October 5, 2012

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

Dear Mr. Gunn:

Re: Invitation to Comment: Improving the Auditor’s Report

Canadian Natural Resources Limited (“Canadian Natural”) is pleased to respond to the invitation to comment on the above noted consultation document issued by the International Auditing and Assurance Standards Board (“IAASB”).

Canadian Natural is a senior independent oil and gas exploration and production company headquartered in Calgary, Alberta, Canada, with operations in Western Canada, the North Sea, and offshore Africa. Our shares are publicly traded on the Toronto Stock Exchange and the New York Stock Exchange.

Canadian Natural is supportive of auditor reporting that meets the information needs of financial statement users. We believe that auditors play an important role in the financial reporting process and that the auditor’s report provides financial statement users with assurance about the quality of the financial statements. However, we have two main concerns with the IAASB’s proposed changes to the auditor’s report:

1. We strongly disagree with the inclusion of auditor commentary within the auditor’s report as we believe it deviates from the auditor’s responsibility to opine on financial statements as a whole, may infringe on management’s responsibilities for selection of appropriate accounting policies for the entity, and may be misinterpreted by readers; and
2. We believe that the proposed paragraphs on going concern are unnecessary given the disclosure requirements within the financial statements.

Our responses to specific questions posed by the IAASB are attached as Appendix A.

If you have any questions or wish to discuss our comments in more detail, please do not hesitate to contact the undersigned.

Sincerely,

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Senior Vice-President, Finance
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Appendix – Responses to the Invitation to Comment

Overall Considerations
1. 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?

2. 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.

As discussed in our responses below, Canadian Natural has two main concerns with the IAASB’s proposed changes to the auditor’s report:

1. We strongly disagree with the inclusion of auditor commentary within the auditor’s report as we believe it deviates from the auditor’s responsibility to opine on financial statements as a whole, may infringe on management’s responsibilities for selection of appropriate accounting policies for the entity, and may be misinterpreted by readers; and

2. We believe that the proposed paragraphs on going concern are unnecessary given the disclosure requirements within the financial statements.

Auditor Commentary
3. 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?

4. 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?

5. 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?

6. 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?

7. 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?

Canadian Natural strongly disagrees with the proposal to include auditor commentary within the auditor’s report as long as the accounting policies chosen by the entity are appropriate in the circumstances and are properly disclosed in the financial statements. The auditor’s responsibility is to opine on the fair presentation of the financial statements taken as a whole, and we believe that auditor commentary singling out specific points to highlight deviates from the auditor’s responsibility in this regard. We believe that the auditor commentary could be misinterpreted by
readers as a negative opinion on the entity's financial statement disclosures, even though the disclosures may be adequate.

We are also concerned that the auditor commentary could lead to an expression for a preferred accounting policy that would then lead to guidance as to the necessary quantification of the dollar impact to the financial statements, uncertainty as to the validity of the financial statements overall and an unintended "soft qualification" of the opinion expressed by the auditor on the financial statements.

Canadian Natural believes that one standard audit report should be applicable to all entities, regardless of the entity's size and nature.

Going Concern/Other Information
8. 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?

9. 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?

10. What are your views on the value and impediments of the suggested auditor statement in relation to other information?

Canadian Natural does not see any added value in the IAASB's proposal to include auditor statements related to the use of the going concern assumption within the auditor's report, as we believe that existing disclosure requirements within IAS 1 are already adequate. This guidance requires management to make an assessment of the entity's ability to continue as a going concern and when there are material uncertainties, to disclose these uncertainties in the notes to the financial statements. Therefore, if the auditor agrees with management's assessment of going concern, the audit report will repeat what has already been disclosed in the notes to the financial statements. If the auditor does not agree with management's assessment of going concern, then the statements will not be presented fairly, and the auditor's report would deal with the going concern issue in a qualified opinion.

We are also not convinced of the value of the auditor giving an affirmative statement regarding going concern within the auditor's report. Many of the business failures during the recent global financial crisis happened very quickly as dramatic events caused the collapse of what were previously some of the largest and seemingly most financially stable companies. If the auditor had given an affirmative statement of going concern on these statements, the subsequent failure of the company could potentially have led to additional legal action against the auditors if the affirmative statement was taken as a guarantee.

Clarifications and Transparency
11. 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?

12. What are your views on the value and impediments of disclosing the name of the engagement partner?
13. 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?

14. 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?

In general, Canadian Natural is in favour of including descriptions of the responsibilities of management and the auditor within the auditor’s report, to the extent that they are included in the sample auditor’s report included in the invitation to comment. However, as with our response above, we do not agree with the added emphasis on the going concern assumption within the auditor’s report. We believe that the financial statement note disclosure requirements for going concern are adequate.

We believe that the auditor’s responsibilities should be included within the auditor’s report and not on a separate website or appendix, as we have concerns that users will not read the responsibilities if they are not within the body of the auditor’s report, and we believe that an understanding of responsibilities is critical to understanding the nature of an audit.

We do not believe that it is appropriate for the engagement partner’s name to be disclosed in the auditor’s report. A reporting entity retains an audit firm to conduct the audit of its financial statements, not an individual partner. In addition, we are concerned that the disclosure of the engagement partner’s name could impact the auditor’s legal liability, which could increase audit costs without any additional benefit.

Canadian Natural believes that disclosure of reliance on other auditors would be beneficial when the other auditors have audited a significant portion of the assets and liabilities or operations of the entity.

**Form and Structure**

15. 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?

16. 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?

17. 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?

18. 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?

Canadian Natural does not have any strong objections to the ordering of the audit report as proposed by the IAASB.