

Meeting: IAASB
Meeting Location: Paris
Meeting Date: March 14-18, 2011

Agenda Item

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Presentation on Auditor Reporting in France

Objective of Agenda Item

1. To receive a presentation from M. Philippe Manière (Footprint Consultants) about the results of an independent survey carried out in France to obtain information and feedback about perceptions of the reporting of “justification of assessments” that are required for auditor’s report for financial statement audits performed in France.

Background

2. In context of the current debate on auditor reporting and discussions of models of auditor reporting used in different countries the French model of auditor reporting has been of continuing interest. A key feature of that model is that it requires additional reporting by the auditor, in the form of “justification of assessments”.
3. For background and context for M. Manière’s presentation of the survey results, Cédric Gélard (IAASB Member) will highlight and explain key aspects of the audit reporting model in France.
4. Examples of French audit reports are provided in the **Appendix** to this Paper and in **Agenda Item 3-A**, to serve as illustrations of how this additional reporting is done in actual audit reports.

Material Presented

No material is presented for this agenda item.

(M. Manière’s hand-out material for the presentation will be made available to the Board.)

Examples of the Auditor's Report used in France

Example 1: Renault Group (automotive)

The example hereafter illustrates how the "Justification of assessments" paragraph has been used in the context of the financial crisis.

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information presents below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters.

These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report on the consolidated financial statements should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of Renault;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts, and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- For the purpose of preparing the consolidated financial statements, Renault group management makes certain estimates and assumptions concerning, in particular, the value of certain asset, liability, income and expense accounts. **Certain accounting estimates used in the preparation of the consolidated financial statements for the year ended December 31, 2008 were made in a context of economic crisis, leading to reduced visibility of the future and creating conditions specific to this year for the preparation of the financial statements. These general conditions are summarized in note 2-B to the consolidated financial statements. The following consolidated financial statements captions have been valued in an uncertain context:**
 - intangible assets and Property, Plant and Equipment (notes 2-L and 12),
 - investments in associates (notes 2-L, 13 and 14),
 - second-hand vehicles held in inventories and leased vehicles recorded in property, plant and equipment or inventories, depending on the term of the related contracts (notes 2-G, 11-B and 15),
 - sales financing receivables (notes 2-G and 16),
 - deferred tax assets (notes 2-I and 9).
- For all the items detailed above, we assessed the appropriateness of the accounting rules and methods applied and disclosures provided in the notes to the financial statements; we reviewed the consistency of the underlying assumptions, the quantified impact thereof and available documentation and assessed on this basis the reasonableness of estimates made;
- Finally, based on procedures performed and information communicated, we believe that note 26-B1 provides appropriate disclosures of the Group's exposure to liquidity risk;
- Your company also makes estimates regarding, in particular, vehicle warranty provisions (note 2-G), provisions for pensions and other long-term employee benefit obligations (note 20-C) and workforce adjustment provisions (note 7-A). For all such estimates, we reviewed the available documentation and assessed the reasonableness of the assessments made;
- As disclosed in note 13-A to the consolidated financial statements, the Group accounts for its investments in Nissan under the equity method; our audit of the consolidation scope included a review of the factual and legal aspects of the Alliance which serve as the underlying basis for this accounting method;

- As part of our assessment of the accounting methods applied by the Group, we have reviewed the methodology adopted for the capitalization of development costs as intangible assets, their amortization and the verification of their recoverable amount and we satisfied ourselves that these methods were properly disclosed in **notes 2-J and 11-A**.

Such assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with legislation, we also verified the information presented in the Group management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Example 2: BNP Paribas (financial services)

(See the auditor's report extract from published BNP Paribas financial report in Agenda Item 3-A).