Executive Order on the Independence of Approved Auditors and Audit Firms

In pursuance of Section 24 (4) and Section 54 (2) of Act no. 468 of 17 June 2008 on Approved Auditors and Audit Firms (the Auditor Act), as amended by Act no. 631 of 8 June 2016, the following is hereby laid down:

S. 1. An auditor must not perform engagements as referred to in Section 1 (2) of the Auditor Act if there are any threats that may raise doubts in a well-informed third party about the auditor's independence.

(2) If there are any threats to independence, cf. Section 24 (3) of the Auditor Act, the auditor shall apply the necessary safeguards to mitigate them. If the auditor's independence continues to be at risk despite the safeguards applied, the auditor shall desist from performing the engagement.

Threats to Independence

S. 2. Threats such as those referred to in Section 1 (1) shall always be regarded as existing, cf. Section 24 (2) of the Auditor Act, when:

1) The auditor or other persons in the audit firm linked to the engagement or supervising its performance are or have, within the past two years, been employed in a management position at the undertaking that the engagement concerns, and have, as part of this employment, exercised influence on matters that the engagement concerns.

2) The audit firm, auditor or other persons in the audit firm linked to the engagement or supervising its performance, have any form of direct or material indirect financial interest in, or are involved, directly or materially indirectly, in other forms of transactions concerning a financial instrument guaranteed or in some other manner supported by the undertaking that the engagement concerns.

3) The audit firm, auditor or other persons in the audit firm who are linked to the engagement or supervising its performance have a material direct financial interest in an undertaking linked to the undertaking that the engagement concerns.

4) The audit firm, auditor or other persons in the audit firm who are linked to the engagement or supervising its performance solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless the value thereof is trivial.

5) The audit firm, auditor or other persons in the audit firm who are linked to the engagement or supervising its performance have any other business relationship with the undertaking that the engagement concerns, which entails a joint commercial or financial interest, unless the business relationship is wholly exercised within the normal activities of both parties and on standard commercial terms and is not of sufficient scope to be able to represent a threat to independence. Regardless of the nature of the terms, cross-auditing is never permitted.

6) The auditor or other persons in the audit firm who are linked to an engagement, cf. Section 1 (1), or supervising its performance, are connected through close family relationships to persons who
   a) have material direct or indirect financial interest in, or take part to a significant degree in other forms of transactions concerning a financial instrument guaranteed or in some other manner supported by the undertaking that the engagement concerns,
   b) have a senior position with the undertaking requesting the engagement or that the engagement concerns,
   c) have direct influence on compiling the matters that the engagement concerns,
   d) receive pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless the value thereof is trivial, or
   e) have commercial links to the undertaking that the engagement concerns, unless such links are within the normal course of business and do not represent a significant threat to the auditor's independence.

7) The undertaking that the engagement concerns
   a) has a direct or a material indirect financial interest in the audit firm to which the auditor belongs, or
   b) has the right to appoint members of the audit firm's board of directors or of the board of directors of the audit firm's parent company.

(2) Threats referred to in (1) are always so significant that


This is an unofficial translation.
Only the Danish version in Official Law Gazette (Lovtidende) has legal validity.
no safeguards can reduce the threat to an acceptable level, and
the auditor shall always desist from performing the engagement, however, cf. Sections 3 and 4.

(3) Close family connections as referred to in (1), no. 6, exist in relation to
1) spouses, cohabiting partners and dependent children,
2) other family members who have shared a home with the
   person concerned within the past year, and
3) legal entities in which a person covered by 1) or 2) has
   management responsibility, or who is directly or
   indirectly controlled by such a person, or which has been
   set up to the benefit of such a person, or whose financial
   interests are generally convergent with such a person's
   interests.

Section 3

S. 3. If there is a threat as stated in Section 2 (1), no. 6, and
the auditor has not realised and should not have realised this
threat, Section 1 (1) shall only apply from the time at which
the auditor becomes aware of the threat.

(2) If the threat concerns the auditor personally, the auditor
shall desist from performing the engagement.

(3) If the threat concerns another person in the audit firm
linked to the engagement or supervising its performance, that
person shall be immediately removed from the audit team, or,
if not part of the team, excluded from taking part in decisions
concerning the engagement. In such a situation, the auditor
shall exercise particular care when reviewing that person's
relevant working papers.

Section 4

S. 4. If a threat exists as referred to in Section 2 (1), nos. 2
or 3, the financial interest shall be disposed of or the
transaction concluded as quickly as possible and not later than
one month after the auditor has become aware of the matter.
If such action is not taken, the auditor shall desist from performing the engagement.

(2) If the threat concerns another person in the audit firm
linked to the engagement or supervising its performance, the
financial interest shall be disposed of as quickly as possible
and not later than one month after the auditor has become
aware of the matter. Until the financial interest is disposed of,
the person concerned shall be removed from the audit team,
or, if not part of the team, excluded from taking part in decisions
concerning the engagement. If such action is not
taken, the auditor shall desist from performing the engagement.

