

8 October 2012

Mr J Gunn
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Dear Mr Gunn

Improving the Auditor's Report

CIMA welcomes the opportunity to respond to this consultation. The auditor's report is an important element relied upon by users as part of their assessment of the credibility of corporate reports. However, commentators believe that the current form of the auditor's report should be improved as a communication tool.

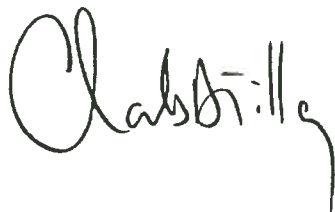
The consultation proposes an Auditor Commentary to highlight matters that are, in the auditor's judgement, likely to be most important to users' understanding of the audited financial statements or the audit. CIMA does not agree with this proposal for a number of reasons:

- it is the role of the company through the management commentary to highlight the most relevant issues;
- it is the role of the audit report to comment on the true and fair nature of the financial statements, not the performance or financial position of the company;
- an unqualified audit report indicates that the financial statements do present a true and fair view. In such circumstances, we assume that the proposed auditor's commentary could not contain any new information and therefore would be of limited value to users.
- asking auditors to make subjective judgements on the most material elements within an annual report is likely to increase potential auditor liability, consequent insurance costs and audit fees.
- we anticipate that there will be occasions when the company and auditors disagree in respect to what points are to be included in the auditor commentary. auditors will have full responsibility as to what is included in their commentary; will the company feel compelled to comment on the auditor's commentary and, if so, we contend that annual reports would become less clear to users.

We agree with the proposal to make explicit the audit requirement to comment on the appropriateness of management's use of the going concern assumption. In addition we advocate an expansion to the role of the auditor to include some form of assurance for the management commentary.

We would be pleased to discuss with you any aspect of this letter that you may wish to raise with us.

Yours sincerely



CHARLES TILLEY

from the Chief Executive Charles Tilley