



Mr James Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York 10017

C/C : David Damant

Date : July 31th 2006

Re : Exposure draft of ISA 600 (revised and redrafted)

Dear Mr Sylph,

The French Financial Executives Association (DFCG) appreciates the opportunity to comment on the IAASB Exposure Draft of the proposed International Standard on Auditing (ISA) ISA 600 (revised and redrafted) : « The Audit of Group Financial Statements » dated March 2006.

Overall, we support the proposed standard and do not have significant concerns. In particular, we welcome the elimination of the distinction between related and unrelated auditors, as in last year's version such distinction had been a source of concern for us.

We would also like to highlight that we were impressed by the positive changes resulting from the redrafting of the proposed revised standard. In our view, they clearly demonstrate the relevance and benefits of the Clarity project. We consider that as it is now redrafted the proposed standard will result in much easier appropriation and will enhance consistent application.

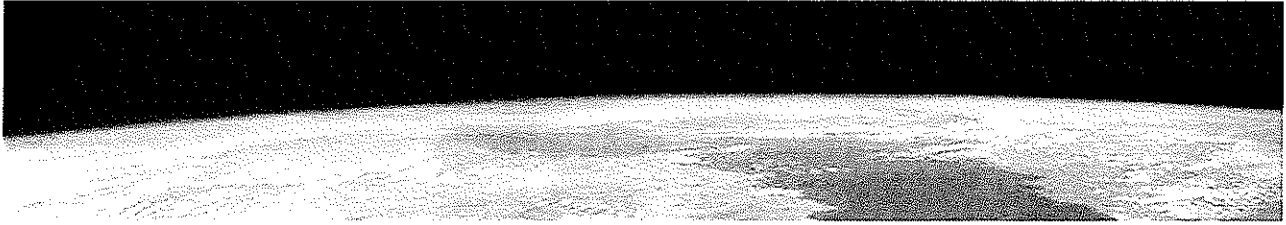
Our detailed comments are set out in the appendix to this letter.

We hope you will find them helpful. Should you have any questions, please do not hesitate to contact us.

Sincerely yours.

A handwritten signature in black ink, appearing to read 'Jean-Luc Peyret', written over a large, stylized, looped flourish.

Jean-Luc Peyret
Head of accounting chapter



**Comments on the exposure draft of the proposed International Standard on Auditing (ISA) 600
(revised and redrafted) « The Audit of Group Financial Statements »**

Pilot for this exercise : Nicole RUEFF

1 - Proposal to eliminate the distinction between related and unrelated auditor

We fully are in agreement with the proposal to remove the distinction between related and unrelated auditors, as such distinction was our main concern about the former exposure draft of ISA 600 (revised).

2 - The effect of such elimination on the procedures that the group auditor performs in relation to the work of other auditors.

We support the substance and wording of the proposed requirements.

3 - Proposed definitions

3 – 1. Group auditor

On a conceptual basis, we agree with the proposed definition which adapts the definition of auditor and engagement partner (cf. glossary of terms) in the context of the audit of group financial statements. However we would like to draw the Board's attention to a possible inconsistency in the proposed wording. In our view the definition should be as follows :

Group auditor – The audit firm or the engagement partner who is responsible for the performance of the group audit and for the auditor's report on the group financial statements issued on behalf of the group engagement partner's firm. [...]

3 – 2. Member of the engagement team under the direct supervision of the group engagement partner and other auditor or another auditor

We agree with the proposed definitions.



4 - Application of the proposed clarity drafting conventions

4- 1. *Appropriateness of the objective to be achieved by the auditor (paragraph 6 of the proposed ISA)*

We consider that indicating the objective to be achieved by the group auditor is a major improvement on the previous exposure draft. In our view, as stated in paragraph 6 the objective is appropriately defined.

4 – 2. *Appropriate and consistent application of the guidelines identified by the IAASB for determining whether a requirement should be specified been applied*

As preparers we are not in a position to evaluate whether the guidelines identified by the IAASB have been correctly applied. Nevertheless, we wish to mention that we view the resulting set of requirements as understandable, involving no overlapping or omission in its provisions, and comprehensive. As such, we consider it provides the necessary rules for a consistent application in the performance of group audits.

5 - Other comments

Definitions

The proposed ISAs alternatively uses the terms “significant component” or “individually significant component”. We believe that the consistent use of terms will make the appropriation and application of the standard easier. Hence, we suggest that a component deemed significant due to its nature and circumstances, or to its individual financial significance to the group, be systematically referred to as an ***individually significant component***.

Application material and appendix 2

We suggest that the minutes of interviews with group management, field management and staff concerning the performance and effective monitoring of controls should be included as evidence material upon which the group auditor obtains an understanding of the group’s environment and shall assess the risk of material misstatements.

Along the same line of reasoning, we consider the application material and guide should explicitly indicate that the process includes a review of the legal structure of the entities comprised in the group and cash management procedures and controls.

Appendix 3

The list of examples of Conditions or Events that may indicate risks of material misstatement of the Group Financial Statements (Paragraph A25) may be too restrictive and should be supplemented by the following :

- **The existence of large or frequent cash transactions with insufficient documentation and/or apparently unrelated to business activities**
- Business activities of components that involve high risk, such as **capital intensive activities, long-term contracts, large contracts with success fees provisions, operating in countries rated as high risk countries**, or trading in innovative or complex financial instruments



- Complex legal structures

Appendix A 5 § Other information

In our view the list of matters to be reported to the group auditor should specifically mention tax and legal matters as well as cash management and significant cash transactions.