



Mr. J. Gordon Seymour
Office of the Secretary
Public Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006-2803
United States of America

February 2nd, 2009

Subject : PCAOB Rulemaking Docket Matter n°027 - Request for public comment on proposed amendment to Rule 4003 concerning the timing of certain inspections of non-US firms and other issues relating to inspections of non-US firms

Dear Mr. Seymour,

The CNCC ("Compagnie Nationale des Commissaires aux Comptes", the French Body of statutory auditors) is very pleased to have the opportunity to provide its comments on the proposed amendment to Rule 4003 of the Public Company Accounting Oversight Board (the "PCAOB" hereafter) concerning the timing of certain inspections of non-US firms and other issues relating to inspections of non-US firms.

The CNCC strongly supports the goal of the PCAOB to improve the quality of the inspections, on a longer term. CNCC nevertheless considers that mutual recognition and full reliance on third country public oversight bodies is the only practicable solution. As there are convergences between the proposed policy statement Rule 4012 and the provisions of the EU Audit Directive, the CNCC strongly urges the US and non-US oversight systems to strive to work towards reaching reciprocity, harmonization, and cooperation to better inspection process, even when full reliance cannot be achieved in the short term.

The significant benefits from a true "full reliance" approach would be increased opportunities to expand the focus of inspections on audit quality thereby better protecting investors, cost savings for oversight bodies and audit firms through the elimination of duplication of inspections, but also to prevent significant conflicts of laws and regulations for companies and audit firms, by recognizing the sovereignty of third countries.

In Europe, and therefore France, audit firms cannot be considered as responsible for the delay in PCAOB inspections, as adequacy decision of the European Commission has to take place first, in accordance with Article 47 of the Audit Directive. Moreover, in France, conflicts of law should be avoided, as due to strong French professional Secrecy laws, they cause a major issue.

... / ...

If, as stated in page 16 of the proposed document, “a registered firm's failure or refusal to provide requested information is a violation of Rule 4006 and is inconsistent with the condition reflected in Section 102(b)(3)” and “the Board could impose disciplinary sanctions in any case where a violation of Rule 4006 is established”, with the associated footnote 35 of a particular concern in this respect, underlining that “the Board does not view non-U.S. legal restrictions or the sovereignty concerns of local authorities as a sufficient defense in a Board disciplinary proceeding instituted under Section 105(c) of the Act for failing or refusing to provide information requested in an inspection”, then the PCAOB Proposed Rule Amendments would force the French firms to choose between violating either their home country laws and regulations, or the PCAOB Rules. It is not for the firms to make this choice.

The CNCC respectfully submit its detailed comments below, and commend the Board for the transparency of its rule deliberation process.

1 – CNCC comments on whether there are other factors that should be treated as a reason to consider moving an inspection to an earlier year (page 13).

In general, the CNCC agrees with the Board’s approach in regard to the proposed extension of the deadline for some 2009 inspections as well as with the factors that may cause the acceleration of some of these inspections. The CNCC strongly urges the PCAOB and the non-US oversight systems to find common grounds in the area of jurisdiction-level work.

2 – CNCC comments on whether it is appropriate that the PCAOB maintain on its web site an up-to-date list of all registered firms that have not yet had their first inspection as a means to provide public transparency related to delayed inspections. Are there other suitable alternatives (page 14)?

The CNCC disagrees with the Board’s approach in regard to “web-listing” non-US firms that have not been inspected within the SOA required schedule. Although it may be consider more transparent, a “Web-listing” of non-US firms may be viewed as a negative mark against firms which have not yet been reviewed.

The CNCC believes that web-listing non-US firms in order to provide public transparency related to delayed inspections will be counter-productive and its costs will outweigh its benefits. Non US oversight systems may take reciprocal measures if this idea is implemented which can threaten the spirit of cooperation built since the inception of the board.

3 – CNCC comments on whether and how the fact of a non-U.S. legal restriction or sovereignty concern should be factored into the Board's consideration of the appropriate sanction to impose for a violation of Rule 4006 (page 16).

See comments above.

... / ...

In addition, the CNCC believes strongly that the Board and its non-US counterparts must exhaust all of the jurisdiction-level work before reaching the point of mutual disciplines and remedial sanctions. Non-US oversight systems that raise non-cooperation with the Board on legal restriction or sovereignty grounds are not doing so gingerly. It is a fundamental issue of legal sovereignty.

4 – CNCC comments on whether there are possible rulemaking approaches that would help address aspects of the problems created by a refusal to produce information (page 17).

The CNCC does not believe that there are any other possible rulemaking approaches that would help address aspects of the problems created by a refusal to produce information if due to the fact that non-cooperation is based on a non-US legal restriction or sovereignty concern.

5 – CNCC comments on whether there are potential benefits and drawbacks of a rule along the lines described above (page 17).

The CNCC believes that there are no potential benefits but only drawbacks of a rule along the lines described. These potential disclosures do not add any value to the quality of the audit engagement work or to the quality control systems of the principal auditor.

6 – CNCC comments on whether there are generally other possible rulemaking approaches relating to those issues that might provide useful disclosure to investors or otherwise be in the public interest (page 18).

The CNCC believes that there are generally no other possible rulemaking approaches relating to those issues that might provide useful disclosure to investors or otherwise be in the public interest. Non-US oversight systems that do not cooperate with the Board by refusing to provide information on the grounds that it may violate their sovereignty are in fact calling for negotiations with the Board. They want these negotiations to remain in the legal arena, not in the audit arena.

Yours sincerely,



Vincent Baillot
President,

Compagnie Nationale des Commissaires aux Comptes