



National Association of State Boards of Accountancy

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February 25, 2022

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

Via email: comments@pcaobus.org

Re: *Request for Public Comment: Advisory Groups – Draft Governance Frameworks*
PCAOB Release No. 2022-001

Dear Members of the Public Company Accounting Oversight Board:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the Draft Governance Frameworks of the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG) detailed in the Release referred to above.

Founded in 1908, NASBA serves as a forum for the nation's State Boards of Accountancy, representing fifty-five jurisdictions. NASBA's mission is to enhance the effectiveness and advance the common interests of the State Boards of Accountancy 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 on the Release.

General Comments

NASBA commends the Public Company Accounting Oversight Board (the PCAOB) for establishing two new advisory groups to obtain the essential input and insights from stakeholders on matters related to the PCAOB's statutory mission. In reviewing the structure and governance of each of the IAG and SEIAG, including their specific purpose, role and composition, we noted that other than the U.S. Securities and Exchange Commission (the SEC), and the PCAOB itself, the perspective of other regulators of the accounting profession is not represented.

There is a direct correlation with the PCAOB and its charge to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit

reports to the enforcement responsibilities of the State Boards. By our very nature, NASBA shares in the similar mission of the PCAOB in protection of the public interest and, therefore, our two organizations should be closely aligned. With the responsibility of licensing and regulating CPAs and firms practicing within the statutorily defined scope of the practice of public accountancy, NASBA through the State Boards offers a unique perspective that compares to no other regulatory body.

We therefore believe that regulators should be included in both the IAG and the SEIAG. Specifically, we are requesting that consideration be given to designating a representative of NASBA as a non-voting attendee (or permanent observer status) with the right of floor in filling one of the regulator seats.

We also noted that the comment letter deadline on the proposed governance structure frameworks and the nomination deadline for members to the groups are concurrent. From a due process standpoint, we believe that it would be more appropriate that the nomination process take place after the frameworks are finalized and approved.

Comments Common to Both Frameworks

In reviewing the separate governance frameworks of the IAG and the SEIAG, we had the following comments regarding provisions that are present in both frameworks:

Member Terms: Both frameworks state that members serve a two-year term, but, to enhance continuity, 50% of initial members would be appointed for a three-year term. Members are limited to six consecutive years. Logistically, those members appointed for the initial three-year term would need a different consecutive term. Otherwise, the PCAOB's goal of continuity will not be achieved, as all members will roll off after six years. We recommend re-considering the upper boundary of member terms to express them as a number of terms served instead of years served, to avoid this outcome.

Leadership: Both frameworks state that each respective advisory group will select sub-committees/task force chair(s), as appropriate. We recommend selection of sub-committee/task force chairs be the responsibility of the Co-Chairs of the respective advisory group, instead of requiring a vote of the entire advisory group, as this is what we typically see with boards and committees.

Meetings & Overall Structure: Both frameworks state that there will be at least two public meetings per year and that additional ad hoc public and non-public meetings may be scheduled as necessary or appropriate. We recommend developing guidelines for when meetings would be non-public, in a manner that ensures appropriate transparency of the advisory groups.

We noted that there is no explicit mention that PCAOB Board members will participate in the respective advisory group meetings. In our experience, essential input and insights from stakeholders happen when there is active participation in discussions between advisory group

members and Board members. We recommend including an explicit statement in the frameworks that PCAOB Board members would attend both the IAG and SEIAG meetings.

In reviewing the separate governance frameworks of the IAG and the SEIAG, we noted several differences which we believe are not solely a result of the different missions of the two advisory groups. The following comments and recommendations highlight the differences in the separate frameworks of the advisory groups:

Specific Comments on the IAG Framework:

Composition: The framework states that the IAG will be composed of individuals with relevant expertise and/or experience in investing in public companies. There is no mention of including individuals with expertise in auditing public companies or investment companies, which we believe would be beneficial to the IAG.

Specific Comments on the SEIAG Framework:

Purpose & Role: The purpose and role of the IAG specifically mentions overseeing the audits of public companies, protecting the interests of investors and furthering the public interest in the preparation of informative, accurate and independent audit reports. The purpose and role of the SEIAG does not include a public interest component and does not mention oversight of audits of public companies. It seems that a focus on the public interest as well as quality of audits of public companies would likewise be appropriate guiding principles for the SEIAG.

Size: The size of the SEIAG is up to twenty-four (24) voting members as compared to the IAG's eighteen (18) voting members. It is not clear why there would be a difference in size of the two advisory groups. Both groups' frameworks state that to ensure communication between the SEIAG and IAG, one or more IAG members will also serve on the SEIAG. As currently described, all 18 members of the IAG could serve as SEIAG members; however, that would not seem optimal. Consideration should be given to establishing an upper boundary on the number of IAG members who might serve on the SEIAG. The framework also states that the Board will strive to compose the SEIAG of members from each of the stated areas of expertise. We recommend establishing more guidance to define the skill sets or desired background/experience, which will aid in developing a diverse composition of the 24 members.

Composition: The first bullet in the Composition section enumerates five areas of expertise being sought for potential SEIAG members. There is a sixth area described as "other areas that the Board deems relevant". The SEC is increasingly focused on disclosures related to environmental, social and governance (ESG) issues. We believe that the area of ESG should be added as one of the stated areas of expertise sought for members of the SEIAG.

Leadership: The framework states that the Chief Auditor will serve as chair of the SEIAG. We believe that for the SEIAG to be most effective in carrying out its role and purpose, there should be healthy tension between the SEIAG and the Chief Auditor and his/her office. The SEIAG should

provide fresh perspectives regarding matters the PCAOB is and should be considering and, if the Chief Auditor is chair of the SEIAG and setting the meeting agendas, that thought process could be stifled. We recommend that, similar to the framework of the IAG, the chair of the SEIAG be the PCAOB Chair or a member of the PCAOB Board.

The second bullet of the leadership framework indicates that the PCAOB Board may consider appointing a SEIAG Co-Chair; however, it is unclear as to whether the Co-Chair will be a member of the SEIAG, a PCAOB Board member or staff. We recommend that clarification on establishing the Co-Chair be developed.

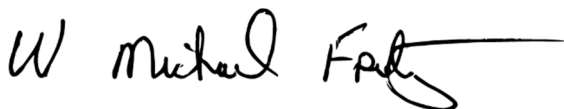
Meeting Agendas: The framework states that meeting agendas will be approved by the PCAOB Board; however, PCAOB Board approval is not a requirement for the IAG meeting agenda. It is unclear why there would be a difference in the process for setting the meeting agendas between the two groups. We recommend that the question of PCAOB Board approval of the meeting agendas for both advisory groups be addressed consistently between the two groups.

Non-Voting Attendees: We noted that a representative of the International Auditing and Assurance Standards Board (IAASB) shall be a non-voting attendee. However, it should be noted that, compared to the the structure of the PCAOB's standards, there is a different structure internationally in that the ethics standards reside with one body and the auditing standards in another. We would recommend that the International Ethics Standards Board for Accountants (IESBA) also be considered as a non-voting attendee as it oversees the international ethics standards, which include the independence standards.

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We appreciate the opportunity to comment on the Release.

Very truly yours,



W. Michael Fritz, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO