



May 12, 2008

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

RE: Proposed Auditing Standard, *Engagement Quality Review*. PCAOB Release No. 2008-002.

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing issues. The PSC has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors and, therefore, should not be construed as representing the views or policy of the TSCPA.

We are delighted to have the opportunity to provide input into your deliberations regarding the Proposed Auditing Standard, *Engagement Quality Review*. We have structured our response to correspond to the questions posed in the Exposure Draft.

Question 1: The proposed standard does not explicitly state an overall objective of an engagement quality review. Should this standard state such an objective? If so, what should be included in the objective?

We believe an objective should be stated in the Standard. Having an objective is consistent with the move towards principles-based guidance in the setting of professional standards. In developing the overall objective, we believe an engagement quality review should be designed to determine (1) if related financial statements are fairly presented in accordance with generally accepted accounting principles, (2) the internal control is adequate to produce materially reliable financial statements, and (3) the evidence gathered during the audit engagement provided adequate support for the audit opinion.

Question 2: Should an engagement quality review be required for all engagements performed in accordance with the standards of the PCAOB? If not, when should an engagement quality review be required?

We believe a quality review should be required for all engagements performed in accordance with the standards of the PCAOB. It should be made clear in the guidance that the scope and level of detail would vary based on the type of engagement being considered.

Question 3: Are the qualifications of an engagement quality reviewer appropriately described in the proposed standard? If not, how should they be revised?

In general, the qualifications for an engagement quality reviewer are appropriately described. However, we believe there are two areas in need of further clarification. First, the question of who is eligible to serve as a quality reviewer needs to be clarified. Second, the reviewer's "professional status in relation to that of the engagement partner" needs to be addressed. Our concerns about these two issues are noted below.

Under the Board's interim standard, the term used was "concurring partner" implying that the reviewer had to be a partner. The proposed standard states that the engagement quality reviewer may be "a partner or another individual in the firm, or an individual outside the firm." It appears the Board's intent is to base the qualifications of the reviewer on knowledge and experience, among other traits, rather than on the individual being a partner of the firm. If this is the Board's intent, we believe this fact should be specifically stated in the standard.

If the Board believes a non-partner could serve as the quality reviewer, it should take steps to caution accounting firms about the potential for objectivity problems. If a non-partner serves as a quality reviewer of a particular audit partner's engagement, that non-partner should not be allowed to be an engagement team member on another audit headed up by the partner for whom he/she performed the quality review. Such situations could result in a lack of objectivity on the part of the non-partner reviewer who knew he/she would receive a performance review from the partner on the other engagement.

Question 4: Should the proposed standard allow the engagement team to consult with the engagement quality reviewer during the engagement? Would such consultation impair the reviewer's objectivity?

We believe the precautions noted in paragraphs 5 and 6 of the proposed standard are sufficient to allow the engagement team to consult with the engagement quality reviewer without impairing the reviewer's objectivity. However, we suggest that the Board consider adding a sentence, similar to the following, to the Note in paragraph 6: "The quality reviewer's objectivity would be considered to be impaired if the reviewer's comments in consultation with the engagement team could be construed as "direction" to the engagement team rather than mere consultation."

Question 5: Are the descriptions of the scope and extent of engagement quality review procedures contained in the proposed standard appropriate? If not, how should they be changed?

We find the Board's descriptions of the scope and extent of engagement quality review procedures to be appropriate.

Question 6: Is the risk-based approach to the engagement quality review described by the proposed standard sufficient to identify significant engagement problems? If not, how should the proposed standard be changed?

We find the risk-based approach to the engagement quality review to be reasonable and we see no need to make any revisions.

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Question 7: Are the proposed requirements for the review of the engagement team's documentation appropriate? If not, how should they be changed?

We believe the proposed requirements for the review of the engagement team's documentation to be very clear and in no need of revision.

Question 8: Is the description of the timing of the engagement quality review, as proposed, appropriate? If not, how should it be changed?

We believe the information describing the timing of the engagement quality review is clear cut and should remain as presented.

Question 9: Is the standard for the engagement quality reviewer's concurring approval of issuance appropriate? If not, how should it be changed?

We believe the standard for the engagement quality reviewer's concurring approval of issuance is appropriate.

Question 10: Are the documentation requirements for an engagement quality review appropriate? If not, how should they be changed?

We believe the documentation requirements are reasonable and appropriate and should not be changed.

Question 12: Should the proposed standard require documentation of the engagement quality review to comply with other provisions contained in AS No. 3? If so, which provisions should be applicable?

We believe the general standards of documentation and retention are the only ones that would appear to be applicable.

We appreciate the opportunity to provide our input to the standard-setting process.

Sincerely,



Sandra K. Johnigan, CPA, CFE
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants