

IFIAR 2020 Member Profile – AOB

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Germany
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: <ul style="list-style-type: none"> • Abschlussprueferaufsichtsstelle (APAS) • Auditor Oversight Body (AOB) <p>(Full legal titles:</p> <ul style="list-style-type: none"> • Abschlussprueferaufsichtsstelle beim Bundesamt fuer Wirtschaft und Ausfuhrkontrolle • Auditor Oversight Body at the Federal Office for Economic Affairs and Export Control)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <p>Uhlandstr. 88 – 90 10717 Berlin Germany Tel.: +49 (0) 6196 – 908 3000 Email: Infoapas@apasbafa.bund.de Website: www.apasbafa.bund.de</p>
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: <p>The AOB was established as a result of the EU Audit Reform. Its basis are both the Regulation (EU) No. 537/2014 of 16 April 2014 as well as the EU Directive 2014/56/EU of 16. April 2014, amending the original Audit Directive (2006/43/EC of 17 May 2006), transposed into German national law by the <i>Abschlussprueferaufsichtsreformgesetz</i> (APAReG; Auditor</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>Oversight Reform Act) published in the federal gazette on 5 April 2016 and which amended the <i>Wirtschaftsprueferordnung</i> (WPO; Public Accountants Act).</p> <p>The AOB is the competent authority as per Article 32 of the EU Directive 2006/43/EC and Art. 20 (1) (c) of the EU Regulation No. 537/2014. The missions and responsibilities of the AOB are set out in § 66a of the amended WPO. They include:</p> <ul style="list-style-type: none"> ▪ inspections of PIE audit firms and PIE audits ▪ enforcement (investigations and sanctions) in relation to PIE audits ▪ supervision of the Chamber of Public Accountants (<i>Wirtschaftsprueferkammer, abbr. WPK</i>) and ultimate responsibility and decision-making power especially in relation to the following activities of the WPK: <ul style="list-style-type: none"> ○ licensing of public accountants and sworn accountants (<i>“Wirtschaftspruefer”</i> and <i>“vereidigte Buchpruefer”</i>) ○ licensing of audit firms ○ revocation of licenses ○ registration of public accountants and audit firms ○ disciplinary oversight ○ external quality assurance ▪ mandatory statement on any amendments to professional rules (ethics, quality control) issued by the WPK for approval by the Federal Ministry of Economics ▪ market monitoring in accordance with Article 27 of the Regulation (EU) No. 537/2014 <p>The AOB is the competent authority for the organisation and performance of inspections of auditors/audit firms who audit public interest entities.</p> <p>The AOB cooperates in case of cross-border oversight proceedings concerning statutory auditors with the relevant authorities abroad.</p> <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio</p>

<p>3. Governing Body Composition and members</p>	<p>between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The AOB is led by its Chief Executive Director (Mr. Ralf Bose) supported by two Executive Directors (Mr. Martin Kocks, Directorate Inspections and Quality Assurance, and Mr. Naif-Raffael Kanwan, Directorate Enforcement and Policy Matters.</p> <p>Each Directorate has four Divisions.</p> <p>In terms of decision making, the following structure is in place:</p> <p>Decisions in oversight matters are taken by so-called “Panels” or “Ruling Chambers”. Each Panel consists of 5 knowledgeable members of staff of the AOB and is chaired by one member of the leadership structure (i.e. either the Chief Executive Director or an Executive Director); the remaining four members of the panel cannot belong to the leadership structure. At least two members of a panel must have a legal background and must be qualified to hold the office of judge. Decisions will be taken by simple majority.</p> <p>In addition, the AOB is supported by a Consulting Committee that shall offer advice and counsel the AOB in relation to the accomplishment of its tasks. The AOB may consult the Consulting Committee in individual oversight cases (discretionary), but the Consulting Committee is not involved in decision-making processes. The Consulting Committee may, however, make general recommendations for enhancements in the oversight practice. The committee will consist of 3-5 knowledgeable members appointed by the Federal Ministry for Economics for four-year term. They must be independent from the profession in accordance with the EU-Regulation (Article 2 § 3 (3) of the APAReG refers to Article 21 sub-paragraph 3 and Article 26 (5) sub-paragraph 2 sentence 4 of the Regulation (EU) No. 537/2014).</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The position of Chief Executive Director as well as any other leadership position (including the Executive Directors and Heads of Divisions) was publicly tendered. Members of the governing body must be</p>
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² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>knowledgeable in areas relevant for statutory audits, i.e. accounting, auditing, tax or law etc.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="text-align: center;">N/A</p> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: center;">N/A</p> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p><u>All</u> members of the governing body, i.e. the Director-General, the Directors and Heads of Divisions as well as the members of decision-making panels must be independent from the audit profession; Article 2 § 2 (3) and (4) of the APAReG refers to the relevant independence provision in Article 21 sub-paragraph 3 of the Regulation (EU) No. 537/2014.</p> <p>The applicable cooling-off period is three years in accordance with Article 21 sub-paragraph 3 of the Regulation (EU) No. 537/2014.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

	<p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p style="text-align: center;">N/A</p>
4. Funding Arrangements	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The AOB is funded mainly by fees (~70%, e.g. charged for inspections) and in addition from the Federal Budget (~30%). The AOB's budget is part of the budget of the Federal Agency for Economic Affairs and Export Control and therefore ultimately part of the Federal Budget approved by the German parliament.</p>
	<p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The profession has no role in determining the fee level or the budget. The fees are set out in the Schedule of Fees ("<i>Gebuehrenordnung</i>") adopted by the Federal Ministry for Economic Affairs and Energy.</p>
5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p style="text-align: center;">N/A</p>
	<p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The frequency of inspections is in accordance with Article 26 (2) subparagraph 2 (a) and (b) of the Regulation (EU) No. 537/2014. According to the AOB's Rules of Procedure ("<i>Verfahrensordnung</i>"), the cycle will be</p>

	<p>determined by the number of audit engagements. Audit firms who perform a certain number of audits (currently more than 25 PIE) will be subject to annual inspections. Those audit firms with fewer audit engagements are subject to inspections every three years or six years. However, inspections can take place on an ad-hoc basis if deemed necessary.</p>
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <ul style="list-style-type: none"> ▪ Number of audit firms subject to inspections: 74 ▪ Number of PIEs: 1,073 (PIE: listed entities, non-listed banks and insurance companies)
	<p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <ol style="list-style-type: none"> 1. PwC: 2130 Mio Euro 2. E&Y: 2006 Mio Euro 3. KPMG: 1776 Mio Euro 4. Deloitte: 1016 Mio Euro 5. BDO: 206 Mio. Euro
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting (in parts) <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: External quality assurance by means of Monitored Peer Review
	<p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p>

	<p>The organization directly responsible for registration/licensing of auditors is the Chamber of Public Accountants in Germany (WPK). Every auditor/audit firm in Germany is a mandatory member of the WPK. As it is a professional body, members of the profession are involved in the governance and the decision-making processes.</p> <p>In terms of how this oversight is put into practice: The AOB oversees this process (and all other oversight processes regarding the WPK, for that matter) in its capacity as technical supervisor through active participation in the meetings of the related decision making bodies within the WPK. In addition, the AOB has the right to request any information or look at any file it desires. If the AOB does not agree with the decision taken by the WPK in any particular case, it can refer the case back to the WPK, stating its reasons for doing so, and ask for a reconsideration. If the WPK upholds its original decision, the AOB can repeal the decision, instruct the WPK accordingly or take the necessary decision itself (=execution by substitution). Only in cases where the WPK believes the decision to be <i>contra legem</i>, it can involve the Ministry for Economic Affairs and Energy which is the legal supervisor of both AOB and WPK.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight (in parts)</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The AOB itself has no active role in the setting of Audit and/or Ethics standards, except for being involved in the adoption of standards regarding professional ethical duties which are set out in the WPK's by-laws (to the extent that such duties are not already legally codified). These by-laws do, however, contain some ethical standards dealing with aspects of quality control. Any such by-laws issued by the WPK must be presented to the AOB for comment before adoption by the Ministry for Economic Affairs and Energy.</p>
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	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Permanent education is a professional duty of any auditor in Germany. This duty is controlled by the WPK. Details are set out in the WPK's by-laws. This area is overseen by the AOB by means of technical supervision.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The AOB is directly responsible for enforcement as far as PIE auditors are concerned. It is also the technical supervisor of the WPK who is responsible for enforcement matters related to other auditors.</p> <hr/> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>The AOB is generally responsible for technical oversight over the WPK regarding its tasks mentioned in § 4 I 1 of the Public Accountant Act.</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p style="text-align: center;">N/A</p>

<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>The Chief Executive Director of the AOB, Mr. Ralf Bose, has continued being in office as Chairman of the Committee of European Auditing Oversight Bodies (CEAOB). His term as the elected Chairman will end by mid-June 2020. The AOB has further implemented the necessary changes after the EU Audit Reform, both related to its structure and its new competences regarding oversight of PIE auditors and audit firms.</p> <p>With a view to providing guidance for external stakeholders, it has published several communiques in 2019. It released an updated list of auditors with reference to Art 16 (3) of the EU Regulation No 537/2014. Moreover, it published a written statement on the auditor’s independence with regard to the fees received from an audited PIE (Art. 4 (3) of the EU Regulation 537/2014) as well as on the breaches of Art. 5 EU Regulation 537/2014. Moreover, it issued a Q&A paper about information for competent authorities according to Art. 14 of the EU Regulation No 537/2014.</p> <p>25 inspections were finalized in 2019, 21 of which had findings that related to the audit engagements. In 10 cases, findings concerned the internal quality control system whereas in two other cases, the findings related to transparency reports.</p> <p>In terms of enforcement, 113 procedures were filed, most of which resulted from inspections or the communications from other regulators in Germany, including the Financial Reporting Enforcement Panel and the Federal Financial Supervisory Authority. For the first time, some of the procedures were initiated against the audit firm as such, as opposed to the individual auditor.</p>
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