

December 11, 2013

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Release No. 2013-005, PCAOB Rulemaking Docket Matter No. 34

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; AND RELATED AMENDMENTS TO PCAOB STANDARDS

Dear Members and Staff of the Public Company Accounting Oversight Board:

Cherry Bekaert LLP welcomes the opportunity to comment on the Public Company Accounting Oversight Board's (the PCAOB or Board) Release No. 2013-005, *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; and Related Amendments to PCAOB Standards* (the Release). We recognize the desire of investors to receive additional information that might be useful to their decision making process and the unique roll and assurance that only the independent auditor can provide. We are committed to actively participating in efforts to improve audit quality that will enhance investor confidence in and their understanding of the audit process and the auditor's responsibilities. However, we do not support all of the current proposals.

A. Proposed Auditor Reporting Standard

1) Auditor Reporting of Critical Audit Matters ("CAMs"):

We are concerned that the Board's proposal to discuss critical audit matters ("CAMs") in the auditor's report will have an opposite effect on the Board's desired objective to increase investor confidence through providing additional information. By highlighting those matters the auditor believes are most critical, it could be inferred by the user that the level of assurance for these matters is lower. However, the very purpose of the auditor's risk assessment procedures including the analysis of significant management estimates and judgments is to develop audit procedures that will lower the risk to an acceptable level. The proposal does not require nor would we recommend that the auditor disclose what procedures the auditor performed to lower the risk. Rather the proposal only requires identification of the CAM, a description of why the auditor determined it was a CAM, and a reference to the accounts and disclosures in the financial statements. This is juxtaposed to the communication requirements of the recently effective PCAOB Auditing Standard 16 which requires communication to the audit committee among other things unusual transactions, significant estimates, and critical accounting policies which can raise a reader's concern but also allows for a two-way iterative process whereby these concerns can be alleviated. Whereas the proposed changes to the auditor's report could raise concern with no avenue for resolution. Thus the effect would only be to raise investor's uncertainty while providing no additional assurance. In addition, we believe that in most circumstances, an informed investor should already be able to read the financial statements and reach their own judgment about the areas that an auditor would have considered more

difficult to audit based on the degree of judgment necessary to develop the amount included in the financial statements or the complexity of the matter involved.

In addition, by highlighting only those matters that the auditor believes are critical the auditor is implying that other areas are not as critical which could be construed as stating that the other matters not explicitly noted do not have audit risk and are not important to an investor's decision. In the studies cited by the board (FN 39) the board acknowledges that the prominence of which information is displayed has investing implications. It is not the responsibility of the auditor nor should it be the responsibility of the auditor to inform investors as to what information is most important to their decision making. Providing or appearing to provide such information will likely lead to unanticipated reliance and potentially inappropriate litigation. Rather the auditor's responsibilities and the auditor's report has always been and should always be factual in nature. The purpose of the required disclosures in the codified accounting standards and those additional disclosures required by regulators is to provide useful information to investors. The purpose of the auditor is to attest to the material accuracy of that information and it is investor's responsibility to decide which information is most useful to their decision making. Moreover, under existing guidance those matters which are considered critical accounting policies and significant estimates are already required to be disclosed and audited.

The proposal also provides guidance on the source of CAMs including those matters documented in the engagement completion document, reviewed by the engagement quality reviewer, and those matters communicated to the audit committee. Yet the proposal also states that each matter noted in the aforementioned would not necessarily be considered a CAM. We believe that given the litigious nature of the U.S. operating environment and the risk adverse and conservative nature of our profession this requirement would lead auditors to conclude that all of the matters noted in the aforementioned audit documentation are critical thus increasing the length and complexity of the auditor's report thus decreasing the usefulness of the auditor's report or potentially the reverse could happen and auditors would exclude such matters from quality review or communication to the audit committee so as to reduce risk of litigation. This correlation between risk adversity and excess disclosure is evidenced by the ever increasing risk factors included in many filers MD&A.

In addition the proposal would require auditors to document the rebuttable presumption that matters noted in the aforementioned audit documentation are not critical matters. Such increased documentation would be difficult and costly to create as it would require auditors to document why such matters were critical enough for quality review or communication to the audit committee yet not critical to enough to communicate the end users of the financial statements. A seemingly contradictory position especially considering the key purpose of this standard is to alleviate information asymmetry. The mostly likely result would be to include all such matters or incur significant costs in documenting such conclusions including multiple layers of review.

