



August 5, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 34

Board Members:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (Board) "Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards," dated June 21, 2011.

We are a regional registered public accounting firm that currently audits six issuers. We believe that, given the quantity of feedback the Board has received regarding the inadequacy of the current audit reporting model, it is appropriate for the Board to undertake this project, and to consider potential changes that are likely to enhance the usefulness of issuer audit reports to users.

At the same time, we believe it is critical to maintain recognition of the respective responsibilities of issuer management and the auditor. Information regarding the issuer, including that regarding its accounting policies and the application thereof, is appropriately the responsibility of issuer management. Information regarding the audit, and the auditor's opinion regarding the conformity of information provided by management with applicable standards and regulations, is the appropriate purview of the auditor.

We also believe that, in the context of seeking input from users of audit reports, it is a tendency of human nature to respond affirmatively whenever one is asked whether additional disclosure or other information would be useful. Accordingly, while effective communication with audit report users is crucial to the effectiveness of the audit process, and is important to the broader objective of facilitating communication of decision-useful information to users of financial statements, we believe the natural bias toward seeking more information should be balanced with:

1. The cost of providing that information, which is ultimately borne by the shareholders of issuers; and
2. The risk of providing too much information, such that users get confused about the conclusions the auditor has reached regarding the fairness of presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Based on these considerations, we offer the following feedback regarding the four alternatives described in the Concept Release:

Auditor's Discussion and Analysis

We do not believe the inclusion of an Auditor's Discussion and Analysis (AD&A) would achieve the objective of enhancing communication between auditors and the users of audit reports. We do not

believe that the majority of users have sufficient expertise regarding the audit process to make effective use of this information, and we are concerned that there is a significant risk an AD&A might have the following unintended consequences:

1. Discussion of the significant risks the auditor identified, and the procedures undertaken to address those risks, would at times likely include language reinforcing complex audit concepts such as reasonable assurance, materiality, sampling risk, and the like. Adequate explanation of such concepts to nonauditors would likely require a very lengthy AD&A, and we believe would create a significant risk of confusing users regarding the clarity of the conclusions reached by the auditor (i.e., could be perceived as "hedging" the auditor's unqualified opinion).
2. An independent discussion of the auditor's views regarding, for example, the critical accounting policies of the issuer and how they have been implemented, which varies from similar discussion by management in Management's Discussion and Analysis (MD&A), is likely to confuse a user regarding these matters. We can appreciate that such a requirement would enhance the likelihood of a dialogue between management and the auditor that would reduce such differences; however, we believe requiring the auditor to report on that component of MD&A, as discussed below, is a better route to achieving that goal, while maintaining the distinction in responsibilities between management and the auditor and reducing the likelihood of confusing users.

Required and Expanded Use of Emphasis Paragraphs

We do not believe required and expanded use of emphasis paragraphs would achieve the objective of enhancing communication between auditors and the users of audit reports. As with the Auditor's Discussion and Analysis concept, we have the following concerns regarding two areas that the Concept Release discusses as the potential subject of such paragraphs:

1. Discussion regarding matters included in the financial statements. We believe it is of critical importance that communication of matters related to the financial statements that are deemed to be important to users thereof remain the responsibility of management. The auditor's responsibility to communicate such matters should be limited to situations in which the financial statements are not in conformity with GAAP in all material respects. Requiring the auditor to provide an independent commentary on matters such as significant financial reporting risks will result in either a) a recapitulation of information already communicated by management in public filings, or b) communication different from that provided by management, despite an opinion by the auditor that the financial statements, including disclosures, comply with GAAP in all material respects. We believe the first of these would be of little value to users, while the second would be confusing to them.
2. Discussion regarding details of audit procedures. As noted above, due to the complexity of audit concepts and the audit process, we believe such discussion would need to be extensive in order to provide sufficient information for users who are not auditors to be able to understand it and place it in context. We believe an extensive written commentary on such matters would likely either a) tend toward boilerplate over time or b) provide insufficient value to users to justify the cost of its development. This information is already required to be communicated by the auditor to the audit committee, in which context the audit committee has the responsibility to oversee the audit and to engage in a dialogue where it deems additional information is needed; we believe this is the appropriate setting for such a requirement, and evidence such

communication is taking place as required by Board standards is an appropriate focus for Board inspection activity.