(3) If the threat concerns a person as referred to in (2), but
where the auditor has not realised or should not have realised
that there was such a threat, the financial interest shall be
disposed of as quickly as possible and not later than one month
after the auditor has become aware of the matter. Until the
financial interest is disposed of, the person concerned shall be
removed from the audit team, or, if not part of the team,
excluded from taking part in decisions concerning the engagement.
In such a situation, the auditor shall exercise particular care when reviewing that person's relevant working papers. If the conditions in the first and second sentences are
not met, the auditor shall desist from performing the engagement.

Section 5

S. 5. Threats as referred to in Section 1 (1) shall, moreover,
always be regarded as existing if an assurance reporting
engagement other than auditing concerns a public-interest
title, and the auditor or other persons in the audit firm

1) in addition to the requirements that follow from generally
   accepted auditing practices, have participated in
   bookkeeping or similar registrations that form the basis
   of the matters that the engagement concerns, or have
   participated in the preparation of the document that the
   engagement concerns,
   or
2) have prepared lists of candidates, within the past two
   years, for use in recruitment of employees for key
   financial and administrative management positions in the
   undertaking, or have similarly participated in the
   recruitment procedure.

(2) Threats referred to in (1) are always so significant that
no safeguards can reduce the threat to an acceptable level, and
the auditor shall always desist from performing the engagement.

Section 6

S. 6. In addition to the cases mentioned in Section 2, threats
that are mentioned in Section 1 (1) may exist if

1) the auditor or other persons in the audit firm linked to the
   engagement or supervising its performance perform, or
   have within the past two years performed, other
   engagements of such a nature for the undertaking that the
   report concerns that, by giving a report on the main
   matter, the auditor would be commenting on his/her own
   work or that of the other persons referred to,
2) the auditor or other persons in the audit firm linked to the
   engagement or supervising its performance are or have,
   within the past two years, acted externally as a
   representative in connection with legal disputes for the
   undertaking or client that the engagement concerns,
3) the auditor or other persons in the audit firm linked to the
   engagement or supervising its performance are, through
   family relationships other than those referred to in
   Section 2 (3), connected to persons who
   a) have material direct or indirect financial interest in,
   or take part to a significant degree in other forms of
   transactions concerning a financial instrument
   guaranteed or in some other manner supported by the
   undertaking that the engagement concerns,
   or
   b) have raised the threshold or legal consequences others
   than those referred to in Section 2 (3), connected to persons who
   have accepted auditing practices, have participated in
   bookkeeping or similar registrations that form the basis
   of the matters that the engagement concerns, or have
   participated in the preparation of the document that the
   engagement concerns,
   or
   c) have prepared lists of candidates, within the past two
   years, for use in recruitment of employees for key
   financial and administrative management positions in the
   undertaking, or have similarly participated in the
   recruitment procedure.
b) have a senior position with the undertaking requesting the engagement or that the engagement concerns,
c) have direct influence on preparation of the matters that the engagement concerns,
d) receive pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless the value thereof is trivial, or
e) have commercial links to the entity the engagement concerns, unless such links are within the normal course of business and do not represent a significant threat to the auditor's independence, or

4) persons other than those referred to in Section 2 (1), no. 6, cf. (3), who, directly or indirectly, are linked to the audit firm from which the report is provided, have, or within the past two years have had, links to the undertaking whose circumstances are the subject of the report which are of such a nature that the auditor would have been prevented from providing a report if the auditor had personally had a corresponding connection.

(2) If any threats as referred to in (1) exist, the auditor or audit firm shall apply necessary safeguards to mitigate them. If the threat is of such a nature in relation to the safeguards applied that the auditor's or the audit firm's independence has or will be compromised, the auditor shall desist from performing the engagement.

Networks

S. 7. The situations referred to in Sections 2-6 also cover persons in the audit firm's network who may exercise influence on performance of the engagement.

(2) A “network” is defined as a large structure

1) which is aimed at cooperation and to which an auditor or an audit firm belongs, and

2) which is clearly aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources.

Penal Provision

S. 8. Any violation of the provisions in Sections 2-5 shall be punishable by a fine. Deliberate or grossly negligent violation of the provisions in Section 6 shall be punishable by a fine.

(2) Companies, etc. (legal entities) may incur criminal liability in pursuance of the rules in Part 5 of the Danish Penal Code.

Commencement


(2) Executive Order no. 663 of 26 June 2008 on the independence of Approved Auditors and Audit Firms is repealed. The first sentence notwithstanding, Section 5 of the Executive Order shall apply when giving auditor’s reports on financial statements for public-interest entities if the financial year started before 17 June 2016. The second sentence shall similarly apply to audits of regions, municipalities and municipal cooperatives, cf. Section 60 of the Act on Municipal Governance, with the exception of small municipal cooperatives.