The « Compagnie Nationale des Commissaires aux comptes » (CNCC) and the « Conseil Supérieur de l’Ordre des Experts-comptables » (CSEOC) are pleased to submit to the Compliance department their comments on the ED on the revision of the SMOs.

The two French member bodies of IFAC have been founded on different sets of French legislation, with uneven capacities and are directly related to two different Departments of the French Administration. If they both do their best endeavors to implement the SMOs, they cannot provide exactly the same comments on each of the revised statements. Nevertheless, they have decided to provide this joint response to the exposure draft submitted by the IFAC Board.

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As a preliminary general comment, we consider the proposed revision of the SMOs as an improvement to the extent. The revised SMOs are clearer and more precise. They better take into account the diversity of legal and regulatory systems existing throughout the world to adopt and implement standards and, consequently, the various levels of responsibility which the institutes can have in such adoption and implementation.

With respect to the drafting of the SMOs, we wish to provide firstly:

- some comments on certain elements which are common to all the SMOs (boiler plate language), such as the applicability framework, the notion of adoption etc... and secondly;
- Some detailed comments for each of the individual SMO.

General comments:

On the applicability framework, we consider the sentence "or otherwise implied through general consensus" to be unclear. It could be deleted to simply state: "the mandate given to the IFAC member body or otherwise implied through general consensus specifies that it is responsible...

On the "adoption", we consider the first sentence to be unclear. We do not understand what is meant by: adoption is concerned with the decision? And with the actions necessary to effect those decisions? That sentence needs redrafting in order to clarify it.
On that same paragraph on “adoption”, we have another more substantial point. We consider that having a public exposure at national level, is not proportionate when an ED has already gone through the entire due process and been exposed at international level. What is an exposure draft at national level going to add, knowing that the public exposure at international level has already enabled in every country all those who wished to respond to do so? Consequently, we recommend to suppress the notion of public exposure from the paragraph on “adoption”.

**Detailed comments:**

**SMO 1: quality assurance**

*CNCC:* We have no specific comments to the suggested changes proposed in the exposure draft of the SMO 1 although we consider that it is sometimes unclear to understand when the SMO is dealing with external inspections and when it is dealing with the internal quality control of the firm.

*CSOEC:* We agree with the suggested changes proposed in the exposure draft of the SMO 1. As we have explained before in responding to the assessments, CSOEC has a direct responsibility for the area covered by this SMO.

**SMO 2: International Education standards for professional accountants and other IAESB Guidance**

We agree with the suggested changes proposed in the exposure draft of the SMO 2 related with the International Education Standards.

The two French member bodies, OEC and CNCC, recognize themselves in the third level of responsibility, shared responsibility, for meeting requirements in this SMO 2. For the CSOEC, it shares this responsibility with the Ministry of Higher Education who master and deliver the accounting diplomas including the final “Diplôme d’expertise comptable” (DEC). For the CNCC, the Ministry of Justice is responsible for delivering the “Certificat d’aptitude aux fonctions de commissaire aux comptes” (CAFCAC), the specific route to become “Commissaire aux comptes”.

Besides, the Ministries which supervise the French member bodies, the Ministry of Economy, Finance and Industry and the Ministry of Budget for the OEC, the Ministry of Justice for the CNCC, the “Haut Conseil du Commissariat aux Comptes, (H3C)” (oversight authority set by the Ministry of Justice) for the CNCC, is also involved in the educational route for the “commissaires aux comptes” (CAFCAC).

The two French member bodies have responsibility for the three years practical experience (IES 5) which is mandatory for the DEC and for the CAFCAC. The organization, supervision and assessment of this training period have been totally assigned to the OEC and the CNCC.

The OEC has direct responsibility for the continuing professional development (CPD) of his members but the approach is included in the Code of ethics published by decree in 2007. The CPD is mandatory for the OEC members. The respect of this obligation is verified through the Quality control.

As regard the CPD for “commissaires aux comptes”, it is required by French Law. The number of hours of CPD declared by the “commissaires aux comptes” individually is verified through the inspection process by the H3C for firms auditing PIÉs and by the CNCC for firms auditing non PIÉs.

As regards the new proposals SMO 2, OEC and CNCC reaffirm their compliance with the IES. The two educational routes have been fully revised in 2006 and 2009 for the DEC, and in 2012 for the
CAFCA (legal texts have been approved and should, subject to final clearance by the “Conseil d’Etat, be published soon).

The two educational routes, DEC and CAFCA, comply also with the European directive on audit and with the European “Common Content” model.

The OEC and the CNCC welcome the process to facilitate the implementation of clearer IES and will keep on giving high priority to education and development of rules and guidance.

SMO 3: International standards, related practice statements and other papers issued by the IAASB

CNCC: We agree with the proposed changes in SMO3. The CNCC has shared responsibility on the auditing standard setting since it prepares the standards which are endorsed by the Ministry of Justice after having received advice from the H3C.

CSOEC: We agree with the suggested changes proposed in the exposure draft of the SMO 3 although as we have explained before in responding to the assessments, CSOEC has shared responsibility with the Ministry of economy for adopting auditing standards for contractual audits and reviews of historical financial information and other assurance and related services engagements. CSOEC has adopted a large part of the pronouncements of the International Auditing and Assurance Standards Board (IAASB) and is planning to further develop convergence with these pronouncements.

SMO 4: IESBA Code of Ethics for Professional Accountants

CNCC: We agree with the suggested changes proposed in the exposure draft of the SMO 4 although as we have explained before in responding to the assessments, CNCC has no responsibility regarding the applicable code of ethics which is set out and endorsed by our Ministry of justice.

Regarding IFAC compliance assessment in principle we agree with the suggested drafting, although previous experiences have demonstrated that public authorities in France remain very reluctant to consider the Code of Ethics to any extent. Therefore a specific commitment regarding an action plan and an internal agreement on a timetable for achieving compliance seems difficult.

CSOEC: We agree with the suggested changes proposed in the exposure draft of the SMO 4 although similar to the CNCC, CSOEC has no responsibility regarding the applicable code of ethics which is set out and endorsed by our Ministry of economy.

We share the comment of the CNCC with respect to any commitment for achieving compliance with the Code of Ethics.

SMO 5: International Public Sector Accounting Standards and others IPSASB Guidance

We agree with the suggested changes proposed in the exposure draft of the SMO 5 although as we have explained before in responding to the assessments, the French accountancy bodies (CNCC and CSOEC) have no responsibility for public sector standards.

In France, public sector accounting is the responsibility of the Public Sector Accounting Standards Council (Conseil de Normalisation des Comptes Publics (CNOCP)), an advisory body under the authority of the Budget Minister. The CNOCP is independent from the French accountancy bodies (CNCC and CSOEC).
Regarding the International Public Sector Accounting Standards (IPSAS), they have not been adopted in France but are an important source of reference in the national standard-setting process.

As we have underlined in our Action Plan updated in December 2011, the French accountancy bodies (CNCC and CSOEC) use best endeavors to:

- participate in the international accounting standard-setting process, notably by participating in the working groups set up by CNOCP to comment the exposure-drafts and other public consultations issued by International Public Sector Accounting Standards Board (IPSASB);
- promote the IPSAS and the IPSASB’s activities to the CNOCP.

**SMO 6: Investigation and discipline**

**CNCC:** We agree with the suggested changes proposed in the exposure draft of the SMO 6 although as we have explained before in responding to the assessments, CNCC has no responsibility regarding the conception and implementation of the disciplinary regime and investigations which are outside of the profession. We remind you that in France, the investigative and disciplinary regime and proceedings are provided by law and under the supervision of the Ministry of justice.

**CSOEC:**

We agree with the suggested changes proposed in the exposure draft of the SMO 6 although as we have explained before in responding to the assessments, CSOEC has no responsibility regarding the conception and implementation of the disciplinary regime and investigations. We remind you that in France, the investigative and disciplinary regime and proceedings are provided by law.

The Regional Chambers of Discipline, which are legally independent from the CSOEC, have legal responsibility for investigating and disciplining CSOEC members for breaches of the rules, in accordance with the ordinance 45-2138 of 19.09.45, decree 45-2370 of 15.10.45 and other related regulations. A minority of professionals are represented within these disciplinary bodies, which are supervised by the Magistrates who chair them. CSOEC members can lodge appeals with the National Chamber of Discipline. An appeal against their decisions is possible before the administrative French Supreme Court. The disciplinary system for CSOEC members meets most of SMO 6 requirements and no regulatory changes are expected.

It must be noted that Regional and National Chambers of Discipline are fully integrated into the French judicial system with public hearings.

**SMO 7: International Financial Reporting Standard**

Globally we agree with the suggested changes proposed in the exposure draft of the SMO 7 although as we have explained before in responding to the assessments, CNCC has no responsibility regarding the development, adoption and implementation of IFRSs issued by IASB, an independent standard-setting body. We remind you that IFRSs are endorsed by the European Union and are mandatory for the preparation of consolidated financial statements of listed companies in accordance with the European Union Regulation 1606/2002.

We have some concerns that the scope in SMO 7 is larger than the scope of the European Regulation because SMO 7 refers to public interest entities as defined by the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (IESBA).

As application of IFRSs by entities other than those defined in the European Regulation is under the responsibility of the French government, neither the CNCC nor the CSOEC has any responsibility to
extend the application of IFRSs in all public interest entities other than listed companies as defined by European Union Regulation 1606/2002.

**Detailed comments:**

We think that it should be added in the explanatory memorandum in the paragraphs “Summary of changes in individual SMOs” the following paragraph to SMO 7 (as it has been added for SMO 5):

>“While it is recognized that a relatively small number of IFAC member bodies and associates have direct responsibility for IFRSs, it is proposed that the SMO has the same structure as the other standard-setting SMOs. It is believed that the proposed applicability framework allows the SMO to sufficiently reflect the fact that most IFAC member bodies and associates do not have responsibility for this area.

....

>Furthermore, the application guidance was expanded to encourage the use of IFRS for SMEs as a possible standard for non-public interest entities by IFAC member bodies that have direct responsibility for adopting and implementing accounting standards”

In addition to the general comments expressed in the beginning of this letter on the “applicability framework” and the notion of “adoption”, we propose the following amendment to the text of SMO 7 so as to clarify one point:

**Requirements and Application Guidance**

12. IFAC member bodies that have direct responsibility for adopting and implementing International Financial Reporting Standards (IFRSs) are encouraged to consider the use of IFRS for SMEs in relation to non-public interest entities [...] .

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Sincerely yours,

Claude Cazes
Président de la Compagnie Nationale des Commissaires aux Comptes

Agnès Bricard
Présidente du Conseil supérieur de l’Ordre des Experts-Comptables