Auditor Assurance on Other Information Outside the Financial Statements

We believe requiring auditor assurance on certain information outside the financial statements is the most appropriate way to achieve the objective of enhancing communication between auditors and the users of audit reports. It is our observation that the primary driver of users' interest in additional information from auditors relates to the application of accounting principles involving significant estimates and uncertainty. As management is required to communicate information regarding critical accounting estimates in MD&A (pursuant to Securities and Exchange Commission (SEC) Release No. 33-8350, *Interpretation: Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations*), requiring the auditor to provide assurance on this component of MD&A is an appropriate means of enhancing communication to users of the primary topic for which they have requested more information. This is because it leverages the auditor's current responsibility of providing assurance on information communicated to users, while retaining management's responsibility for communicating such information.

The Board's current attestation standards for MD&A (AT Section 701) provide an appropriate framework for auditor assurance on the "critical accounting estimates" component of MD&A required by SEC Release No. 33-8350. Accordingly, we believe a requirement that auditors provide such assurance would be operational without extensive additional rulemaking by the Board.

Clarification of the Standard Auditor's Report

The concept release describes the following potential enhancements to the audit report itself:

- Clarification that "reasonable assurance" is a high level of assurance, but not absolute assurance
- Clarification that the auditor is required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud
- Clarification that the auditor's responsibility with respect to the financial statements includes required disclosures
- A statement that management prepares, and is responsible for the fair presentation of, the financial statements
- A description of the auditor's responsibility for information outside the financial statements
- A statement regarding the auditor's responsibility to be independent

We are supportive of the inclusion of this information in the auditor's report, and believe it would help achieve the objective of enhancing communication between auditors and the users of audit reports, provided it can be included without lengthening the auditor's report to the point that its effectiveness is diminished. Attached to this letter is illustrative language, indicated with underlining, that we believe would achieve this goal.

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We appreciate the opportunity to submit these observations for the Board's consideration, and look forward to its continued deliberations in this important area.

Sincerely,

A handwritten signature in black ink that reads "BerryDunn". The signature is written in a cursive style with a long horizontal flourish at the end.

BERRYDUNN

Illustrative Auditor's Report Modifications to Incorporate Clarification's Described in the Board's Concept Release

Report of Independent Registered Public Accounting Firm

We have audited the accompanying balance sheets of W Company as of December 31, 20X8 and 20X7, and the related statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 20X8. We also have audited W Company's internal control over financial reporting as of December 31, 20X8, based on [*Identify control criteria, for example, "criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."*]. W Company's management prepares these financial statements, and is responsible for these financial statements~~their fair presentation~~, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying [title of management's report]. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements, including required disclosures, are free of material misstatement, whether caused by error or fraud, and whether effective internal control over financial reporting was maintained in all material respects. Reasonable assurance is a high level of assurance, but is not absolute assurance. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We are also required to be independent of W Company pursuant to applicable independence requirements of the Public Company Accounting Oversight Board (United States) and the U.S. Securities and Exchange Commission, and we have complied with these requirements. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W Company as of December 31, 20X8 and 20X7, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 20X8 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, W Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20X8, based on [*Identify control criteria, for example, "criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."*].

We have a responsibility to read, and have read, the other information contained in this Form 10-K, Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, to consider whether such information, or the manner of its presentation, is materially inconsistent with the financial statements or represents a material misstatement of fact, and to discuss any identified potential inconsistencies or misstatements with management. However, such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

[*Signature*]
[*City and State or Country*]
[*Date*]