

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the [Disclaimer](#) published on the Compliance Program website.

## **ACTION PLAN**

|                                    |                               |
|------------------------------------|-------------------------------|
| <b>IFAC Member:</b>                | Wirtschaftsprüferkammer (WPK) |
| <b>Approved by Governing Body:</b> | WPK Executive Board           |
| <b>Date Approved:</b>              | February 2019                 |
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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

**GENERAL: Action Plans by IFAC Members in Germany**

This Action Plan reflects the SMO activity areas where WPK has primary responsibility (SMOs 1, 4 and 6). Please refer to the Action Plan prepared by Institut der Wirtschaftsprüfer (IDW) for information about other SMO activity areas (SMOs 2, 3, 5 and 7).

**GLOSSARY**

|              |  |
|--------------|--|
| <b>AOB</b>   | Auditor Oversight Body (Abschlussprüferaufsichtsstelle, established at the BAFA)                       |
| <b>AOC</b>   | Auditor Oversight Commission (replaced by the AOB)   |
| <b>BAFA</b>  | Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle) |
| <b>CPD</b>   | Continuing Professional Development  |
| <b>HGB</b>   | German Commercial Code (Handelsgesetzbuch)   |
| <b>IAASB</b> | International Auditing and Assurance Standards Board   |
| <b>IAESB</b> | International Accounting Education Standards Board   |
| <b>IASB</b>  | International Accounting Standards Board   |
| <b>IDW</b>   | Institut der Wirtschaftsprüfer   |
| <b>IES</b>   | International Education Standards  |
| <b>IESBA</b> | International Ethics Standards Board for Accountants   |
| <b>IFRS</b>  | International Financial Reporting Standards  |
| <b>PIE</b>   | Public Interest Entity   |
| <b>WPK</b>   | Wirtschaftsprüferkammer  |
| <b>WPO</b>   | German Public Accountant Act (Wirtschaftsprüferordnung)  |

**Action Plan Subject:** SMO 1 - Quality Assurance  
**Action Plan Objective:** Further development of the existing Quality Assurance System

| #   | Start Date | Actions   | Completion Date | Responsibility | Resource   |
|---|------------|---|-----------------|----------------|------------|
| <p><b>Background</b></p> <p>The Wirtschaftsprüferkammer (WPK) is the state supervised organization of all public auditors (Wirtschaftsprüfer – WP – and vereidigte Buchprüfer – vBP) and firms of public auditors in Germany. It was established in 1961 as a non-profit corporation under public law. All public auditors and firms of public auditors in Germany are mandatory members of the WPK. The WPK acts in the capacity of indirect state administration in the areas of, inter alia, examination, licensing and registration, revocation of licenses, disciplinary oversight for non-Public Interest Entities (non-PIEs), quality assurance and adoption of professional rules.</p> <p>The WPK operates under the state supervision of the Federal Ministry of Economic Affairs and Energy and the public oversight of the Auditor Oversight Body (AOB). Effective January 1, 2005, the oversight of the predecessor of the AOB, the Auditor Oversight Commission (AOC), covered all remits of the WPK in relation to those members, who were entitled to carry out statutory audits of financial statements of business corporations or who did so de facto without being entitled. In those cases, the AOC had the ultimate responsibility. The AOC comprised individuals who were independent and had never been a member of the profession.</p> <p>Effective June 17, 2016, the AOC was replaced by the AOB, which is a competent authority in accordance with Regulation (EU) No 537/2014. The establishment of the AOB was one of the main tasks of the implementation of the recent EU audit reform (Regulation (EU) No 537/2014 and Directive 2014/56 EU). This reform was implemented on June 17, 2016, when several amendments, inter alia of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Public Accountant Act (Wirtschaftsprüferordnung – WPO) took effect.</p> <p>We have carefully reviewed revised SMO 1. Our organization has concluded that it already addresses the requirements of the revised SMO subject to the quality assurance review of non-statutory audits.</p> |            |   |                 |                |            |
| <p><b>8<sup>th</sup> Amendment of The German Public Accountant Act (Wirtschaftsprüferordnung - WPO)</b></p>   |            |   |                 |                |            |
| 1.  | Completed  | In accordance with Regulation (EU) No 537/2014 and Directive 2014/56 EU, statutory auditors of PIEs are subject to inspections by the AOB regarding the adequacy of the design and effectiveness of their quality control system for audits of PIEs, whereas the WPK quality assurance review verifies the design and effectiveness of the quality control system for audits of non-PIEs. This ensures that there is no undue overlap between the two external quality assurance systems. The review cycles of the AOB and the WPK are both risk-based, but ensure that every auditor of statutory financial statements is reviewed at least every six years. | Completed       | Legislator     | Legislator |

| #  | Start Date | Actions   | Completion Date | Responsibility  | Resource  |
|--|------------|---|-----------------|---|---|
|  |            | In the last three years 1,726 reviews were carried out under the WPK regime, thereof 293 in 2015, 582 in 2016, and 851 in 2017. The peak in 2017 is due to the fact that the six year cycle was first introduced in 2005.   |                 |   |   |
| 2.   | Completed  | Transfer of the inspection system concerning public auditors and audit firms that carry out statutory audits of PIEs according to Section 319a Paragraph 1 Sentence 1 of the German Commercial Code to the AOB. The AOB inspection system is in line with Regulation (EU) No 537/2014. The statutory provisions for the AOB inspection system basically refer to the WPK inspection system (Art. 62b para. 3 and Art. 66a para. 6 WPO). We therefore have no reason to believe that the AOB review procedures are different from the WPK review procedures. | Completed       | Legislator  | Legislator  |
| 3.   | Completed  | Until June 17, 2016, deficiencies identified in quality assurance reviews led to corrective actions only whereas now they can also lead to the initiation of disciplinary proceedings.  | Completed       | Legislator  | Legislator  |
| 4.   | Ongoing    | Quality assurance reviewers are subject to inspections performed by members of the Commission on Quality Assurance. The first inspection was performed in November 2016. In 2017 and 2018 there were seven inspections performed each year. For 2019 there are planned ten further inspections. By the end of 2019 the inspections will inter alia cover the top 20 of quality assurance reviewers regarding reviews performed. These quality assurance reviewers conduct about 40 % of all quality assurance reviews p.a.                                  | Ongoing         | Commission on Quality Assurance   | WPK Technical Staff   |
| 5.   | Ongoing    | The Commission on Quality Assurance is entitled to participate in quality assurance reviews to ensure a proper execution.   | Ongoing         | Commission on Quality Assurance   | WPK Technical Staff   |
| <b>Maintaining Ongoing Processes (Member Notification, Education and Promotion Activities)</b> |            |   |                 |   |   |
| 6.   | Ongoing    | Publication of a legal commentary (approx. 1400 pages) on the professional law on public auditors in Germany with a focus on quality assurance and quality control.<br><br>The first edition was published in July 2008, the second edition in September 2013. The third edition was published in November 2018 and, inter alia, extensively deals with the EU audit reform.  | Ongoing         | Two former presidents of WPK, current president and vice president of WPK | Essentially WPK Technical Staff (interdepartmental) and an honorable judge of the Higher Regional Court |

| #   | Start Date | Actions   | Completion Date | Responsibility  | Resource  |
|-----|------------|---|-----------------|---|---|
|     |            |   |                 |   | Berlin<br>(Disciplinary Court)  |
| 7.  | Ongoing    | Annual report on procedures and sanctions imposed by the WPK and courts in relation to quality assurance and quality control. The annual reports in German language are available online ( <a href="https://www.wpk.de/oeffentlichkeit/berichte/qualitaetskontrolle/">https://www.wpk.de/oeffentlichkeit/berichte/qualitaetskontrolle/</a> ).   | Ongoing         | Commission on Quality Assurance                         | WPK Technical Staff   |
| 8.  | Ongoing    | Periodical publication of decisions leading to reprimands and professional and legal proceedings and explanatory articles regarding quality assurance in WPK's member journal. All editions of the WPK's member journal since 2004 are available online ( <a href="https://www.wpk.de/wpk-magazin/ausgaben/2018/">https://www.wpk.de/wpk-magazin/ausgaben/2018/</a> )   | Ongoing         | WPK Executive Board                                     | WPK Technical Staff   |
| 9.  | Ongoing    | Annual presentations of important changes in quality assurance system and main issues regarding quality assurance for WPK members.  | Ongoing         | WPK Executive Board,<br>Commission on Quality Assurance | WPK Executive Board,<br>Commission on Quality Assurance and Executive Directors |
| 10. | Ongoing    | Members of the Commission on Quality Assurance conduct continuing professional development sessions for statutory auditors and quality assurance reviewers during professional events. For instance, in 2017 six WPK members' meetings took place, where members of the Commission on Quality Assurance provided continuing professional development regarding the system of quality assurance. Also in 2017 WPK performed several roadshows regarding the EU audit reform. In four of these events members of the Commission on Quality Assurance participated as lecturers. In 2018, WPK performed one (central) members' meeting in Berlin, where also members of the Commission on Quality Assurance participated as lecturers. | Ongoing         | Commission on Quality Assurance                         | WPK Technical Staff   |

