



Paris La Defense, October 8, 2012

International Federation of Accountants
International Auditing and Assurance Standards Board
Mr. James Gunn, Technical Director of IAASB
545 Fifth Avenue - 14th Floor
New York NY 10017 USA

Re: IAASB Invitation to Comment on "Auditors Reporting"

Dear Mr. Gunn, dear Sirs,

MAZARS is pleased to submit this letter in response to the request for comments from the IFAC International Auditing and Assurance Standards Board (IAASB), on its Invitation to Comment on "Auditors Reporting".

MAZARS is a unique integrated partnership with a global reach. It operates as one integrated international partnership in 69 countries as of 1st January 2012, with more than 13.000 professionals, led by more than 730 partners, with 15 additional countries where MAZARS is present through correspondents and joint ventures (see MAZARS 2011 annual report together with its more recent updates, its 2011 IFRS joint-audited consolidated financial statements, and all the annual reports published since 2005 on <http://annualreport.mazars.com>).

MAZARS is a member of the International Federation of Accountants' (IFAC) Forum of Firms. MAZARS fully supports, since many years now, the initiatives of IFAC, the Forum of Firms and the Transnational Auditors Committee, to promote high standards in the international practice of auditing. All MAZARS firms and correspondents are committed to support those initiatives.

We want to preface our comments with general consideration that we fully support the implementation of international standards, application and other explanatory materials, and practice statements strengthening the audit quality. MAZARS is therefore fully committed to support the IFAC initiatives, as well as those of the regulators in these areas of common concern.

Our answer is of course in line with the preliminary comments we delivered as panellist at the symposium organized by the IFAC Forum of Firms in New York on October 4, 2012, on perspectives on proposed revisions to auditors reporting, and on the proposals outlined in the IAASB's public consultation, Invitation to Comment (ITC): "Improving the Auditor's (or Auditors) Report".

We would be pleased to discuss our detailed comments submitted hereafter with you and remain at your disposal, should you require further clarification or additional information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Barlet'.

Jean-Luc Barlet
MAZARS Chief Compliance Officer

Overall Considerations

Q1. Overall, do you believe the IAASB's suggested improvements sufficiently enhance the relevance and informational value of the auditor's report, in view of possible impediments (including costs)? Why or why not?

MAZARS believes that most of the IAASB's suggested improvements, including the examples provided, will enhance the relevance and informational value of the auditor's (or auditors') report, while presenting limited possible impediments:

- Placement of the audit opinion at the beginning of the report, in a context where the length of the report is greater, would give certainly appropriate emphasis to the main information of the report, and is coherent with the objective that the audit opinion remain simple, clear and understood by the stakeholders (pass/fail key quality of the audit opinion);
- The term "Auditor(s) Commentary" is certainly not the best one to keep. MAZARS considers that the objective of the IAASB's suggested improvements, i.e. to enhance the relevance and informational value of the audit report, would certainly be better served by a term like "Justification of the Assessment" of the auditor(s), used as an example in France since 2003, (when France's Financial Security Act (*Loi de Sécurité Financière*) of August 1, 2003 imposed this section to "*enable the user of the report to obtain a better understanding of the reasons behind the statutory auditors' opinion on the financial statements*"). For us, the objective is to give substance to the longstanding sentence "an audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements";
- Such developments will add great communicative value to the audit report, if the guidance provided by the IAASB is specific enough and includes additional relevant examples of subject matters. According to MAZARS, they should first focus on:
 - o Significant judgmental aspects (impairment tests, provisions...);
 - o Significant or unusual transactions;
 - o Significant changes, if any, including significant changes in accounting method;
 - o Significant risks that required special consideration from the auditor.
- The proposed going concern paragraph would certainly provide useful additional information to the reader on the appropriateness of the management's use of the going concern assumption: this assessment is already part of the ISA 570 requirements, but the reader is not necessarily aware that a clean opinion includes implicitly such a statement. An explicit representation in the audit report should nevertheless always relate to detailed information provided by the management in the financial statements and notes thereto, thus requesting a significant enhancement of the definitions and of the application material within the financial reporting standards, on concepts related or connected with the going concern assumption. It would certainly be useful to provide enhanced information, especially in an environment as of today of economic and financial crisis, leading to going concern and liquidity risk issues. Except for the issues raised above, we do not see any major impediment resulting from the enclosing of a going concern paragraph as presented in the illustrative report.
- It would certainly be useful for the reader to benefit from information on situations where no material uncertainty (to be defined by the reporting framework) exists, but certain events or conditions nevertheless have been identified that may cast significant doubt (to be defined) on

the entity's ability to continue as a going concern. Two potential impediments could occur: (1) transfer of management responsibilities to the auditor(s), and (2) difficulties in implementation for borderline cases, in order to avoid "self-fulfilling prophecy" bias;

- The suggested statement in relation to other information is also an explicit representation in the audit report of requirements of ISA 720. . Therefore we do not see any impediment, even if we consider that the subject information should be clearly identified and referenced, if not attached to the audit report;
- The enhanced descriptions of the responsibilities of management, TCWG and the auditor in the illustrative audit report are helpful to users' understanding of the nature and scope of an audit;
- It is important to disclose the name of the engagement partner, as currently required in some jurisdictions.
- MAZARS does agree with the IAASB's suggestion to mandate the ordering of the elements for consistency reasons. Indeed, consistency and typical structuring are key for comparability.
- We believe that the IAASB's suggested improvements are appropriate for entities of all sizes and in both the public and private sectors.

It should be clearly stated that the auditor cannot, never, be direct provider of information and thus assume the responsibility of the management of the entity.

On a limited number of topics, we developed different views, and therefore MAZARS do not agree with the following ideas:

- Including in the "Auditor Commentary" the areas in the financial statements the auditor believes are most important: this is not relevant, as the financial statements should be prepared so that these areas are clearly exposed;
- Including in the "Auditor Commentary" the description of the audit procedures and key judgments, and the detail of the high risks of material misstatements: it would be difficult to apply in practice for the reasons exposed in answer to question 5;
- Including the Emphasis of Matter and Other Matter paragraphs inside the "Auditor Commentary" paragraph: we consider that Emphasis of a Matter is part of the Opinion, that should remain clear and simple, and that Other Matter paragraph should be clearly identified in a specific section to avoid any confusion. The guidance should be clear enough so that the Auditor understands when to use Emphasis of a Matter and Other Matter paragraphs, and when to use the "Auditor Commentary".
- Leaving the inclusion of the "Auditor Commentary" in the audit report to the discretion of the auditors for audits of entities other than PIEs: we think that providing "Auditor Commentary" for all audits - when it is relevant and useful for the reader - is helpful for a better understanding of the audit report for all users; nevertheless, by experience, it would be also detrimental to impose a mandatory paragraph for non-PIE audits, that would rapidly become a boiler-plate drafting, and therefore, this "Auditor Commentary" section should be left optional for non-PIE audits;
- Including a paragraph disclosing the involvement of other auditors, the amount of audit work performed by other auditors, whether affiliated or not, and the disclosure of the names and locations of other auditors: this enclosing would be contrary to the objectives and requirements of the clarified ISA 600, and dilute the confidence of the reader in the group auditors opinion;

- Describing in the audit report significant judgments the auditor may have made, and audit procedures the auditor may have performed, in reaching a conclusion that no material uncertainty exists (see going concern topic): we are not in favour of the disclosure of the audit procedures for the reasons exposed in answer to question 5. Moreover, as stated in §31, *“the auditor may find it difficult to avoid disclosing entity-specific information that has not been disclosed by management”*.
- Relocating the paragraph on the auditor’s responsibilities to a website of the appropriate authority, or to an appendix to the audit report: we believe that the audit report must be self-explanatory and stand-alone (of course including the attached financial statements). However, standardized long sentences to explain what an audit is and what an audit is not could be shorter, or left to the end of the report.

See answers to the following questions for more details.

