



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web www.nasba.org

April 18, 2023

The Honorable Gene L. Dodaro
Comptroller General of the United States
United States Government Accountability Office
441 G Street N.W.
Washington, D.C. 20548

Via email: YellowBookComments@gao.gov

Re: Government Auditing Standards – 2023 Exposure Draft

Dear Comptroller General Dodaro:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the *Government Auditing Standards: 2023 Exposure Draft* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (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 to the specific requests for comment as presented in the Exposure Draft.

Comments on Specific Questions to the Exposure Draft

Audit Organizations Subject to Other Quality Management Standard:

1. The proposed standard (para.5.07) permits audit organizations subject to the quality management standards of either the International Auditing and Assurance Standards Board (IAASB) or the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) to comply with those standards and specific additional generally accepted government auditing standards (GAGAS) requirements to avoid having to maintain and document two systems of quality management.

Is it appropriate to permit this flexibility to audit organizations? Why or why not?

NASBA supports the flexibility to audit organizations to follow the quality management standards of either the IAASB or the Auditing Standards Board of the AICPA. Leveraging the quality management standards of other standard setters will help avoid confusion and potential

misapplication by the CPA and aid in enforcement from a regulatory perspective. Harmonization and consistency among the standards are beneficial for users as well as regulators.

Quality Management Risk Assessment Process:

2. A system of quality management depends on an appropriately designed and implemented quality management risk assessment process (paras. 5.19-5.42).

Is the quality management risk assessment process in the proposed standard sufficiently clear and understandable?

NASBA supports the quality management risk assessment process in the proposed standard. However, NASBA believes that there is a need for additional application guidance within the document, as well as additional implementation tools and training for those subject to the standard.

Monitoring and Remediation Process:

3. The proposed standard includes new and revised requirements and application guidance for monitoring and remediation activities to assist audit organizations in identifying and remediating deficiencies in the system of quality management (paras. 5.84-5.125).

Are these requirements sufficiently clear and understandable?

NASBA supports the new and revised requirements for monitoring and remediation activities and believes that the requirements are sufficiently clear and understandable. NASBA believes that there is an opportunity for additional resources to assist in implementation for those subject to the standard.

NASBA has concerns on the availability of individuals with sufficient competence to perform the monitoring activities in the area of government audits particularly in smaller audit organizations. A similar challenge exists in smaller non-governmental audit organizations. Practical guidance should be provided to smaller governmental audit organizations to help them successfully design and implement effective monitoring and remediation processes.

Scalability Approach for Audit Organizations Differing in Size and Complexity:

4. The proposed revision intends to promote scalability to enable each audit organization, based on its size and complexity, to design, implement, and maintain a tailored system of quality management that responds to the circumstances of the audit organization and the engagements that it conducts (paras. 5.11-5.12).

Does the proposed revision promote sufficient scalability?

NASBA believes that the proposed revision promotes scalability and identifies certain circumstances that might be challenges from a scalability standpoint. NASBA recommends additional implementation guidance and resources be provided in those situations.

Engagement Quality Reviews:

5. The proposed standard includes a section (paras. 5.137-5.150) on performing engagement quality reviews that applies when an audit organization determines that such a response is appropriate to address one or more quality risks.

Are the requirements and application guidance relating to engagement quality reviews sufficiently clear and understandable?

NASBA believes that the requirements and application guidance relating to engagement quality reviews are sufficiently clear and understandable. NASBA has concerns that some audit organizations may not have sufficient resources to perform engagement quality reviews even when a quality review is the appropriate response to quality risk. NASBA believes that there is an opportunity for additional resources to assist in implementation of the standard in this area. In addition, there is further opportunity for additional implementation resources for situations in which the auditor opts to not perform engagement quality reviews.

Application Guidance for Key Audit Matters:

6. The proposed standard adds application guidance (para. 6.39) stating that communicating key audit matters is permitted in GAGAS financial audits if the auditors are engaged to do so or required to do so by law or regulation as discussed in AU-C section 701, Communicating Key Audit Matters in the independent Auditor's Report.

Is the application guidance sufficiently clear and understandable?

NASBA believes that the application guidance for key audit matters is sufficiently clear and understandable.

Early Adoption of Proposed Revision:

7. Audit organizations would be required to design and implement systems of quality management that comply with GAGAS within 2 years from the issuance of the final standard. The required evaluation of the system of quality management would be required within 1 additional year (3 years from the issuance of the final revision).

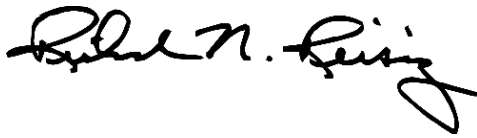
Should audit organizations be permitted to adopt the standard early?

NASBA supports the early adoption provision.

* * * * *

Again, we appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of Richard N. Reisig in black ink.

Richard N. Reisig, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO