



National Association of State Boards of Accountancy

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May 22, 2025

Auditing Standards Board
American Institute of Certified Public Accountants (AICPA)
1345 Avenue of the Americas
New York, NY 10105

Via e-mail: commentletters@aicpa-cima.com

Re: Exposure Draft: Proposed Statement on Standards for Attestation Engagements – *Scope Limitations in a Review Engagement*

Dear Members and Staff of the AICPA Auditing Standards Board (ASB):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, ***Scope Limitations in a Review Engagement*** (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.

General Comment

NASBA is supportive of the Exposure Draft to permit a practitioner to issue a qualified conclusion or disclaimer of conclusion in a review engagement due to a scope limitation. NASBA understands that there may be circumstances in which withdrawal is not possible under applicable laws or regulations. Nevertheless, as discussed below, we are concerned that in practice such circumstances may not be widely understood.

Other Comments

While we accept the premise of the Exposure Draft in concept, it is not immediately apparent to us what the circumstances might be that could lead to a practitioner issuing a qualified conclusion or disclaimer of conclusion because of restrictions on their ability to withdraw from an engagement due to applicable laws and regulations. It would be helpful to identify those situations or otherwise provide examples of situations in which a practitioner may not be allowed to withdraw from an

engagement in the application guidance or in the explanatory memorandum to the final issued standard.

NASBA also recommends including in application guidance other considerations in making the determination of whether to withdraw from the engagement or to modify the report given the significance of pending findings. We are concerned there could be situations in which the practitioner has identified significant or controversial findings and has presented those findings to the engaging party. When faced with those significant or controversial findings, the engaging party might attempt to convince the practitioner to withdraw from the engagement or perhaps refuse to furnish required written representations, thus triggering a withdrawal from the engagement by the practitioner. A withdrawal could be used as an escape mechanism to avoid disclosure of the significant or controversial findings to the detriment of the public interest.

The application guidance in paragraph .A99 provides that a practitioner should consider whether known limitations exist and whether the practitioner expects to be able to obtain the review evidence needed to arrive at the practitioner's conclusion prior to accepting a review engagement. Those considerations are appropriate for the initial engagement acceptance procedures.

Presumably if the client/engaging party has a reporting requirement in one reporting period/year, there will be a reporting requirement in subsequent reporting periods/years regardless of whether there has been a scope limitation discovered in the review engagement. Additional considerations for engagement continuation after the initial year when there has been a scope limitation should be expressed. Would a scope limitation preclude engagement acceptance in subsequent years? The proposed standard does not appear to address the impact of a scope limitation on future reporting considerations.

The application guidance in paragraph .A100 describes the circumstance "when the practitioner is aware, based on the agreed-upon terms of the engagement, that the engaging party is required to report to a regulator on a subject matter and there is a regulatory expectation that such report will be accompanied by a practitioner's review report. In such circumstances, the practitioner may determine that withdrawal is not possible." Ultimately, it is the engaging party that is subject to the law or regulation and not the practitioner. The practitioner may still withdraw from the engagement regardless of the obligations of the engaging party. We acknowledge that contractual difficulties may arise between the engaging party and the practitioner given the terms of the engagement as well as the practical challenge for the client/engaging party in finding another practitioner to help them meet their reporting requirements. NASBA recommends clarification of the terminology/language used in .A100 to acknowledge the fact that practitioners may still withdraw from the engagement regardless of the obligations of the engaging party.

Effective Date

If issued as final, the proposed amendments would be effective for practitioner's review reports dated on or after December 15, 2026. NASBA believes that the proposed effective date is appropriate.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Maria E. Caldwell

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NASBA Chair

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