| #   | Start Date | Actions   | Completion Date | Responsibility                  | Resource            |
|-----|------------|---|-----------------|---------------------------------|---------------------|
| 11. | Ongoing    | <p>Development of policies by the Commission on Quality Assurance, including, but not limited to:</p> <ul style="list-style-type: none"> <li>- Policy on the quality assurance reviewer's report. (Latest amendment July 17, 2017)</li> <li>- Policy on the performance of quality assurance reviews under special consideration of small practitioners. (Latest amendment October 25, 2016.) These policies are available online: <a href="https://www.wpk.de/mitglieder/praxishinweise/qualitaetskontrollverfahren/kfqk/">https://www.wpk.de/mitglieder/praxishinweise/qualitaetskontrollverfahren/kfqk/</a></li> </ul> <p>In 2018 members of the Commission on Quality Assurance issued an academic paper on some special issues relating to quality assurance reviews. Those were inter alia the selection of spot checks, the scope of the engagement reviews, and the expenditure of time regarding the engagement reviews.</p>                   | Ongoing         | Commission on Quality Assurance | WPK Technical Staff |
| 12. | Ongoing    | <p>Prior to a quality assurance review, the Commission on Quality Assurance specifies certain requirements to the quality assurance reviewer regarding certain review topics.</p>   | Ongoing         | Commission on Quality Assurance | WPK Technical Staff |
| 13. | Ongoing    | <p>Members of the Commission on Quality Assurance conduct special training in quality control for quality assurance reviewers.</p> <p>The first training session took place on June 23, 2014, in Berlin. In 2014 two more sessions were performed. In 2015 there were four and in 2016 six, in 2017 nine, and in 2018 six training sessions. Six further training sessions are planned for 2019.</p> <p>In November 2017, as well as in November 2018, members of the Commission on Quality Assurance held two training sessions in cooperation with IDW in Baden-Baden.</p> <p>In addition the Commission on Quality Assurance plans to perform two education sessions in 2019 for quality assurance reviewers. On September 13, 2017, a knowledge sharing session with members of the Commission on Quality Assurance and senior quality assurance reviewers took place. On December 13, 2018, a further knowledge sharing session was performed.</p> | Ongoing         | Commission on Quality Assurance | WPK Technical Staff |

| #   | Start Date | Actions   | Completion Date | Responsibility      | Resource            |
|---|------------|---|-----------------|---------------------|---------------------|
| <b>Review of WPK's Compliance Information</b> |            |   |                 |                     |                     |
| 14.   | Ongoing    | This Action Plan will be reviewed periodically and updated as necessary by the staff responsible for the relevant area of activity. | Ongoing         | WPK Executive Board | WPK Technical Staff |

### Main Requirements of SMO 1

| Requirements   | WPK           | AOB | Comments  |
|--|---------------|-----|---|
| <p><b>Scope of the system</b></p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>  | Partially (P) | P   | <p>WPK: Pursuant to the EU audit reform, only statutory audits that result from EU regulations require mandatory QA.</p> <p><b>AOB:</b> The AOB only carries out QA reviews for audits of PIEs.</p>                     |
| <p><b>Quality Control Standards and Other Quality Control Guidance</b></p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p> | Y             | Y   | German quality control standards at a high level are set forth by law (WPO) and regulated further by the professional charter of the WPK. The IDW gives further guidance in its Standard on Quality Control (IDW QS 1). |
| <p>3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.</p>   | Y             | Y   | The professional charter of the WPK covers all main requirements of ISQC 1 and is supplemented by IDW QS 1.   |
| <p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.</p>                                 | Y             |     | Members of the Commission on Quality Assurance and WPK staff provide continuing professional development on a regular basis. IDW provides continuing professional development on IDW QS 1.                              |



| Requirements  | WPK      | AOB      | Comments   |
|---|----------|----------|--|
| <p><b>Review cycle</b></p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>  | <p>Y</p> | <p>Y</p> | <p><b>WPK:</b> Mixed Approach: Every auditor of statutory financial statements is obliged to participate in the quality assurance system at least once every six years. The precise date, when the quality assurance review has to be performed at the latest, is based on a risk assessment by the Commission on Quality Assurance.</p> <p><b>AOB:</b> 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 ("Verfahrensordnung"), the cycle will be 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. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).</p> | <p>Y</p> | <p>P</p> | <p><b>WPK:</b> As mentioned above, every auditor of statutory financial statements is obliged to participate in the quality assurance system at least once every six years.</p> <p><b>AOB:</b> Regulation (EU) No. 537/2014 prescribes a three year cycle only for pies that are neither small nor medium sized entities, whereas those are subject to at least a six year cycle.</p>  |
| <p><b>QA Review Team</b></p>  | <p>Y</p> |          | <p><b>WPK:</b> <a href="https://www.wpk.de/service-center/qualitaetskontrolle/unabhaengigkeitsbestaetigung/">https://www.wpk.de/service-center/qualitaetskontrolle/unabhaengigkeitsbestaetigung/</a></p>   |

| Requirements  | WPK | AOB | Comments   |
|---|-----|-----|--|
| 7. Independence of the QA Team is assessed and documented.  |     |     | <b>AOB:</b> We do not have any precise information.  |
| 8. QA Team possesses appropriate levels of expertise.   | Y   | Y   | <b>WPK:</b> Quality assurance reviewers must be public auditors for at least three years and must be active in the area of statutory audits. QA team members have to have comparable expertise.<br><b>AOB:</b> Is responsible for teams with collectively appropriate experience. QA team members usually are experienced public auditors. |
| <b>Reporting</b><br>9. Documentation of evidence supporting the quality control review report is required.  | Y   | Y   | <b>WPK:</b> Common professional standards regarding documentation are applicable. See also IDW PS 140.<br><b>AOB:</b> Due to administrative law and professional standards, we assume that the AOB documentation meets all requirements.   |
| 10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.  | Y   | Y   | <b>WPK:</b> § 57a Para. 5 WPO, Policy on the quality assurance reviewer's report by the Commission on Quality Assurance. (Latest amendment July 17, 2017).<br><b>AOB:</b> AOB QA teams have to apply the same rules to their reporting (§ 62b Para. 3 WPO)   |
| <b>Corrective and disciplinary actions</b><br>11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report. | Y   | Y   | <b>WPK:</b> § 57e Para. 2 WPO<br><b>AOB:</b> § 66 Para. 6 WPO  |
| 12. QA review system is linked to the Investigation and Discipline system.  | Y   | Y   | <b>WPK:</b> § 57e Para. 5 WPO<br><b>AOB:</b> Regulation (EU) No 537/2014   |

| Requirements  | WPK | AOB | Comments  |
|---|-----|-----|---|
| <p><b>Consideration of Public Oversight</b></p> <p>13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.</p> | Y   |     | WPK cooperates with the AOB very well. The AOB participates in all meetings of the Commission on Quality Assurance and its committees; it can participate in quality assurance reviews (basically closing meetings), and gets all relevant information from the Commission on Quality Assurance (e.g. agenda papers, list of upcoming quality assurance reviews). |
| <p><b>Regular review of implementation and effectiveness</b></p> <p>14. Regular reviews of implementation and effectiveness of the system are performed.</p>  | Y   |     | AOB performs reviews of the WPK quality assurance system on a regular basis and reports annually on the WPK quality assurance system, whether it operates in an appropriate, adequate and commensurate manner.  |

**Action Plan Subject:** SMO 4 – IESBA Code of Ethics  
**Action Plan Objective:** Ensure ongoing alignment of ethics standards in Germany with IESBA Code of Ethics

| #  | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---------|-----------------|----------------|----------|
| <p><b>Background</b></p> <p>Ethical requirements for the German profession are set first and foremost by the national legislator in the German Commercial Code (HGB - Handelsgesetzbuch) and in the Public Accountant Act (WPO - Wirtschaftsprüferordnung). Both laws form the legal basis on which the WPK is legally authorized to develop ethical requirements in more detail in the form of by-laws for the profession (WPK's Professional Charter).</p> <p>On June 16, 2016, the amended EU Audit Directive came into force, leading to multifold adjustments and modifications to the German Commercial Code and the Public Accountant Act (and thus consequently to the by-laws of the WPK). Furthermore the EU Audit Regulation came into force on the same date and contains - inter alia – (ethical) requirements that directly apply to all European Public Interest Entities (PIEs) and their statutory auditors.</p> <p>The WPK conducts on a regular basis thorough comparisons between the IESBA Code of Ethics and the German professional requirements in the German Commercial Code, Public Accountant Act and WPK by-laws – including consideration of the EU Audit Reform – in order to identify any differences between the Code and German ethical requirements. Identified differences are addressed either by incorporating them into the WPK by-laws, as far as WPK is authorized to do this, or they are communicated to the German legislator. Furthermore we continually monitor IESBA-releases regarding the IESBA Code of Ethics and assess whether they result in differences to the German professional requirements. Differences are treated in the way as described above.</p> <p>These WPK activities are supervised by the Auditor Oversight Body (AOB), which is established at the Federal Office for Economic Affairs and Export Control (BAFA) (for further information, please refer to the background notes of SMO 1) - and are subject to the approval of the Federal Ministry of Economic Affairs and Energy.</p> <p>We have carefully reviewed revised SMO 4. Our organization has concluded that the German professional rules in combination with the EU Audit Regulation reach convergence with the IESBA Code of Ethics 2014 requirements. The WPK is currently in the process of reviewing the 2018 version of the IESBA Code to identify any differences to be addressed.</p> |            |         |                 |                |          |
| <p><b>Application of the Code of Ethics Standards</b></p>  |            |         |                 |                |          |

| #   | Start Date | Actions   | Completion Date       | Responsibility   | Resource   |
|-----|------------|---|-----------------------|--|--|
| 15. | 2010       | Review of the IESBA Code of Ethics 2009 - in consideration of IESBA's "Clarity Project" reformatting the Code of Ethics - against the background of a possible need of adapting WPK's Professional Charter or other relevant laws and provisions accordingly has been completed. Majority of CoE-provisions are covered by national rules. Remaining minor differences were addressed (see below Nos 16 and 17).  | Completed Summer 2013 | WPK Advisory Board   | WPK Executive Board together with a WPK Committee (Professional Law) and WPK Technical Staff (Department Professional Law) |
| 16. | 2010       | Full convergence of WPK's by-law with the CoE accomplished in a draft of a revised professional charter with minor adjustments. This draft was subject to the approval of WPK Advisory Board, which did not occur since WPK Advisory Board wanted to take the effects of the EU audit reform into consideration. This draft became obsolete in the meantime due to the EU audit reform (see below No 18).   | 2014                  | WPK Advisory Board   | WPK Executive Board together with a WPK Committee (Professional Law) and WPK Technical Staff (Department Professional Law) |
| 17. | 2010       | Remaining need to slightly adjust the Commercial Code and the Public Accountant Act as identified and explained to the Federal Ministries of Economics and Energy and Justice and Consumer Protection, which are responsible for these federal laws; response was pending, since the Ministries also intended to take the effects of the EU audit reform into consideration. The response of the Ministries became obsolete in the meantime due to the EU audit reform (see below No 18). | September 2013        | Federal Ministries of Economics and Energy and Justice and Consumer Protection |  |
| 18. | 2014       | Implementation of the EU Audit Reform into German law (Commercial Code, Public Accountant Act and WPK Professional Charter).<br><br>Some of the previously existing minor differences between German law and the IESBA Code of Ethics are thereby eliminated. As a result German professional rules in combination with the EU Audit  | Winter 2016           | Federal Ministries of Economic Affairs and Energy and Justice and              | WPK Executive Board together with a WPK Committee (Professional Law) and WPK Technical Staff                               |

| #  | Start Date | Actions   | Completion Date | Responsibility  | Resource  |
|--|------------|---|-----------------|---|---|
|  |            | Regulation reach convergence with the IESBA Code of Ethics 2014 requirements.   |                 | Consumer Protection,<br>WPK Advisory Board                                |   |
| 19.  | 2016/2018  | Beginning of a review of the IESBA Code of Ethics 2016 and due to the restructure project review of the 2018 version against the background of a possible need of adapting WPK's Professional Charter or other relevant laws and provisions accordingly.  | Expected 2019   | WPK Advisory Board  | WPK Executive Committee together with a WPK Committee (Professional Law) and WPK Technical Staff (Department Professional Law)      |
| <b>Maintaining ongoing processes (Member notification, Education and Promotion Activities)</b> |            |   |                 |   |   |
| 20.  | Ongoing    | Publication of a legal commentary (approx. 1400 pages) regarding the professional law on public auditors in Germany with the main focus on professional duties and ethics standards.<br><br>The first edition was published in July 2008, the second edition in September 2013. The third edition was published in November 2018 and, inter alia, extensively deals with the EU audit reform. | Ongoing         | Two former presidents of WPK, current president and vice president of WPK | Essentially WPK Technical Staff (interdepartmental) and an honorable judge of the Higher Regional Court Berlin (Disciplinary Court) |
| 21.  | Ongoing    | Encouraging the awareness and the application of the IESBA Code of Ethics by publishing elaborate annotations on terms and concepts of the IESBA Code in WPK's Professional Charter.  | Ongoing         | WPK Executive Board   | WPK Executive Board together with a WPK Committee (Professional Law) and WPK Technical Staff (Department Professional Law)          |

| #   | Start Date | Actions   | Completion Date | Responsibility                            | Resource  |
|-----|------------|---|-----------------|---|---|
| 22. | Ongoing    | IESBA Committee pronouncements and revisions to the IESBA Code are communicated to WPK's members on a timely basis. In addition, produced case study and explanatory material regarding specific issues of ethical and professional conduct and corresponding publication in WPK's quarterly member journal. Report important matters in news flash on WPK's Website, so as to inform members as to the main issues raised.   | Ongoing         | WPK Committee (Professional Law)          | WPK Technical Staff (Department Professional Law) |
| 23. | Ongoing    | Technical Support for WPK's members by responding to their oral and written inquiries on technical matters in relation to ethics (including a telephone service).   | Ongoing         | WPK Head of Department (Professional Law) | WPK Technical Staff (Department Professional Law) |
| 24. | Ongoing    | The WPK is an active participant in the IESBA's meetings and the standard-setting processes, having jointly with the IDW successfully nominated an IESBA member and having its Senior Manager in its Professional Law/Accounting/Auditing Division serve as Technical Advisor. The WPK responds to IESBA's Exposure Drafts by issuing comment letters and also participates in the National standard setters (NSS) meetings of IESBA. In this context, agenda papers are reviewed and significant issues identified in order to present them for discussion both on IFAC- and national level. | Ongoing         | WPK Head of Department (Professional Law) | WPK Technical Staff (Department Professional Law) |
| 25. | Ongoing    | Engage in a continual dialogue with the Legislator and several Ministries, particularly Federal Ministry of Economic Affairs and Energy and Ministry of Justice and Consumer Protection, to spread the spirit of the Code of Ethics and contribute to the legislative processes using the special expertise of the profession. In addition, participation in several other working groups to ensure that the ethic pronouncements of IFAC are taken into consideration.   | Ongoing         | WPK Executive Board                       | WPK Executive Directors and Technical Staff       |

| #   | Start Date | Actions  | Completion Date | Responsibility  | Resource  |
|-----|------------|--|-----------------|---|---|
| 26. | Ongoing    | Annual fixed dates on which regular meetings and presentations of important issues regarding professional duties and ethics standards are held for WPK members.  | Ongoing         | WPK Executive Board                                       | WPK Executive Board and Executive Directors   |
| 27. | 2013       | Roundtable and Jour Fixe held by WPK with former IESBA Chair Jörgen Holmquist and Jim Sylph (IFAC) in Berlin pertaining to the implementation of the CoE, the recent projects of IESBA and ethical developments, with the participation of representatives of the former Federal Ministries of Economics and Technology and Justice, the former Auditor Oversight Commission, professional associations and the profession.  | Completed       | WPK Executive Board                                       | WPK Executive Board and WPK Committee Professional Law  |
| 28. | 2015       | German translation of the 2014 version of the IESBA Code accomplished. Translation is available on WPK's homepage free of charge ( <a href="https://www.wpk.de/fileadmin/documents/WPK/Rechtsvorschriften/IFAC_Verhaltenskodex_Berufsangehoerige.pdf">https://www.wpk.de/fileadmin/documents/WPK/Rechtsvorschriften/IFAC_Verhaltenskodex_Berufsangehoerige.pdf</a> ). WPK's members and the public were informed accordingly.  | Completed       | WPK Executive Board and Principal Translator              | WPK Committee (Professional Law) together with WPK Technical Staff (Department Auditing & Accounting) |
| 29. | 2019       | German translation of the 2018 version of the IESBA Code started.  | Expected 2019   | WPK Executive Board and Principal Translator              | WPK Committee (Professional Law) together with WPK Technical Staff (Department Auditing & Accounting) |
| 30. | 2016       | Various articles on the recent IESBA project NOCLAR and its effects on the German profession published ( <a href="https://www.wpk.de/mitglieder/praxishinweise/code-of-ethics/">https://www.wpk.de/mitglieder/praxishinweise/code-of-ethics/</a> ; <a href="https://www.wpk.de/fileadmin/documents/Magazin/WPK_Magazin_3-2017.pdf">https://www.wpk.de/fileadmin/documents/Magazin/WPK_Magazin_3-2017.pdf</a> ). Communication with IESBA Chair Dr. Stavros Thomadakis regarding his NOCLAR publication in German journals. Written input on the Staff NOCLAR Q&A provided to the IESBA Task Force. | Completed       | WPK Executive Board Member, Head of Accounting & Auditing | WPK Technical Staff (Department Auditing & Accounting)  |



| #   | Start Date | Actions   | Completion Date | Responsibility      | Resource            |
|---|------------|---|-----------------|---------------------|---------------------|
| <b>Review of WPK's Compliance Information</b> |            |   |                 |                     |                     |
| 31.   | Ongoing    | This Action Plan will be reviewed periodically and updated as necessary by the staff responsible for the relevant area of activity. | Ongoing         | WPK Executive Board | WPK Technical Staff |

**Action Plan Subject:** SMO 6 - Investigation and Discipline  
**Action Plan Objective:** Further Development of the Disciplinary Oversight