Q2. Are there other alternatives to improve the auditor’s report, or auditor reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others? Please explain your answer.

MAZARS is convinced that the improvements of the auditor’s (or auditors) report proposed by the IAASB be an excellent subject matter for the enhancement of the communication with the management and the audit committee (or more broadly those charged with governance, TCWG), and part of the 2-ways communication promoted by ISA 260, as the draft of the audit report will of course be presented and discussed by the auditors with the management and TCWG.

In this ITC, the IAASB focuses only on the public reporting, but equal attention should be given to the enhancement of the “private” reporting to TCWG, including the audit committee, and we commend the IAASB exploring the need for a written report from the auditors to the audit committee, as foreseen in article 23 of the European Commission proposed regulation on the audit report.

In addition, the IAASB should also explore the rapidly growing demand for integrated reporting (cf. the IIRC initiative), and how should look like an associated “Integrated Information” audit report, as this appears also as a demand for a more readable and accessible, aggregated but layerised (and expandable if needed) information, including in the area of accounting and financial information.

Apart from that, we do not see any other alternatives to improve the audit report, or auditors’ reporting more broadly, that should be further considered by the IAASB, either alone or in coordination with others.

Auditor Commentary

Q3. Do you believe the concept of Auditor Commentary is an appropriate response to the call for auditors to provide more information to users through the auditor’s report? Why or why not? (See paragraphs 35–64.)

Yes, MAZARS considers that the concept of “Auditor Commentary” – even if, as stated above in our comments regarding question 1, the term “Auditor Commentary” is certainly not the best one to keep - is an appropriate response to the call for auditors to provide more information to users through the audit report, if:

- it is not redundant with the information that is disclosed in the financial statements,

- it is not standardized, boiler-plate;
- it is adequately communicated and explained to the Management, TCWG and other stakeholders,
- it is not a description of the work performed by the auditor,
- there is no misunderstanding and confusion with Emphasis of a Matter or Other Matter paragraph, and
- in particular, the “Auditor Commentary” should not replace Emphasis of a Matter or Other Matter paragraph.

As stated above, explaining the audit procedures and analyses leading to the auditors main assessments and thus clarifying the rationale of the opinion issued, highlighting matters that are, in the auditors judgment, likely to be the most important to users’ understanding of the audited financial statements or the audit, certainly bring additional relevant and informational value in the audit report (please refer, as illustrations, to the “free translations” in English of the listed companies audit reports issued in France since 2003, including a “justification of the assessments” paragraph).

See also below the answers or comments to the following questions for more details.

Q4. Do you agree that the matters to be addressed in Auditor Commentary should be left to the judgment of the auditor, with guidance in the standards to inform the auditor’s judgment? Why or why not? If not, what do you believe should be done to further facilitate the auditor’s decision-making process in selecting the matters to include in Auditor Commentary? (See paragraphs 43–50.)

MAZARS believe that the IAASB should definitely give some guidance on the features of the topics that should be highlighted in the “Auditor Commentary”, for efficiency and consistency reasons. The main reason is that if two auditors were asked to audit the same financial statements, the reports that they would sign on those financial statements should not be too different from each other, for reliability and consistency reasons.

So, we consider as a pre-requirement for a successful implementation the release of the adequate guidance and definitions on the topic of the “Auditor Commentary”.

We also would suggest that there is clear guidance with regard to the information of management and those charged with governance about additional information provided by the auditor in their report.

See answer to question 5 for more details.

Q5. Do the illustrative examples of Auditor Commentary have the informational or decision-making value users seek? Why or why not? If not, what aspects are not valuable, or what is missing? Specifically, what are your views about including a description of audit procedures and related results in Auditor Commentary? (See paragraphs 58–61.)

We think that the illustrative reports are very helpful.

However, MAZARS do not agree with the following suggestions:

- . §36 suggests including:

- *“the areas in the financial statements the auditor believes are most important. This would provide a “roadmap” to help users better navigate complex financial reports”*. We do not fully agree with this proposal, since the significant elements of the financial statements should be easily identifiable when reading of the financial statements. Including the highlight of the significant elements of the financial statements could be redundant with the financial statements or MD&A, and could also be considered as applicable to all audited entities, for consistency reasons, because all financial statements involve significant elements. Besides, if the auditor has to help the reader find the areas in the financial statements the auditor believes are most important, it means that the financial statements are not properly presented;
- *“the “roadmap” (...), such as explaining why the auditor considered the matter to be important from an audit perspective and briefly describing the auditor’s procedures and conclusions in those areas”, and an explanation on “how the audit was conducted, and key judgments made by the auditor in planning the audit, such as materiality, the use of experts, or the involvement of other auditors”*. We do not agree with this proposal for several reasons:
 - o it would be diluting the information contained in the audit report, and especially the audit opinion;
 - o it would be very difficult to determine to what extent this topic should be explained. Besides, professional secrecy would be very often used as an argument to include standardized presentation instead of specific and detailed presentation;
 - o it would, in some extreme cases, place the reader in the position of reviewing the auditors work, without the working papers, and in any case, the information provided to him would not be sufficient;
 - o Finally, we do not believe that the reader is interested in the work performed by the auditor: he wants to know whether he can rely on the financial statements or not.
- . §44 suggests including the matters for which the auditor has assessed the risk of material misstatement as high. As stated below, we agree on the idea of the auditor highlighting the significant risks in the auditor commentary. However, we believe that disclosing the high risks of material misstatements would be giving too much information to the reader, including information on the internal control that management itself would often not be disclosing in the financial statements.

As a matter of fact, ISA 315 states in §27: *“As part of the risk assessment as described in paragraph 25, the auditor shall determine whether any of the risks identified are, in the auditor’s judgment, a significant risk. In exercising this judgment, the auditor shall exclude the effects of identified controls related to the risk.”* Giving the list of all high risks of material misstatements will probably diminish the reader’s confidence into the financial statements, and confuse the clear message that a mere opinion currently gives.

The above paragraphs answer to the question of §59.

We believe that, as stated in §38, *“requiring the auditor to provide highly subjective views about the entity or the quality of its financial reporting based on the work done for the audit could blur the roles of management, TCWG and the auditor and may call into question the auditor’s opinion on the financial statements as a whole.”* Moreover, the costs would be really increased, and chances that 2 auditors issue 2 very different reports on the same set of financial accounts would be very high, which would not promote confidence towards the audit report. Objectivity of the audit report is considered by us as a key quality.

We suggest the following guidance on the specific features of the topics that should be highlighted in the “Auditor Commentary” (see question §47):

- Significant judgmental aspects (impairment tests, provisions...),
- Significant or unusual transactions,
- Significant changes, if any, and main impacts if relevant, including significant changes in accounting method, and
- Significant risks that require special consideration from the auditor. The conclusion on those risks is directly in the opinion. Maybe, in order to be more explicit, a sentence should be included in order to conclude on those risks, and to make the link with the opinion, for ex: “our audit work enabled us to respond to those risks and to issue the above opinion.”, for the reader to know that due audit work was performed on those risks.

In each paragraph of the “Auditor Commentary”, we would suggest adopting a typical structure such as Reference in the Financial Statements aggregate and Notes of the Financial Statements,.

The “Auditor Commentary” will certainly provide value to the users. However, as mentioned in §49, it is also important to stress that the auditor must at no time be the original provider of information about the entity.

We also find it important to state the following, taken from §50, although it seems obvious: *“Auditor Commentary should not be used as a substitute for either (a) the auditor expressing a qualified opinion or an adverse opinion, or disclaiming an opinion, when required by the circumstances of a specific audit engagement; or (b) disclosures in the financial statements that the applicable financial reporting framework requires management to make.”* This warning may be difficult to include in the audit report as a footnote. Therefore, we suggest including a positive definition of what is an Auditor Commentary - to be prepared - somewhere in the standard with a reference to it in the audit report

To answer question asked in §42, we consider that Emphasis of a Matter and Other Matter paragraphs should be clearly identified in specific sections to avoid any confusion. It should come between the Basis for Opinion paragraph and the Going Concern paragraph. The guidance should be clear enough so that the Auditor understands when to use Emphasis of a Matter and Other Matter paragraphs and when to use the “Auditor Commentary”.

