



APPOINTING A STATUTORY AUDITOR: A LEGAL OBLIGATION IN GERMANY

WHAT LEGAL ENTITIES MUST APPOINT AN AUDITOR?

Appointing a legal auditor in Germany is obligatory for:

Commercial companies

- Limited liability companies (GmbH, GmbH & Co. KG, KG) and Non-profit organizations exceeding two of the following three criteria in two subsequent years or in the first year of inception:
 - Revenue > 4.840.000 €
 - Assets > 9.680.000 €
 - Number of employees > 50

The appointment will take place on the following financial year.

Other legal entities

- European companies
- Economic interest groups issuing bonds or employing at least 100 employees
- Public companies always
- Credit institutions always
- Financial Services firms always
- Leasing, Factoring, Financial Advisory always

Subsidiaries or branches

A subsidiary is a legal entity, with a full judicial personality, and must appoint an auditor according to its legal status and whether it fulfills the criteria listed above.

A branch is an establishment lacking any judicial personality, operated by a company does not require an audit, except it is regulated by the Federal Financial Supervisory Authority (BaFin)

Is a second auditor NEEDED?

German laws do not require a second auditor.

APPOINTING VOLUNTARILY A LEGAL AUDITOR

Even if it has no legal obligation, a company may choose to appoint an auditor, to ensure that the accounts give a true and fair view of the company's financial position.

The terms of appointment

For each auditor's mandate, the company must:

- Appoint a statutory auditor who will audit the company. The statutory auditor has to be registered with the German Chamber of Auditors ("Wirtschaftsprüferkammer").

He can be:

- An individual
- Or a legal entity (auditing firm)



The auditor needs to be appointed annually. Once an auditor has been appointed and engaged, he can't be changed for the engagement.

Decision of the shareholders

Upon the foundation of the company, the auditor may be named in the articles of association.

At any other time, the auditor may be appointed during the Annual General Meeting (AGM) or by court order, at the request of any shareholder (subject to achieving the required percentage of votes for some types of company).