Lastly, the public disclosure and potentially negative perceptions of CAMs would likely lead management to prefer minimizing their inclusion in the auditor's report. This would likely lead to sharply contested discussions between management and the auditors regarding which CAMs to include in the auditor's report. The knowledge that these critical matters might potentially be disclosed will also likely impede the open dialog with management concerning problematic accounting issues which takes place during risk assessment and planning.

Given these concerns we cannot support the Board's proposal related to the inclusion of critical audit matters in the auditor's report.

2) *Basic Elements of the Auditor's Report:*

We fully support improving the auditor's report by adding elements clarifying auditor independence requirements and the auditor's responsibilities regarding other information filed with the auditor's report and financial statements. We understand that some investors might not be aware of such requirements and responsibilities and an informative statement clarifying such would be helpful and inexpensive to implement. However, we disagree with the proposal to include information concerning auditor tenure. Such information is already available via review of historical filings including the required 8-K communications whenever a change in auditor occurs. In addition, such information can only serve to decrease investor confidence whether it be an investor that notes a short tenure thus potentially leading the investor to believe that the auditor lacks sufficient knowledge about the entity to conduct a thorough and quality audit or whether it be an investor that notes a long tenure thus potentially leading the investor to believe that the auditor lacks independence or professional skepticism. Moreover, it is the audit committee's responsibility to make judgments concerning the risk associated with auditor tenure. We believe that such a disclosure could potentially lead to an undue increase in auditor rotation. If more frequent rotation is a result of the inclusion of this information, we believe many firms that currently audit a small number of public entities may choose to exit this market due to the much higher costs imposed on them by more frequent rotation. This in turn will have the effect of reducing the level of competition and reduce the number of options available to Registrants when selecting their audit firm as well as increasing fees and ultimately the cost of capital.

B. Auditor's Responsibilities Regarding Other Information

Our firm already performs many of the additional responsibilities noted in the proposal regarding other information contained in a document containing the auditor's report and financial statements. As part of the current requirement to "read and consider" we typically test the mathematical accuracy of computations and agree those amounts presented in such other information to the audited financial statements and footnotes when applicable. From this perspective the proposal would have little additional change or costs to our firm.

However, what is considered other information is disconcerting. Specifically, the inclusion of 1) All information incorporated by reference (exhibits); 2) All information incorporated by reference from the definitive proxy statement; and 3) Qualitative statements in the other information. We believe that inclusion of information incorporated by reference would create an undue burden on the auditor and increase the cost of providing audit services. Many times the information incorporated by reference is several years old, sometimes pertains to a period of time covered by the predecessor auditor, or relates to 8-Ks or other filings which currently auditors are not responsible to perform procedures over. The inclusion of qualitative statements is especially disconcerting because often times information contained in the MD&A and other information are more subjective or forward looking and not objectively verifiable. In addition, it is possible that this expansion of information to qualitative information may well lead to the auditor being held to a higher standard than management who actually authors the MD&A. Management has been provided a number of safe harbors with respect to certain types of information and, by expanding the auditor's role and responsibility to this information we perceive that there is a risk that the auditor may have some responsibility to information for which safe harbor rules with respect to management may apply.

Moreover, we expect that many firms and Registrants will find it costly and cumbersome to implement the proposed new requirement that other information not only be compared to the audited financial statements and footnotes but also that other information not directly related to the audited financial statements be compared to audit evidence obtained. During the course of an audit an enormous amount of

information is obtained. Not all such information is useful to the audit of the financial statements. If the Board is proposing that all information outside of the financial statements and footnotes be tested for material misstatement of fact by comparing to any information obtained during the audit then this will likely lead to auditors testing all such information. Rather than risk that support for other information was indirectly obtained as part of normal audit procedures to test other balances and not used to test the other information because the auditor was unaware that it had such support auditors will instead audit all such other information in the document. For example, if a detailed general ledger was obtained as part of journal entry testing then would it be the auditor's responsibility to test the material misstatement of fact for anything presented in the other information that can be agreed to the detailed general ledger or other support even if not presented in the financial statements or footnotes? This scenario would essentially require that all information presented be agreed to support. This will lead auditors to perform procedures similar to those employed in comfort letters for all amounts included in the MD&A and we believe this will increase audit costs.

We appreciate the opportunity to comment on the proposal. If you have any questions, please contact us at (704) 377-1678.

Sincerely,

A handwritten signature in cursive script that reads "Raymond R. Quintin".

/s/ Raymond R. Quintin
Raymond R. Quintin, CPA
Technical Director of A&A Professional Practices, Cherry Bekaert LLP