Therefore, as far as the illustrative examples of “Auditor Commentary” of the illustrative report are concerned, we believe that it is important to mention the areas in the financial statements that are referred to (i.e.: Outstanding Litigation, Goodwill, Valuation of Financial Instruments, Implemented a new system to record revenue, accounts receivable, and cash receipts, which involved the introduction of new accounting software), since these topics are related to significant judgmental aspects, or significant changes, or significant risks. However, we do not believe it is necessary to repeat the disclosures that are already in the financial statements, and to describe the auditors’ response to the risks.

On the paragraph “Involvement of Other Auditors”, see our answer to question 13.

Q6. What are the implications for the financial reporting process of including Auditor Commentary in the auditor's report, including implications for the roles of management and those charged with governance (TCWG), the timing of financial statements, and costs? (See paragraphs 38 and 62–64.)

The cost could be increased as the content of the comment will be subject to discussions with the management and those charged with governance of the audited entity.

Another impediment is that while listing the significant risks will indeed give valuable information to the reader, it may at the same time diminish its confidence into the financial statements, and confuse the clear message that a mere opinion currently gives. That is why we consider that the auditor should not go further than mention the significant risks, and that he should not mention all the risks of material misstatements.

The above paragraph and the answer to the previous question address the questions in §62 and 64.

On the risks considered by the IAASB in §63, our answers are the following:

“While not necessarily impediments, the IAASB has considered a number of risks relating to providing additional commentary in developing its proposed direction:

(a) Auditor’s reports will likely lack comparability, even among entities in the same industry, because no specific matters will be required to be addressed in Auditor Commentary.

On this topic, MAZARS believes that if the necessary guidance is given to the auditor, and if the topics to be addressed are limited to the topics proposed in our above answer, the lack of comparability should be limited.

(b) There is a risk of increasing the expectations gap, to the extent that readers interpret the inclusion of Auditor Commentary as providing assurance on individual accounts or disclosures.

The auditor is already providing assurance on the financial statements, which include individual accounts or disclosures. We do not believe that providing assurance on individual accounts or disclosures gives more assurance or is stronger than providing assurance on the financial statements as a whole.

(c) There may be unintended consequences if the Auditor Commentary makes reference to other information in documents containing the audited financial statements.

The “Auditor Commentary” should refer to the audited financial statements and the financial statements are attached to the audit report. It would only be the case in the specific situation where the auditor wishes to include an Other Matter paragraph. The consequences would therefore be the same as the current consequences of including and Other Matter paragraph in the audit report.

(d) Some users may inappropriately rely on auditor commentary as a substitute for reading the financial statements.

It is the responsibility of the reader. The audit report is in no case the summary of the financial statements.

(e) Auditor commentary could become standardized over time.

Standardization of the Auditor Commentary over time is a risk. However, it is likely that some of the significant risks may be similar from one year to another, and also from one sector to another.

(f) Provision of certain information could compete with management’s disclosures, thereby resulting in “dueling information.”

The two sources of information are complementary and should not be perceived as dueling information.

(g) There may be confidentiality or liability implications to auditors as a result of providing Auditor Commentary, for example when Auditor Commentary includes reference to matters not disclosed by management.”

The auditor should not mention matters that are not disclosed by management. If the auditor considers that a matter not disclosed by management is essential to the reading and understanding of the financial statements, he should then ask management to include the topic in the financial statements.

Globally, we do not foresee so many impediments or risks and the IAASB should move ahead on this initiative.

Q7. Do you agree that providing Auditor Commentary for certain audits (e.g., audits of public interest entities (PIEs)), and leaving its inclusion to the discretion of the auditor for other audits is appropriate? Why or why not? If not, what other criteria might be used for determining the audits for which Auditor Commentary should be provided? (See paragraphs 51–56.)

