



National Association of State Boards of Accountancy

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June 28, 2019

International Auditing and Assurance Standards Board (IAASB)
529 Fifth Avenue
New York, NY 10017

Via website: www.iaasb.org

Re: The Explanatory Memorandum related to the IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews (Explanatory Memorandum)

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the IAASB's Explanatory Memorandum. NASBA's mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the IAASB's Explanatory Memorandum are made in consideration of the Boards' of Accountancy charge as regulators to promote the public interest.

In furtherance of that objective, NASBA offers the following comments on the questions as presented in the Explanatory Memorandum.

Overall Questions

Request for Comment 1:

Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Oversight Board? If not, what is an appropriate implementation period?

Overall, we support the proposed quality management standards and support an allowance for early adoption as a package.

From a regulatory perspective, the 18-month implementation period could be a challenge for consideration by state boards of accountancy. The majority of state boards have some limitation with legislative cycles such that for enforcement matters, the adoption date would be considered the earlier of the effective date of the standard or the adoption date of the jurisdiction.

Culture and “tone at the top” are important parts of the quality management system. Often, risk management can be siloed such that change can be difficult. Change management at larger firms may be more formalized but accomplished differently by small and medium sized practitioners (SMPs). Additionally, if the “cooling off” period has a defined period within the standards, the implementation date should be no less than that defined period.

SMPs will need implementation guidance. It would be difficult for SMPs to implement without having the guidance available to them. The implementation period and the availability of implementation guidance need to be coordinated.

Request for Comment 2:

In order to support implementation of the standards in accordance with the IAASB’s proposed effective date, what implementation materials would be most helpful, in particular for SMPs?

Implementation guidance will be critical for SMPs and sole practitioners to address the concerns of scalability of the standards. The implementation guidance should provide examples tailored for SMPs and how it would look to adopt the various components of the quality management system. The guidance could be positioned as examples and templates but emphasize that modifications should be made to address the specific firm quality management system. There should be heavy focus on examples to assist in identifying and assessing quality risks.

General Comments

In addition, the IAASB is also seeking comments on the general matters set out below for all three EDs:

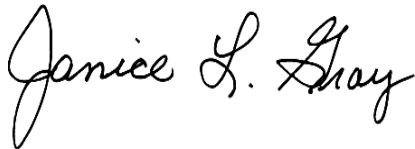
- (a) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposals, in particular, on any foreseeable difficulties in applying it in a developing nation environment.*
- (b) Public Sector – The IAASB welcomes input from public sector auditors on how the proposed standards affect engagements in the public sector, particularly regarding whether there are potential concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.*
- (c) Translation – Recognizing that many respondents may intend to translate the final ISQMs and ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed standards.*

We have no comments on these questions.

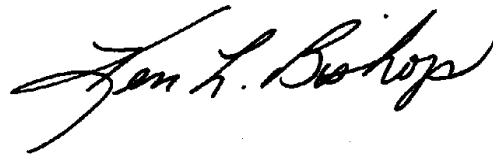
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We appreciate the opportunity to comment on the Explanatory Memorandum.

Very truly yours,



Janice L. Gray, CPA, CVA
NASBA Chair



Ken L. Bishop
NASBA President and CEO