| #   | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---------|-----------------|----------------|----------|
| <p><b>Background</b></p> <p>The rules for the investigation processes and discipline of misconduct for public auditors in Germany are set out in the German Public Accountant Act (Wirtschaftsprüferordnung - WPO), which was amended effective June 17, 2016 by the Abschlussprüferaufsichtsreformgesetz (8<sup>th</sup> Amendment of the WPO) as a result of the Directive 2014/56/EU. Additional rules concerning the oversight of statutory audits of public interest entities (PIEs) according to § 319a para. 1 sentence 1 German Commercial Code (HGB) are included in the Regulation (EU) No 537/2014.</p> <p>Wirtschaftsprüferkammer (WPK) is responsible for the disciplinary oversight of auditors and audit firms. WPK is responsible for investigating and disciplining all violations including (potential) severe misconduct (prior to the 8<sup>th</sup> Amendment of the WPO severe cases were subject to disciplinary jurisdiction by court (District Court of Berlin); the charges were brought to court by the Chief Public Prosecutor after its own investigations). Breaches of professional duties in the course of statutory audits of PIEs according to § 319a para. 1 sentence 1 HGB are within the competence of the Auditor Oversight Body (AOB), which is established at the Federal Office for Economic Affairs and Export Control (BAFA). AOB also exercises the public oversight of WPK and is the authority of ultimate decision making.</p> <p>Sanctioning measures that may be imposed by WPK (or AOB) comprise: reprimands, fines up to 500.000 EUROS, temporary prohibition of professional activities or expulsion from the profession. An additional prohibition order may be issued in case of repeated breaches.</p> <p>Subsequent to an unsuccessful objection to a sanction a member may appeal for a professional court proceeding. The so-called professional courts (special divisions of criminal courts/Senate at the District Court of Berlin in the First Instance, Superior Court of Justice of Berlin in the Second Instance and the Federal Court of Justice in the Third Instance) are responsible in these cases. The professional courts are assisted by members of the profession who contribute their professional expertise.</p> <p>We carefully reviewed revised SMO 6. Our organization has concluded that it already addresses the requirements of the revised SMO (see below).</p> <p>The same is true with respect to the AOB: The investigation process and discipline of misconduct within the competence of the AOB (see above) is governed by the same rules applicable for the investigation and discipline of the WPK (see § 66a para. 6 and 7 WPO). Only few procedural differences exist, which are due to the different legal structure of the AOB and some minor specifics of the Regulation (EU) No 537/2014. These deviations, however, are of no relevance with respect to the requirements of SMO 6 and, therefore, merit no further explanation.</p> |            |         |                 |                |          |
| <p><b>Maintaining Ongoing Processes (Member notification, Education and Promotion Activities)</b></p>   |            |         |                 |                |          |

| #   | Start Date | Actions   | Completion Date | Responsibility  | Resource   |
|---|------------|---|-----------------|---|--|
| 32.   | Ongoing    | Publication of a legal commentary (approx. 1400 pages) regarding the professional law on public auditors in Germany also relating especially to investigations.<br><br>First edition was published in July 2008, the second edition in September 2013. The third edition was published in November 2018 and, inter alia, extensively deals with the EU audit reform   | Ongoing         | Two former presidents of WPK, current president and vice president of WPK | Essentially WPK Technical Staff (interdepartmental) and an honorable judge of the Superior Court of Justice of Berlin (Disciplinary Court) |
| 33.   | Ongoing    | Periodical publication of decisions in relation to reprimands and legal and professional proceedings and explanatory articles regarding professional duties and investigations in the WPK`s member journal.   | Ongoing         | WPK Executive Board   | WPK Technical Staff  |
| 34.   | Ongoing    | Annual report on procedures and sanctions imposed by the AOB/WPK and by the disciplinary court.<br>( <a href="https://www.wpk.de/fileadmin/documents/Oeffentlichkeit/Berichte/WPK_Berufsaufsicht_2017.pdf">https://www.wpk.de/fileadmin/documents/Oeffentlichkeit/Berichte/WPK_Berufsaufsicht_2017.pdf</a> )<br><br>Moreover, a report on the content and the results of the review of annual and consolidated accounts is published annually (included in above report, see chapter E. "Abschlussdurchsicht"). | Ongoing         | AOC/WPK Executive Board   | WPK Technical Staff  |
| 35.   | Ongoing    | Annual presentations of important changes in system and main issues regarding disciplinary oversight.   | Ongoing         | WPK Executive Board   | WPK Executive Board and Executive Directors  |
| 36.   | Ongoing    | Technical support for WPK`s members by responding to their oral and written inquiries on professional duties in relation to investigations (including a telephone hot line).  | Ongoing         | WPK Head of Department (Disciplinary Oversight)                           | WPK Technical Staff  |
| 37.   | Ongoing    | Engage in a continual dialogue with the legislator and several ministries, particularly Federal Ministry of Economics and Technology and Ministry of Justice, to contribute to the legislative processes using the special expertise of the profession.   | Ongoing         | WPK Executive Board   | WPK Executive Directors and Technical Staff  |
| <b>Review of WPK's Compliance Information</b> |            |   |                 |   |  |
| 38.   | Ongoing    | This Action Plan will be reviewed periodically and updated as necessary by the staff responsible for the relevant area of activity.   | Ongoing         | WPK Executive Board   | WPK Technical Staff  |

