



IFIAR 2018 Member Profile – H3C

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>France</p>		
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p><i>Haut Conseil du Commissariat aux Comptes / High Council for Statutory Audits</i></p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>H3C Website : www.h3c.org</p> <p>Address: Haut Conseil du Commissariat aux Comptes (H3C) 10 rue Auber 75009 Paris FRANCE</p> <p>Fax: +33 1 44 51 09 35</p> <p>Contact Person(s) :</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ Eric BAUDRIER Director General Tel: (33) 1 44 51 09 38 Email: eric.baudrier@h3c.org </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ▪ Melissa ANDRADE GOMES International Division Tel: (33) 1 44 51 08 85 Email: melissa.andradegomes@h3c.org </td> </tr> </table> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The H3C is a high-level independent public authority, created by the <i>Loi de Sécurité Financière</i> (Financial Security Law) on 1st August 2003. The role and responsibilities of the H3C over the audit profession in France are defined and set out by law and decree in the <i>Code de commerce</i> (Commercial Code).</p>	<ul style="list-style-type: none"> ▪ Eric BAUDRIER Director General Tel: (33) 1 44 51 09 38 Email: eric.baudrier@h3c.org 	<ul style="list-style-type: none"> ▪ Melissa ANDRADE GOMES International Division Tel: (33) 1 44 51 08 85 Email: melissa.andradegomes@h3c.org
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¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



	<p>The mission and responsibilities of the H3C cover:</p> <ul style="list-style-type: none"> ➤ Registration of statutory auditors, including third country auditors and audit firms, and the maintenance of registration lists; ➤ Adoption of standards relating to audit, ethics, and internal controls, as well as professional best practices; ➤ Definition of the general guidelines and various fields for continuing education, as well as overseeing their compliance by statutory auditors; ➤ Inspections: the definition of the framework and guidelines for inspections, the conduct of PIE and non-PIE auditor inspections (possibility to delegate certain non-PIE inspections), with the ability to issue recommendations in the follow-up of inspections; ➤ Decisions on specific individual matters relating to the audit mandate and threshold of audit fees for non-audit services; ➤ Enforcement: the conduct of investigations and adoption of sanctions; ➤ Hearings on audit fee disputes ➤ Cooperation with EU and non-EU counterparts ➤ Market monitoring of PIE statutory audits in France <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>		
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The H3C Board is composed of 14 members who are appointed by decree for 6-year terms, as set out in Article L. 821-2 of the Commercial Code:</p> <p>Four magistrates:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> - a member of the <i>Cour de cassation</i> (French Supreme Court) who chairs the <i>Haut Conseil</i> </td> <td style="width: 50%; vertical-align: top;"> - Ms. Christine GUÉGUEN (Chair) </td> </tr> </table>	- a member of the <i>Cour de cassation</i> (French Supreme Court) who chairs the <i>Haut Conseil</i>	- Ms. Christine GUÉGUEN (Chair)
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² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p>- two magistrates of the judicial order, one of whom chairs the Disciplinary Board formation</p> <p>- a member from the <i>Cour des comptes</i> (French National Audit Office)</p> <p>The Chairman of the <i>Autorité des marchés financiers</i> (AMF - French Financial Markets Authority) or his representative</p> <p>The Chairman of the <i>Autorité de contrôle prudentiel et de résolution</i> (ACPR - French Prudential Supervision and Resolution Authority) or his representative</p> <p>The Director-General of the Treasury Department of the Ministry of Finance or his representative</p> <p>A university professor specialized in legal, economic or financial matters</p> <p>Four experts in economic and financial matters;</p> <p>- in the field of public offerings and entities whose securities are admitted to trading on a regulated market,</p> <p>- in the field of banking and insurance</p> <p>- in the field of SMEs, private entities with an economic activity and non-profit associations</p> <p>- in the area of national and international accounting matters</p> <p>Two former statutory auditors;</p> <p>A Government Commissioner, represented by the Director of Civil Affairs or his/her representative, sits on the Board with consultative powers. The current Government Commissioner is Ms. Thomas ANDRIEU.</p>	<p>- Mr. Jean-Pierre ZANOTO (Chair of the Disciplinary Board)</p> <p>- Ms. Marie-Laure BELAVAL</p> <p>- Mr. François-Roger CAZALA</p> <p>- Mr. Robert OPHÈLE</p> <p>- Mr. François VILLEROY DE GALHAU</p> <p>- Mme. Odile RENAUD-BASSO</p> <p>- Ms. Dorothée GALLOIS-COCHET</p> <p>- Mr. Philippe CHRISTELLE</p> <p>- Mr. Gérard GIL</p> <p>- Ms. Caroline WEBER</p> <p>- Mr. Jacques ETHEVENIN</p> <p>- Ms. Fabienne DEGRAVE</p> <p>- M. William DI CICCO</p>
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	<p><u>H3C Executive Officers</u> :</p> <p>Chair of the Board : Ms Christine GUEGUEN</p> <p>Director General : Mr. Eric BAUDRIER</p> <p>Head of Enforcement / Rapporteur General : Mr. Thierry RAMONATXO</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The composition requirements for the H3C Board are as set out above and within Article L. 821-2 of the Commercial Code. The Board members are subject to a 3-year cooling-off period prior to their appointment from having conducted any statutory audit activities, or having held any voting rights, or having taken part in the administrative or supervisory body or having been employed by an audit firm (<i>Article L. 821-3(I) of the Commercial Code</i>).</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>N/A</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>There is a recusal process through various safeguards against conflicts of interest. These are implemented through French laws and regulations, such as the Commercial Code and the H3C internal regulations. Article</p>



	<p>L821-3 requires a 3-year cooling-off period. It is also set out under French law that no Board member may deliberate on any matter which could lead to a conflict of interest.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (e.g., in a management or inspection function)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The H3C is financially independent and adopts its budget on the basis of a proposal from the Chair of the Board. The funding arrangements of the H3C, as well as the fee levels, are set out under Art. L821-5 of the Commercial Code which provides that fixed and proportional levies are to be collected from the audit profession.</p>
	<p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The fee levels are fixed by virtue of law and decree.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p>
	<p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p>



	<p>The 5 largest audit networks operating in France are inspected on an annual basis. Other PIE audit firms are inspected every 3 years (or 6 years for smaller firms), and non-PIE audit firms are inspected every 6 years.</p>																																																		
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>The term “auditor” used below encompasses both individual and audit firms.</p> <p><u>Number of auditors to be inspected</u> : 6 603 (of which 592 are PIE auditors and 6 011 non-PIE auditors)</p> <p><u>Number of public interest audit engagements</u> :</p> <p><i>(Kindly take note that the figures below are as declared on an annual basis by the French auditor population and take into account the French joint audit system, meaning that one audit engagement may be held by two audit firms)</i></p> <table border="1" data-bbox="560 1070 1417 1637"> <thead> <tr> <th colspan="5">PIE auditors</th> </tr> <tr> <th></th> <th>The 6 largest auditors in France</th> <th>Auditors > 20 PIE engagements</th> <th>Auditors < 20 PIE engagements</th> <th>Total of PIE auditors inspected</th> </tr> </thead> <tbody> <tr> <td>Number of auditors inspected</td> <td>5</td> <td>84</td> <td>16</td> <td>105</td> </tr> <tr> <td><i>% of inspected auditors</i></td> <td>-</td> <td>-</td> <td>-</td> <td>18%</td> </tr> <tr> <td>Number of engagements held by the auditors inspected</td> <td>66 715</td> <td>16408</td> <td>186</td> <td>83 309</td> </tr> <tr> <td>Number of engagements reviewed during inspection</td> <td>95</td> <td>235</td> <td>33</td> <td>363</td> </tr> <tr> <td><i>% of engagements reviewed</i></td> <td>0,1 %</td> <td>1,4 %</td> <td>18 %</td> <td>0,4 %</td> </tr> <tr> <td>Number of PIE engagements held by the auditors</td> <td>2 019</td> <td>274</td> <td>17</td> <td>2 310</td> </tr> <tr> <td>Number of PIE engagements reviewed</td> <td>74</td> <td>125</td> <td>16</td> <td>215</td> </tr> <tr> <td><i>% of PIE engagements reviewed</i></td> <td>3%</td> <td>46%</td> <td>94%</td> <td>9%</td> </tr> </tbody> </table>	PIE auditors						The 6 largest auditors in France	Auditors > 20 PIE engagements	Auditors < 20 PIE engagements	Total of PIE auditors inspected	Number of auditors inspected	5	84	16	105	<i>% of inspected auditors</i>	-	-	-	18%	Number of engagements held by the auditors inspected	66 715	16408	186	83 309	Number of engagements reviewed during inspection	95	235	33	363	<i>% of engagements reviewed</i>	0,1 %	1,4 %	18 %	0,4 %	Number of PIE engagements held by the auditors	2 019	274	17	2 310	Number of PIE engagements reviewed	74	125	16	215	<i>% of PIE engagements reviewed</i>	3%	46%	94%	9%
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	<p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>The 5 largest networks in France hold up to 87% of the 2 310 PIE audit engagements in France.</p> <p><i>(Extract from a H3C Publication: H3C Report on the French statutory audit market, published on 31 May 2017. Statistics provided are on the basis of data collected as of 31 December 2016)</i></p>																																																		



<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>N/A</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>29 March 2017: The H3C internal regulations adopted by the Board were published in the Official Journal</p> <p>30 March 2017: The H3C and the CNCC signed an agreement on financial exceptions with regards H3C-delegated tasks to the CNCC</p> <p>14 April 2017: The French Professional Code of Ethics was published in the Official Journal and became effective as of June 1, 2017</p> <p>25 April 2017: The H3C-CNCC delegation agreements in relation to registration and non-PIE inspections were approved by the Minister of Justice</p> <p>3 May 2017: The H3C-CNCC delegation agreement in relation to monitoring of continuing training was approved by the Minister of Justice</p> <p>31 May 2017: The H3C published its 2016 Annual Report</p> <p>24 July 2017: The 2017 inspection program was made public</p>