statutory audits**

It is evident in the Supervisory Board's view that transition can and must lead to a better audit quality. The Board believes that the basic setup is in good order in the structure of the organisation and (urgency) feeling among the employees. That said, the quality concept can be elaborated in further detail.

Quality is the outcome of a large number of factors of which some can be influenced by the accounting organisation. It does not have any influence on the basic accounting training, but certainly on ongoing training and education, professional knowledge and the application of the rules. Other amendable aspects are professional support, the design of the audit process, including quality assessments and, for example, IT support, budget/time to execute the planned activities and the (prevention of) commercial pressure. The same applies to expertise and the further development of a professional-critical attitude. The quality project in the audit practice focuses on these amendable aspects, in which the coherence between the diverse aspects or quality are clearly understood. We believe that the proper and efficient design of the audit process produces the most important quality advance. That is why we support this view. We also believe that, as accon avm, we attract talented members of staff by also offering an interesting and challenging client portfolio. Our so-called commercial focus is aimed at this, not at a commercial focus in the financial sense.

The transition to sustainable and better quality takes time. We, the Supervisory Board, like you, have judged the Orange Book as a sufficiently solid foundation for the setup of the improvement measures. We are closely monitoring the implementation of all this, which is more difficult than the drawing-up. Although awareness of quality and acting on the basis of the Orange Book are on the increase, we expect at least one audit cycle to pass before the implementation will have structurally reached the level we are aiming for - within the deadline. We are never the less looking into whether some acceleration is possible so we demonstrate to society the benefits of this increased quality awareness in good time.