



# North Carolina State Board of Certified Public Accountant Examiners

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November 19, 2007

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

RE: Preliminary Staff Views – October 17, 2007

To Whom It May Concern:

The North Carolina State Board of CPA Examiners (the Board) has reviewed the proposed publication, *Preliminary Staff Views – An Audit of Internal Control That Is Integrated With an Audit of Financial Statements: Guidance for Auditors of Smaller Public Companies*. The Board believes that the proposed publication will help auditors design and execute audit strategies to be utilized during audits of smaller less complex companies that will achieve the objectives of Auditing Standards No. 5.

The Board offers the following comments:

- Chapter 3, Page 18 (first paragraph under **Assessing the Risk of Management Override and Evaluating Mitigating Actions**)

The Board recommends adding a sentence to the text that reads as follows:

“Because of the characteristics of fraud, the auditor’s exercise of professional skepticism is of upmost importance when considering the risk of management override in connection with assessing the risk of material misstatement due to fraud.”

- Chapter 3 Page 19 (second bullet under **Evaluating Mitigating Controls**)

The Board recommends that the second bullet read as follows:

“Active audit oversight by an independent audit committee or board of directors”

- Chapter 5 Page 26 (*Characteristics of Less Complex IT Environments*)

The Board recommends adding a first bullet that reads as follows:

*“Security and Access. Security administration tends to be centralized and policies and procedures tend to be documented informally.”*

The Board commends the PCAOB for its work to make audits of public companies more efficient, effective and useful.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur M. Winstead, Jr.", with a stylized flourish at the end.

Arthur M. Winstead, Jr., CPA  
President