



National Association of State Boards of Accountancy

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May 25, 2023

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, D.C. 20006-2803

Via email: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 049 – Proposed Auditing Standard – General Responsibilities of the Auditor in Conducting an Audit, and Other Proposed Amendments to PCAOB Standards

Dear Members of the Public Company Accounting Oversight Board (PCAOB):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the PCAOB's Proposed Auditing Standard, *General Responsibilities of the Auditor in Conducting an Audit, and Other Proposed Amendments to PCAOB Standards* (Proposal).

Founded in 1908, NASBA serves as a forum for the nation's Boards of Accountancy (State Boards), representing fifty-five jurisdictions. NASBA's mission is to enhance the effectiveness and advance the common interests of the State Boards that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments.

General Comments

NASBA commends the PCAOB for their continued efforts in modernizing the standards. As noted in the Proposal, since the PCAOB's adoption of the foundational standards, both the International Auditing and Assurance Standards Board and the Auditing Standards Board of the AICPA have updated their analogous standards. NASBA commends the PCAOB for conforming, when possible, to those standards.

Leveraging the work performed by other standard setters and making standards uniform wherever possible helps avoid confusion and potential misapplication by the CPA and aids in enforcement from a regulatory perspective. Consistency among standard setters is in the public interest.

Conducting an Audit

Paragraph 15 of proposed AS 1000 states that “the auditor must comply with applicable professional and legal requirements in conducting an audit.” The paragraph references Note 26 that the auditor should take into account relevant guidance applicable to the audit and that relevant guidance includes PCAOB auditing interpretations, Board-issued guidance and releases accompanying the standards and rules of the PCAOB.

NASBA believes that it is not clear whether all of the referenced classes of guidance are considered authoritative. This could potentially create confusion as to the hierarchy of PCAOB standards and guidance. From a regulatory perspective, enforcement could be problematic when considering whether a standard has been violated.

Audit Documentation

Paragraph 15 of AS 1215 proposes to accelerate the documentation completion date by reducing the maximum period for the auditor to assemble a complete and final set of audit documentation from 45 days to 14 days. The Proposal states that a 14-day period between the report release date and the documentation completion date would enable the PCAOB to potentially begin the inspection process sooner after completion of an audit, which could enhance investor protection and ultimately enhance investor confidence. We agree with the stated goal of enhancing public protection. While addressing this goal, it should be remembered that auditors are already required to document the date that information is added after the report release date. As a guiding principle, NASBA believes that it may be more important that the file be complete and of high quality, void of documentation errors and omissions.

We believe that other factors should be considered in this area. While improvements in technology have generally enhanced the task of assembling audit documentation, audit completion and other reporting requirements have increased in complexity and extent since the 45-day period was established. For example, firms are required to report on critical audit matters. In addition, the use of automated audit tools has not necessarily been fully embraced by all firms and will require additional investments in resources to facilitate that goal. Finally, technological risks have increased during that period with the increasing occurrences of hacking and other cyber security events. Resulting technology interruptions or any type of cyber security matter could impact the ability of the auditor/audit firms to meet these deadlines. NASBA is concerned that the 14-day period may be too short to handle any unforeseen consequences and may result in inadvertent non-compliance, which, from a regulator’s perspective, is not in the public interest.

Additionally, paragraph 15 of AS 1215 includes a proposed change that states “...If a report is not issued in connection with an engagement, then the documentation completion date should not be more than 14 days from the date that fieldwork was substantially completed.” It is possible that 14 days may elapse from the date of substantial completion of fieldwork until a decision is made to not

issue a report. NASBA recommends that in those cases the start of the documentation date be the date when the decision is made to not issue the report regardless of the status of fieldwork.

Integration with QC 1000

The Proposal makes reference to integration with QC 1000, which we understand has not yet been finalized. As QC 1000 is currently still under consideration, reference to QC 1000 may need to be revisited upon finalization.

Definitions

NASBA recommends, as a guiding principle, that any changes or clarifications to existing terminology or phrases be substantive with clear rationale for the change. Many definitions and terminology have long-standing legal precedent and several decades worth of court adjudication around them. The PCAOB should reconsider if the new definitions or clarifications included in the Proposal are absolutely necessary.

Effective Date

NASBA is concerned with the proposal to require compliance with the proposed standard and related proposed amendments by June 30 in the year after approval by the SEC. Depending on the approval date by the SEC, requiring implementation by June 30 in the year after approval could result in a wide variety of effective implementation dates and in some cases that timeframe could be very brief.

We would recommend the effective date be linked to the fiscal year beginning after the date of SEC approval in a manner which would allow at least one full year before the fiscal year end of adoption. Effective implementation of standards is in the public interest.

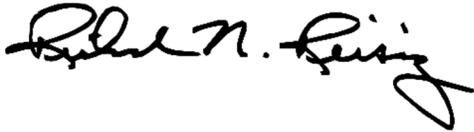
Special Consideration for Emerging Growth Companies (EGC)

While the risk profile of an EGC is different from more mature entities, we agree that the Proposal should apply to EGCs. To exclude EGCs from the Proposal would be inconsistent with protecting the public interest.

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Again, we appreciate the opportunity to comment on the Proposal.

Very truly yours,

Handwritten signature of Richard N. Reising in black ink.

Richard N. Reising, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO