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Stellungnahme zu IFAC Code of Ethics, Proposed Revised Section 290 of the Code of Ethics for Professional Accountants, Independence - Audit and Review Engagements - Exposure Draft May 2008

Die Wirtschaftsprüferkammer hat mit Schreiben vom 31. August 2008 gegenüber dem International Ethics Standards Board for Accountants der IFAC zu dem Exposure Draft Section 290 des IFAC Code of Ethics, May 2008, wie nachfolgend wiedergegeben Stellung genommen:

Thank you very much for the opportunity to comment on the above Exposure Draft.

As requested in the Explanatory Memorandum, we will basically refrain from providing general comments regarding the Exposure Draft. Instead we will merely give our opinions on the questions posted on page 7 and 8 of the Explanatory Memorandum:

Question 1: Respondents are asked for their views on whether the proposed restriction on providing internal audit services to public interest clients is appropriate.

We are not of the opinion that the proposed restriction on providing internal audit services to public interest clients is appropriate, as we do not see the reasons, why the International Ethics Standards Board for Accountants (herein after called The Board) attaches such a much greater importance to the provision of internal audit services compared to other services provided by an auditor of financial statements.

Regarding all other services that might be provided by an auditor of financial statements to his or her audit client, the Board applies an approach of materiality, with the result that those services are not completely forbidden, as long as they are immaterial to the financial statements on which the firm will express an opinion. According to the revised Code of Ethics, in emergency situations even the provision of accounting and bookkeeping services, including payroll services, or

the preparation of financial statements are basically allowed for audit clients that are public interest entities.

For us it not understandable, why the Board considers the provision of internal *audit* services, to be more compromising then the creation of the data that will be subject to the subsequent audit.

Therefore we would like to ask the Board to reconsider their decision to restrict internal audit services to public interest audit clients and to retain the materiality-approach.

Question 2: Respondents are asked for their views as to whether there should (be) an exception for immaterial internal audit services provided to an audit client that is a public interest entity.

We are of the opinion that no internal audit services that are immaterial to the financial statements, on which the firm will express an opinion, should be prohibited, as this prohibition does not provide any strengthening of the statutory auditor's independence. This is especially the case, when an audit firm or one of its network firms provides internal audit services for an affiliate that is immaterial to the group financial statements, on which the firm will express an opinion. In this case the affiliate may not even be included in regular audit procedures. Therefore at least this case should be excluded from the prohibition.

Question 3: Respondents are asked for their views on the appropriateness of the required frequency of the application of the safeguard and the requirement to determine whether a pre-issuance review is required in those instances when the total fees significantly exceed 15 %.

First of all we would like to take the possibility to repeat our concerns about the fixed 15% "bright-line", as we outlined them already in our comment letter of October 9, 2007 relating to the Exposure Draft of July 2007. We do not find it appropriate, to stipulate a definitive threshold in respect of audit clients that are entities of public interest. Instead we believe a degree of flexibility is needed because stringent inflexible requirements relating to reviews may further hinder smaller firms from becoming auditors of entities of public interest in some jurisdictions.

As the Board seems to have already made its final decision relating to the "bright-line", we would like to point out that the frequency of the application of the safeguard of every three years, as it was outlined in the Exposure Draft of July 2007, in our view was fully sufficient. We are very concerned that the recent proposal to apply the safeguard every year will discriminate smaller audit firms and founders of new audit firms, as they might not be able to afford the review by a professional outside their firms. Therefore the further tightening of the proposed safeguards

might be regarded as counterproductive regarding a possible diversification of the audit market, especially regarding public interest entities, as it is requested by some jurisdictions.

Therefore we would like to ask the Board to return to its opinion of the July 2007 Exposure Draft, which included a frequency of three years for the application of the safeguards in question.

Regarding the question whether the safeguard should be a pre-issuance-review in cases where the total fees from the public interest client exceed 15% significantly, we support the Board's approach that the audit firm should determine in these cases, whether a post-issuance-review might be still sufficient.

Request for Comments on Other Matters

Special Considerations on Application in Audit of Small Entities

We are not of the opinion that the present exposure draft deals appropriately with the considerations regarding the audit of small entities, as small entities might depend on internal audit services provided by their statutory auditor, as those entities very often do not have their own internal audit department. Besides, small entities tend to engage smaller audit firms so that our comments relating to small audit firms above are also applicable for the audit of small entities.

Developing Nations

We refrain from commenting on issues relevant to developing nations because these issues are not relevant to us.

Translations

We are not aware of any translation issues at this time, but we would like to point out that such issues may arise during the translation process, which will commence once Section 290 and Section 291 have been finally issued.