

# **ABSCHLUSSPRÜFERAUFSICHTSKOMMISSION**

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## **AUDITOROVERSIGHTCOMMISSION**

### **Annual Report of the Auditor Oversight Commission for 2009 (Abstract)<sup>1</sup>**

In compliance with its legal assignment and independent from the audit profession as well as free of any instructions, the Auditor Oversight Commission (AOC) supervises the Chamber of Public Accountants (WPK) and all statutory auditors being mandatory members of the WPK (professionals).

The AOC's activities focus on disciplinary matters and external quality assurance including independent inspections of auditors of public interest entities.

The AOC has the ultimate responsibility and decision making power for all oversight proceedings handled by the WPK. Through participating in meetings of the WPK's bodies and subgroups and comprehensive and ongoing information by the WPK the members of the AOC were always actively involved in the proceedings. The cooperation with the WPK was always constructive and transparent. The AOC had no reason to object to the decisions submitted by the WPK. In all oversight matters, the WPK complies with its responsibilities in an appropriate, adequate and proportionate manner.

In the light of the financial and economic crisis, the inspections of auditors of public interest entities focused in particular on the audits of companies in the financial sector. Since the specific risks resulting from the crisis will be particularly relevant for the financial accounts from 2009/2010 onwards, this issue will stay in the focus of the AOC.

The AOC conducted a comparative survey on the outcome of independent inspections and monitored peer reviews in relation to the same audit firm; audit firms of public interest entities are subject to both procedures. The survey showed that in some cases the independent inspections revealed deficiencies in an audit firm's quality control system that were not addressed by the peer reviewer of that firm. This confirms earlier criticism of the AOC that the lack of transparency of the peer review hampers the verification of its outcome by the WPK and the AOC even if processed in accordance with the rules.

In the previous years the AOC revealed the need for a further reform of the German independent public oversight system for statutory auditors. The AOC's suggestions were taken on by the German Institute of Public Auditors (IDW) and the WPK. They developed a proposal including key elements for a potential reform that is largely accepted by the AOC. By vesting the primary and operational responsibility for the oversight in the independent public oversight body, the proposal aims at strengthening the efficiency, effectiveness and clarity of the oversight system, and would therefore facilitate the communication of the system to national and international stakeholders.

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<sup>1</sup> This is a translation of Section 1 ("Outline") of the AOC's Annual Report for 2009. The full German version of the report is available on [www.apak-aoc.de](http://www.apak-aoc.de)