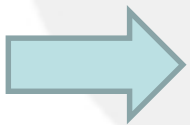


**Statutory auditor's report in France :
justification of auditor's assesment**

**Bridging the expectation gap ?
Bridging the information gap ?**



In France, since 2003, in application of a legal requirement, auditors have to **justify their assessments** in the auditor's report



Since then the auditor's report is no longer a « boiler plate » in France

This reform was implemented already 7 years ago in France...

...and appears now to provide a practicable answer to some questions currently raised to the audit profession on auditor's report

- From the 60's, the auditor's report in France was a 2 part report
 - Part I : Opinion
 - In line with ISA 700
 - Part II : Specific verifications and informations
 - « Other reporting responsibilities » paragraph to explicitly report on management reports and other information sent to the shareholders for the annual shareholder's meeting (sort of explicit reporting on ISA 720 procedures)
- Financial security law has introduced few additionnal words in article L823-9 of French Code of Commerce on August 1st, 2003 :

« **Justifying of his assessments**, the statutory auditor certifies... »

- The justification of assesment was developed in such a way that the audit report **keeps the advantages of the « old model » and provides additionnal information** :
 - **The standard audit report**, with the audit opinion, **remains unchanged in a first part**, justification of assesment is isolated in a second part
 - This was designed to keep providing to the reader an immediate understanding of the nature of the audit opinion expressed
 - **The auditor provides additionnal explanatory information on the audit procedures performed on key areas of the audit and the conclusion reached, without providing information on the entity that the entity has not disclosed itself,**
 - **As the audit report mentions that the auditor has assessed accounting principles, accounting estimates and overall presentation of financial statements**, the auditor has to justify his assesments on these 3 topics
 - The auditor anchors **its justification of assesments by referring explicitly to footnotes describing key accounting principles, accounting estimates or overall presentation of financial statements**

- **The auditor does not provide piecemeal opinion on some account balances or estimates**
 - It is clearly stated that assesments where performed in the context of forming an opinion on the financial statements as a whole

- Renault group audit report (automotive industry, 2008)
 - This report provides an interesting example on how the « justification of assesment » was used during the financial crisis

- BNPP (bank, 2009)

The comparison of these 2 examples makes it clear that ...

- from one entity to the other
- depending on the industry

...the audit report in France is no longer a boilerplate and provides additionnal customized information on key accounting methods, accounting estimates and overall presentation of the financial statements.

- CNCC has launched a study on the perception of the justification of assessments in the audit report by key stakeholders (investors, regulators, analysts...)
- This study was performed by Mr Philippe Manière, independant consultant, who will report the results to IAASB now