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Sent: 8/2/2012 7:11:20 P.M. Central Daylight Time  
Subj: Comments on "Improving the Auditor's Report"

Dear Mr. Gunn:

As I noted in my July 7, 2011 response to your earlier Consultation Paper on "Enhancing the Value of Auditor Reporting: Exploring Options for Change", I have been a major supporter of the need to extend the auditor's current role to satisfy the legitimate needs of users of audited financial statements and auditors' reports for over 25 years. Consequently, I am fully supportive of your current initiative on "Improving the Auditors Report".

On the other hand, I am a strong advocate of preserving the distinction between the separate responsibilities of management and those charged with governance (TCWG), as providers of original information, and the auditor who provides assurance on such information and, while the current paper also supports this concept in principle, I have fears that your suggestion for a separate "Auditor Commentary" will tend to blur this important distinction.

That is why I previously advocated, as an alternative, a separate auditor's report on management commentary such as the Management Discussion and Analysis required of publicly owned companies by the U.S. Securities and Exchange Commission along with the disclosure of other useful information gained by the auditor, such as his/her assessment of the accounting standards adopted by the company and the level of conservatism in management decisions such as the amount of required reserves, to TCWG as the elected representatives of the shareholders.

I realize, however, that the establishment of requirements for management commentary on such key matters as management's plans and strategies; major risks, uncertainties and opportunities; the competitive environment; and non financial performance indicators are well beyond your authority making it impossible for you to directly satisfy your goal of meeting users' demands for greater transparency and more pertinent information for decision-making except through an expanded auditors' report.

Consequently, I have some sympathy for your call for Auditor Commentary. I would note, however, that the first of the three illustrative paragraphs on page 10 of the Invitation to Comment adds nothing really new by simply drawing attention to a footnote disclosure; the second similarly references Management Commentary which could just as well have discussed everything else in it; and the third starts down a slippery slope of describing audit procedures in detail which grows even more problematic in the fourth illustration (something I'd rather get into with the TCWG where an actual dialogue can take place).

Most importantly, none of the illustrative commentary really gets to the heart of the enhanced business disclosures sought by users for decision-making, or to the auditors insights into the quality of management decisions which I believe should be required disclosure to TCWG, that are described in the third and fourth paragraphs above.

I fully understand that my preferred approach has been considered by your Board and others and has received very little traction over many years. However, I feel a need to put it forth once more -- recognizing that it relies on disclosure requirements set by others beyond your control -- since I continue to believe that maintaining the distinction between management's and the auditor's reporting responsibilities is extremely important.

Moreover, as I stated in my earlier response, auditors can and do significantly influence the information presented by management. For instance, every time an auditor suggests a modification to financial statements and related footnotes he/she is indirectly affecting the information provided. Similarly, I firmly believe that if Management Commentary were required to be reported on by the auditors, especially after

being discussed in detail with TCWG, the quality of those disclosures would also improve. That is, in my view, the most useful and realistic role for the auditor.

I have no problem with respect to the recommendations for the auditor to explicitly report on the going concern assumption and the other information in a document containing audited financial statements ...though I would have thought this was already implicitly understood in the past. Either way, however, I don't think these are as important an issue as the need for greater transparency about an entity's plans, risks, uncertainties and opportunities, and that such reports will quickly become mere boilerplate.

I apologize for not touching on all of the listed questions for respondents but feel they can and will be dealt with in detail more appropriately by those currently involved in the financial reporting supply chain. Nevertheless, as someone who has been a member of the accounting profession for more than 50 years, I want to commend the entire Board and staff for having aggressively taken the lead on an extremely important issue of growing interest to users of financial statements and auditors reports in an increasingly complex and global business environment.

If you have any questions or desire clarification on any of the comments contained in this letter, please don't hesitate to give me a call.

Sincerely,

Robert Mednick