### Main Requirements of SMO 6

| Requirements  | WPK   | AOB   | Comments  |
|---|---|---|---|
| <p><b>Scope of the system</b></p> <p>1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.</p> | <p>Yes (Y)</p> <p>No (No)</p> <p>Partially (P)</p> <p>Y</p> | <p>Yes (Y)</p> <p>No (No)</p> <p>Partially (P)</p> <p>Y</p> | <p><b>WPK:</b> Scope of system is for auditors non-PIEs</p> <p><b>AOB:</b> Scope of system is for auditors of PIEs and the AOB oversees the I&amp;D procedures of the WPK</p>   |
| <p>2. Information about the types of misconduct which may bring about investigative actions is publicly available.</p>  | <p>Y</p>  | <p>Y</p>  | <p><b>WPK:</b> see annual report, chapter D.3. "Gegenstand der abgeschlossenen Verfahren 2017"<br/>(<a href="https://www.wpk.de/fileadmin/documents/Oeffentlichkeit/Berichte/WPK_Berufsaufsicht_2017.pdf">https://www.wpk.de/fileadmin/documents/Oeffentlichkeit/Berichte/WPK_Berufsaufsicht_2017.pdf</a>)</p> <p><b>AOB:</b> see annual report, chapter 3.2 „Berufsaufsicht“<br/><a href="http://www.bafa.de/SharedDocs/Downloads/DE/Bundesamt/jahresbericht_apas_2017.pdf;jsessionid=4B8092B14A50259E2E92F08958723564.2_cid362?__blob=publicationFile&amp;v=2">http://www.bafa.de/SharedDocs/Downloads/DE/Bundesamt/jahresbericht_apas_2017.pdf;jsessionid=4B8092B14A50259E2E92F08958723564.2_cid362?__blob=publicationFile&amp;v=2</a></p> |
| <p><b>Initiation of Proceedings</b></p> <p>3. Both a "complaints-based" and an "information-based" approach are adopted.</p>                                    | <p>Y</p>  | <p>Y</p>  |   |
| <p>4. Link with the results of QA reviews has been established.</p>   | <p>Y</p>  | <p>Y</p>  |   |
| <p><b>Investigative process</b></p> <p>5. A committee or similar body exists for performing investigations.</p>   | <p>Y</p>  | <p>Y</p>  |   |

| Requirements  | WPK | AOB | Comments  |
|---|-----|-----|---|
| 6. Members of a committee are independent of the subject of the investigation and other related parties.  | Y   | Y   |   |
| <b>Disciplinary process</b>   | Y   | Y   |   |
| 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.  |     |     |   |
| 8. Members of the committee/entity include professional accountants as well as non-accountants.   | Y   | Y   | All members of the WPK disciplinary committee are professional accountants. However, the AOB, an authority independent of the accounting profession, oversees the I&D procedures of the WPK and has the ultimate responsibility for the decision making, i.e. may overrule decisions of the WPK disciplinary committee. In this way, also non-accountants are involved in the ultimate decision-making.<br><br>With regard to the appeals level, a court chamber (i.e. the appeals tribunal) is chaired by a judge. |
| 9. The tribunal exhibits independence of the subject of the investigation and other related parties.  | Y   | Y   |   |
| <b>Sanctions</b>  | Y   | Y   | See § 68 para. 1 WPO for the relevant penalties   |
| 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership. |     |     |   |
| <b>Rights of representation and appeal</b>  | Y   | Y   | See Part 6 of the WPO (§§ 71a ff.)  |

| Requirements  | WPK | AOB | Comments  |
|---|-----|-----|---|
| 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.                       |     |     |   |
| <b>Administrative Processes</b>   | Y   | Y   |   |
| 12. Timeframe targets for disposal of all cases are set.  |     |     |   |
| 13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.                       | Y   | Y   |   |
| 14. Records of investigations and disciplinary processes are established.   | Y   | Y   |   |
| <b>Public Interest Considerations</b>   | Y   | Y   |   |
| 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction. |     |     |   |
| 16. A process for the independent review of complaints on which there was no follow-up is established.                                    | Y   | Y   |   |
| 17. The results of the investigative and disciplinary proceedings are made available to the public.                                       | Y   | Y   | Personal data of individuals is not published because of data protection legislation. |
| <b>Liaison with Outside Bodies</b>  | Y   | Y   | See § 65 para. 1 WPO  |
| 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.               |     |     |   |

| Requirements  | WPK | AOB | Comments |
|---|-----|-----|----------|
| <b>Regular review of implementation and effectiveness</b><br>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented. | Y   | Y   |          |



WIRTSCHAFTSPRÜFERKAMMER

Körperschaft des  
öffentlichen Rechts

Date: April 30, 2019

Name Reiner Veidt

Title Dr.

Company Wirtschaftsprüferkammer (WPK)

Address Rauchstraße 26, 10787 Berlin

Email Reiner.Veidt@wpk.de

Dear Ms. Prinsloo,

**Subject: Letter to Confirm Institutional Support for the SMO Action Plan**

This letter is to confirm that the leadership of the Wirtschaftsprüferkammer (WPK) has reviewed the information contained in the SMO Action Plan prepared by Wirtschaftsprüferkammer (WPK) as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the Wirtschaftsprüferkammer (WPK), I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

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Dr. Reiner Veidt, Executive Director

Wirtschaftsprüferkammer

April 30, 2019