We are aware that, as mentioned in §52, *“the demands for Auditor Commentary have come primarily from institutional investors and analysts evaluating financial statements of listed entities”, and “there is strong merit in extending the requirement to PIEs (...) because of the growing emphasis being placed on this broader group of entities, in light of the global financial crisis and, for example, in the EC’s legislative proposals”.*

However, we think that providing Auditor Commentary for all audits -when it is applicable- is helpful for general progress and better understanding of the auditor’s report for all users. So we disagree to create “clusters” or sub-groups.

We also believe that in case the auditor thinks that no added value would be brought by any commentary, he should clearly state in the Auditor Commentary paragraph that he has nothing to report in Auditor Commentary, as mentioned in §60, or the whole section could also be suppressed. An Auditor Commentary should be added only if it gives some real added value to the reader. As a matter of fact (answer to question in §56), as seen above, the cost of the Auditor Commentary paragraph is quite high, and the readers may not find it necessary, if they *“already “have access to this type of information through direct interaction with management or TCWG” (§55)*

Also, as mentioned in §61, no minimum number of commentaries should be imposed, but it should be clearly stated in the guidance that *“a lengthy list of matters in Auditor Commentary is likely to diminish the effectiveness of the auditor’s communication about such matters.”*

On the question asked in §57, we believe that for consistency reasons it is important that all the information that should be in the Auditor Commentary according to the IAASB guidance be in the Auditor Commentary paragraph, even if, in certain jurisdictions contexts, this information is communicated to users by other means. On the other hand, if some additional matters are required

to be written in the Auditor Commentary according to the national regulation, they should be written in addition to the Auditor Commentary that is required by the IAASB.

Going Concern/Other Information

Q8. What are your views on the value and impediments of the suggested auditor statements related to going concern, which address the appropriateness of management's use of the going concern assumption and whether material uncertainties have been identified? Do you believe these statements provide useful information and are appropriate? Why or why not? (See paragraphs 24–34.)

We believe that this statement provides some useful information to the reader. As a matter of fact, it is obvious to the auditor, since these statements are part of ISA 570 requirements, but the reader is not necessarily aware that a clean opinion include these statements, and it can be useful to give some explanations, especially in an environment that is affected by major going concern and liquidity risk issues.

We believe that there are no additional costs in disclosing these statements because they are the requirements of ISA 570, which has to be complied with, even if these statements do not currently appear in the auditor's report.

§27 states: *"Because there is a lack of clarity around the concept of material uncertainty, and a need for considerable judgment by both preparers and auditors in determining whether such uncertainties exist, impediments exist in relation to providing this statement."*: if this is going to be an impediment, then it was already an impediment in the application of the current ISA 570. As a matter of fact, §17 of ISA 570 states: *"A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for:*

(a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or
(b) In the case of a compliance framework, the financial statements not to be misleading."

So we believe that including a statement on whether material uncertainties have been identified in the auditor's report will not give rise to a greater impediment compared to the current impediments raised by the mere application of the current ISA 570.

We agree with the suggestion in §28: *"Because the going concern assumption and material uncertainties are different concepts, they have been placed under separate subheadings in the Going Concern section of the illustrative report"* provided that:

- the term is clearly identified in the notes to the financial statements to avoid any confusion between those different concepts:
 - o going concern is clearly related to the 12 months term,
 - o material uncertainties is when after 12 months,
- the auditor does not provide information instead of the entity.

Q9. What are your views on the value and impediments of including additional information in the auditor's report about the auditor's judgments and processes to support the auditor's statement that no material uncertainties have been identified? (See paragraphs 30–31.)

