



National Association of State Boards of Accountancy

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September 25, 2015

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

via email: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 041

Dear PCAOB Members:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (the “PCAOB” or the “Board”) on its *Concept Release on Audit Quality Indicators* (“the Concept Release”), PCAOB Release No. 2015-005. NASBA’s mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories. In furtherance of that objective, we offer the following in response to the questions posed in the Concept Release.

OVERALL COMMENTS

Providing high quality financial reporting is paramount to protecting the public interest. Audit Committees, independent auditors and management all play key roles in this process. NASBA and the PCAOB share a common goal of continuing to improve audit quality. The development of audit quality indicators (AQI) to be used by Audit Committees and by public accounting firms may be a way to further improve audit quality. We appreciate the open dialogue that the PCAOB Standing Advisory Group’s meetings has encouraged around the exploration and development of AQI. We also encourage the continued analysis of attempting to link AQI to audit quality, both positively and negatively.

By providing the Audit Committee with identified AQI to consider in evaluating the quality of their audit firm, we believe that there may be increased dialogue, understanding and potential comparability of independent audits that could, therefore, enhance the evaluation of the quality of an audit.

We do have a concern that not all AQI may be relevant to all audits of public companies. If the PCAOB were to mandate specific indicators or require them to be disclosed to the public, a boilerplate approach may result, diluting the potential for open, robust discussions of AQI with an Audit Committee. The use of specific AQI should be flexible, allowing the Audit Committee

to determine which quality indicators they believe would be relevant given the nature and size of their company, as well as the overall size of the audit. By allowing the auditor and Audit Committee to come to agreement on the types of AQI that the Audit Committee is to receive, the Audit Committee would receive the information most directly targeted to their concerns.

We also believe that by providing AQI to independent auditors, a firm may be better able to enhance its ability to internally monitor the audit quality of engagements. For instance, an audit firm could incorporate AQI into its quality control system, and then provide that information for use by its peer reviewer. Analyzing the root causes of restatements could allow a firm to determine what changes in its quality control or additional training may be necessary for its professionals.

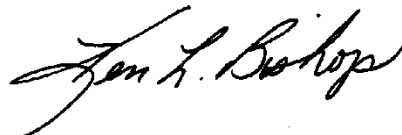
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We appreciate the strong relationship between the PCAOB, NASBA and the State Boards of Accountancy, and we look forward to being able to continue to provide transparent, relevant financial information to the users of financial statements. Thank you for the opportunity to share our comments on the *Concept Release on Audit Quality Indicators*. Please contact us if you have questions or need clarification regarding our comments.

Sincerely,

Handwritten signature of Walter C. Davenport in black ink.

Walter C. Davenport, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO