



WIRTSCHAFTSPRÜFERKAMMER

Körperschaft des
öffentlichen Rechts

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11. Oktober 2007

Stellungnahme zu IFAC Code of Ethics, Proposed Revised Section 290 of the Code of Ethics for Professional Accountants, Independence - Audit and Review Engagements, and Proposed Section 291, Independence - Other Assurance Engagements - Exposure Draft July 2007

Die Wirtschaftsprüferkammer hat mit Schreiben vom 9. Oktober 2007 gegenüber dem International Ethics Standards Board for Accountants der IFAC zu dem Exposure Draft Section 290 und 291 des IFAC Code of Ethics wie nachfolgend wiedergegeben Stellung genommen:

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

First we would like to give some general comments regarding the Exposure Draft and its approach as a whole. Subsequently we will refer to individual paragraphs of the Code of Ethics (herein after called The Code) and give our proposals on them. Our answers regarding the questions posed in the Explanatory Memorandum are summarized in a third paragraph.

1. General Comments

As stated in our comment letter of April 27, 2007, regarding the Exposure Draft of Section 290 and 291 of December 2006, we continue to be concerned at the increasing tendency for the Code to become rules rather than principles based. We continue to support a principles-based approach. We therefore support wordings like drafting paragraph 290.213 using terminology such as “large proportion of the total fees of the firm”, as it implements the principles-based approach.

2. Individual comments

2.1 Internal Audit Services

Regarding internal audit services, Paragraph 290.188 states that firm personnel will become part of the client's internal controls. However, it has to be noted that it is not the individuals themselves, but the service provided by firm personnel that may become part of the client's internal controls. We therefore recommend a clarification.

2.2 Fees – Relative Size

We do not agree that it is appropriate to stipulate a definitive threshold in paragraph 290.215 in respect of audit clients that are entities of significant public interest. Instead we believe a degree of flexibility is needed because stringent inflexible requirement relating to reviews may further hinder smaller firms from becoming auditors of entities of significant public interest in some jurisdictions. Therefore we suggest an alternative to the proposals. Should the IESBA continue to believe that a definitive threshold is needed, we suggest that this issue be dealt with by means of a presumption so that the firm would have to demonstrate that the self-interest threat is not of such significance as to warrant these safeguards.

Regarding the two proposed alternative safeguards, we support as a third alternative an inspection by an independent quality assurance system under the responsibility of a public oversight system of an audit firm auditing public interest entities every three years, as this is for instance stipulated in Articles 29, 32 and 43 of the Statutory Audit Directive.

As paragraph 290.215 refers to *an audit client*, we suggest IESBA furthermore to clarify whether voluntary engagements (e.g., interim reporting or engagements to review financial statements) are intended to be covered as well.

2.3 Fees - Overdue

Paragraph 290.216 states that a self-interest threat may be created by overdue fees. We suggest IESBA to further explain the nature of the self review threat. Furthermore we are not sure, whether the last sentence of this paragraph refers to the *significance of the overdue fees* from the perspective of the client or from the audit firm. In cases when such a fee is significant to the client but not to the audit firm, we are of the opinion that this might strengthen the position of the audit firm and reduce the significance of any self-interest threat. Therefore we recommend a clarification.

2.4 Contingent Fees

Article 290.219 (b) states that no safeguards can reduce the threats to an acceptable level if the amount of the fee is dependent upon the outcome of a future or contemporary judgment related to the audit of a material amount in the financial statements. Article 291.153 on the other hand refers to the amount depending on the result of the assurance engagement and does not apply the materiality concept. Therefore Article 291.153 referring to other assurance engagements seems to be stricter than the corresponding principles applicable for audit and review engagements. We therefore recommend aligning the two paragraphs.

3. Request for Specific Comments

The proposals state that in the case of audit clients that are entities of significant public interest if the total fees from that client exceed a specified percentage of the total fees of the firm one of two alternative safeguards should be applied. Is it appropriate to establish such a threshold, and if so is 15% the appropriate threshold?

No. Please refer to item 2.2 for details.

When such a threshold is exceeded:

- *Is it appropriate to require disclosure to those charged with governance?*

No. Please refer to item 2.2 for details.

- *Are the alternative mandatory safeguards of a pre-issuance or a post issuance review appropriate and practical?*

No. Please refer to item 2.2 for details.

- *If not are there any other alternative safeguards that would adequately address the threat to independence?*

Yes. Please refer to item 2.2 for details.

Special Considerations on Application in Audit of Small Entities

We are concerned that the definitive threshold in paragraph 290.215 in respect of audit clients that are entities of significant public interest may further hinder smaller firms from becoming auditors of entities of significant public interest. Please refer to item 2.2 for details.

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 issued.