We agree with the enclosing of any information on *“situations where the auditor may have determined that no material uncertainty exists, but certain events or conditions nevertheless have been identified that may cast significant doubt on the entity's ability to continue as a going concern”*, but not on *“describing in the auditor's report significant judgments the auditor may have made, and audit procedures the auditor may have performed, in reaching a conclusion that no material uncertainty exists”*. (§30)

ISA 570 states in §17: *“Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or (b) In the case of a compliance framework, the financial statements not to be misleading.”*

§18 and 19 of ISA 570 then explain that only in the case of a material uncertainty a disclosure should be made in both the financial statements and the auditor's report. Such a requirement does not exist for the situation where certain events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but no material uncertainty exists. But we believe that adding this information would lead to a clearer auditor's report if this is well applied. Otherwise it would cast doubts on the going concern assumption, and the readers may question the auditor's judgment and audit procedures.

On the disclosure of the audit procedures however, our position remains the same as in the above answers, in our comments on §36. Moreover, as said in §31, *“the auditor may find it difficult to avoid disclosing entity-specific information that has not been disclosed by management”*.

The above paragraph answers to the question in § 31.

Q10. What are your views on the value and impediments of the suggested auditor statement in relation to other information? (See paragraphs 65–71.)

We consider that the suggested auditor statement in relation to other information is a disclosure to the reader of the requirements of ISA 720. It does not contain any further requirement for the auditor. We agree with §67 on the idea that *“the specific other information read by the auditor would be explicitly identified”*. Moreover, it is important to state that, as done in the illustrative report, the auditor has not audited this information and does not express an opinion on it. We do not see any impediment to the auditor statement in relation to other information. However, we think that the information on which the auditor has worked on should be clearly identified and referenced, if not attached to the auditor's report.

Clarifications and Transparency

Q11. Do you believe the enhanced descriptions of the responsibilities of management, TCWG, and the auditor in the illustrative auditor's report are helpful to users' understanding of the nature and scope of an audit? Why or why not? Do you have suggestions for other improvements to the description of the auditor's responsibilities? (See paragraphs 81–86.)

We believe that the enhanced descriptions of the responsibilities of management, TCWG and the auditor in the illustrative auditor's report are helpful to users' understanding of the nature and scope of an audit.

Besides, we agree with the vocabulary explanation on reasonable assurance and material misstatements, but there is a need to check that the sentence *“Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists”* will not reduce the reader's confidence in the auditor's opinion.

However, boiler-plate / standardized long sentences to explain what an audit is and what an audit is not could be shorter.

Q12. What are your views on the value and impediments of disclosing the name of the engagement partner? (See paragraphs 72–73.)

We are convinced that it is important to disclose the name of the engagement partner, as currently required by some national legislation such as in France. The main reason is, as stated in §72, to clearly identify the responsibility of the partner in charge of the conduct of the audit. We also believe it increases the confidence from the stakeholders to know that an individual person is signing the auditor's report.

We do not believe that the disclosure of the name of the engagement partner would reduce the responsibility of the firm, as stated in §73, but there is indeed a risk of *“increased legal liability for the engagement partner in some jurisdictions”*.

Q13. What are your views on the value and impediments of the suggested disclosure regarding the involvement of other auditors? Do you believe that such a disclosure should be included in all relevant circumstances, or left to the auditor's judgment as part of Auditor Commentary? (See paragraphs 77–80.)

We do not agree with the idea of including a paragraph disclosing the involvement of other auditors, and the amount of audit work performed by other auditors, whether affiliated or not. As a matter of fact, such disclosures are against the objectives and requirements of the revised and clarified ISA 600. The notion of “related” / “unrelated” has been deleted in the revised and clarified ISA 600.

§11 of ISA 600 states: *“The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement in compliance with professional standards and applicable legal and regulatory requirements, and whether the auditor's report that is issued is appropriate in the circumstances. As a result, the auditor's report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor's report shall indicate that the reference*

does not diminish the group engagement partner's or the group engagement partner's firm's responsibility for the group audit opinion".

The only responsible for the audit of the group is the group engagement partner. The mere disclosure of the involvement of other auditors, and the amount of audit work performed by other auditors diminishes in itself the responsibility of the group auditor, and also the confidence of the reader in the group auditor's opinion.

Besides, the calculation of the percentages could be highly subjective: in the report, it is suggested that the audit hours be the basis of this calculation. Other could take the turnover, or the EBIT. If, against the content of ISA 600, this option should be adopted, some very strict rules would have to be defined in order to avoid any manipulation (i.e. choice of the most suitable basis/aggregates for the calculation of the percentages).

We absolutely do not agree with the proposal in §80 of the disclosure of the names and locations of other auditors. It is the group auditor's work, according to ISA 600 and in particular its §19, to understand the component auditors in order to determine whether he is going to rely on his work and, if yes, the extent of its involvement in the component auditors' work. The disclosure of the names and locations of other auditors would absolutely dilute the opinion on the group financial statements, since the readers may start questioning the competence of the component auditors, and they may be reluctant to rely on the group auditor's opinion, all the more so as they would not be aware of the involvement of the group auditor in the work of the component auditors, which can vary a lot from one component auditor to another.

Q14. What are your views on explicitly allowing the standardized material describing the auditor's responsibilities to be relocated to a website of the appropriate authority, or to an appendix to the auditor's report? (See paragraphs 83–84.)

We do not necessarily agree on the potential relocation of the auditor's responsibilities to a website of the appropriate authority (but it could be a pedagogical solution, finally), or to an appendix to the auditor's report. We believe that the auditor's report must be self-explanatory and stand-alone. The readers will barely read an appendix, and will probably not take time to consult any website. If this information is considered to be less important, then, it should simply be removed from the auditor's report.

Form and Structure

Q15. What are your views on whether the IAASB's suggested structure of the illustrative report, including placement of the auditor's opinion and the Auditor Commentary section towards the beginning of the report, gives appropriate emphasis to matters of most importance to users? (See paragraphs 17–20.)

We agree with the suggested structure of the illustrative report. We believe that it is important that the auditor's report begin with its conclusion and most important element: the opinion on the financial statements.

Q16. What are your views regarding the need for global consistency in auditors' reports when ISAs, or national auditing standards that incorporate or are otherwise based on ISAs, are used? (See paragraphs 21–23 and 87–90.)

We do agree with the IAASB's suggestion to mandate the ordering of the elements for consistency reasons in §17. Indeed, consistency and comparability (§21) are key.

If the auditor has to add information in order to comply with national requirements, he should add them inside the IAASB proposed pattern, or, if it is a totally different subject, at the end of the report. The IAASB pattern must be the compulsory basis for all auditors' reports that are compliant with the IAASB's requirements.

Q17. What are your views as to whether the IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report, unless law or regulation require otherwise? Would this provide sufficient flexibility to accommodate national reporting requirements or practices? (See paragraph 17 and Appendix 4.)

The IAASB should mandate the ordering of items in a manner similar to that shown in the illustrative report (Please refer to the answer to question 16). We believe that it would still provide sufficient flexibility to accommodate national reporting requirements or practices.

As far as appendix 4 is concerned, we believe that it gives too many opportunities for tailoring, which, if performed, would really reduce consistency and comparability between the auditor's reports of different jurisdictions.

Q18. In your view, are the IAASB's suggested improvements appropriate for entities of all sizes and in both the public and private sectors? What considerations specific to audits of small- and medium-sized entities (SMEs) and public sector entities should the IAASB further take into account in approaching its standard-setting proposals? (See paragraphs 91–95.)

We believe that the IAASB's suggested improvements are appropriate for entities of all sizes and in both the public and private sectors.

The IAASB could help the auditors of SMEs by providing criteria / precisions on the scalability and how to adapt the Auditor report and in particular the Auditor Commentary paragraph. This could be provided directly in the future standard and also in the next update of the IFAC SME guides in the examples (Volume 2).

To answer question 1 asked in §95, the need for transparency on the public entities is a valuable reason for the additional work effort that would be required from the auditor through the application of the Auditor Commentary.

To answer question 2 asked in §95, we believe that public sector entities should be included in a definition of PIEs.

We see no further considerations specific to audits of small- and medium-sized entities (SMEs) and public sector to be taken into account by the IAASB in approaching its standard-setting proposals.