

December 11, 2013

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006

Re: *Proposed Auditing Standards: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion & The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report*; PCAOB Rulemaking Docket Matter No. 034

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)<sup>1</sup> appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) proposed auditing standards *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* and *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report* (proposed auditing standards). The objective of the proposed auditing standards is to make improvements to the current auditor reporting model by expanding the communication by the auditor of specific facts about the audit and the responsibilities of the auditor. The audit report would also be expanded to include discussion of identified critical audit matters.

ICBA objects to the PCAOB's desire to expand the independent auditor's reporting model without first considering the impact on the nation's community banks. Community banks are highly regulated financial institutions that operate today under tremendous regulatory burdens that limit the ability of these institutions to adequately serve their communities and the associated economies. Any increase in the auditor reporting beyond the current pass/fail model that increases auditor costs will in turn raise the cost of the audit and further strain vital community bank resources.

---

<sup>1</sup> The Independent Community Bankers of America®, the nation's voice for more than 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With nearly 5,000 members, representing more than 24,000 locations nationwide and employing more than 300,000 Americans, ICBA members hold more than \$1.2 trillion in assets, \$1 trillion in deposits, and \$750 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at [www.icba.org](http://www.icba.org).

## **Background**

The proposed changes to the auditor reporting model are designed to increase the usefulness of the auditor's report to the readers of the financial statements and footnotes as well as tackle the challenges of reporting on critical audit matters. These critical audit matters would be identified in a specific section of the auditor's report. The auditor's report would also more thoroughly cover the auditor's independence, tenure, and his or her review of items that cover information beyond the financial statements.

Critical audit matters would be identified by the auditor as those items that prove most difficult to provide attestation, bring difficulty to the auditor's ability to form an opinion on the financial statements, and are the most subjective and complex. These items are generally those that are communicated to the audit committee. If the auditor concludes that no critical audit matters exist, that conclusion should also be communicated in the audit report.

In addition to the changing reporting model, the proposed auditing standards include the requirement for the auditor to review and evaluate information outside of the audited financial statements including information in the annual report filed with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 containing both the audited financial statements and the auditor's report. The evaluation procedures related to the other information include the search for inconsistencies and misstatements of fact.

## **Impact on Community Banks**

ICBA believes that the proposed changes to the auditor reporting model that require the identification of critical audit matters represent a duplication of the disclosures already presented within the footnotes to the financial statements. Because the critical audit matters would require thorough documentation including determination with significant support for conclusions reached, the auditor would incur additional costs to properly complete the engagement that would most certainly be passed on to the engagement client.

Additionally, the expanded scope of the engagement that includes scrutiny of other information would require more time and effort on the part of the engagement team to complete applicable audit procedures leading to even more increased costs to the engagement client. The end result of this expansion of auditor responsibilities is an increased reliance on the part of financial statement users of the work performed by the auditor that could reasonably lead that user to obtain a false sense of assurance in the work performed by the auditor. The indirect impact of the proposed auditing standards include an almost certain increase in disclosures required to be made by the audit client and the level of work required by the auditor to mitigate the exposure to the engagement partner.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 659-8111 or [james.kendrick@icba.org](mailto:james.kendrick@icba.org).

Sincerely,

/s/

James Kendrick  
Vice President, Accounting & Capital Policy