



National Association of State Boards of Accountancy

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September 3, 2015

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Via Email: rule-comments@sec.gov

Re: File Number S7-13-15 *Possible Revisions to Audit Committee Disclosures*

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Securities and Exchange Commission's "Possible Revisions to Audit Committee Disclosures" (Release No. 33-9862; 34-75344). 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 certain questions posed in the Concept Release.

OVERALL COMMENTS

We support the Staff's efforts to consider changes to disclosures that would continue to promote effective and independent audit committees. As noted in the Concept Release, the requirements for the audit committee's reporting to shareholders principally contained in Item 407 of Regulation S-K have not changed significantly since 1999. The audit committee's oversight of the auditor has a vital role in protecting the public interest.

With the Commission's approval of PCAOB Auditing Standard No. 16, *Communications with Audit Committees* (AS 16) in 2012, Item 407 (d) of Regulation S-K is no longer current because it references AU Section 380. We agree the change to communications requirements within the auditing standards without a corresponding change in the audit committee reporting standards has resulted in divergent practices.

We are primarily concerned that if many of the 74 specific questions result in new disclosures or requirements that the ultimate list will become a "checklist" to use versus the audit committee continuing to carry out its due process in consideration of the facts and circumstances unique to its own environment. New guidelines for audit committee disclosures should be principles based, not rules based. Audit committees should be able to determine which suggested disclosures would be relevant and meaningful to its investors based upon the results of its governance process.

SPECIFIC COMMENTS

Question 8 - As noted in our comments above, we believe that the audit committee communication requirements should be updated to reflect the standards in PCAOB Auditing Standard 16. As a regulator,

we believe that inconsistencies in professional standards should be minimized to the extent possible so that audit professionals can appropriately implement them.

Question 14- We believe that communications between audit committees and auditors should be transparent, robust and may include items that by nature, remain confidential. Items that the audit committee may wish to address with the auditors, or that auditors wish to discuss with their clients, in executive session may not be as openly discussed if they are required to be included in the audit committee report.

Question 17 – Disclosure of specific matters discussed may hamper the open dialogue between the audit committee and the auditor, which in turn could affect each party’s ability to carry out its responsibilities, and thus ultimately create a risk for the company and its shareholders. It is important to have the audit committee disclose the processes it undertakes with respect to the auditor, including the types of matters discussed, rather than the matters themselves. Any substantive matters that affect the company’s financial reporting, including uncertainties, new or critical accounting policies, difficult estimates, and the like, would be required to be communicated by management in the MD&A.

Question 21 - We feel there is a risk that the confidentiality of the nonpublic PCAOB inspection results could be undermined. It is important for audit committees to understand the results of PCAOB inspections related to the audit of its company’s financial statements. Fulsome discussions of any inspection findings on an audit are necessary for the audit committee to evaluate the quality of the audit partner and firm. To date, inspection comments included in Part I of a firm’s PCAOB report are not reported specific to an individual company. Should the audit committee be required to provide this information in its report, it would seem that the PCAOB inspection comment process would need to be modified to report Part I comments related to specific companies.

Question 35 - Under the accountancy law of each state, the individual licensed professional is charged with maintaining quality, accountability and protecting the public interest. The engagement partner is held responsible for his/her actions, regardless of whether they sign their own name or the firm’s name.

Question 38 - The PCAOB currently has a concept paper exposed for comment indicating that it would recommend that the signing partner and other firm participants, as defined, be included on a Form SP. Should the PCAOB proceed with the issuance of a requirement for filing such form, we do not believe that disclosing this information in the audit committee report would provide any additional benefit to the public interest.

Question 45 - In 2011, the PCAOB began a public discussion of the relevance of auditor tenure in its *Concept Release on Auditor Independence and Audit Firm Rotation*. Notably, after receiving much public input from a variety of stakeholder groups, the PCAOB has publicly stated that it is no longer actively mandating audit firm rotation after a prescribed period of time.

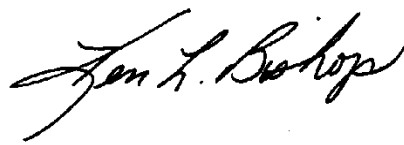
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We appreciate the strong relationship between the SEC, NASBA and the State Boards of Accountancy, and we look forward to being able to continue to provide transparent, relevant financial information to the users of our financial statements. Thank you for the opportunity to share our comments on Concept Release File Number S7-13-15, *Possible Revisions to Audit Committee Disclosures* (the "Concept Release"). Please contact us if you have questions or need clarification regarding our comments.

Sincerely,

Handwritten signature of Walter C. Davenport in black ink, featuring a stylized 'W' and 'D'.

Walter C. Davenport, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink, written in a cursive style.

Ken L. Bishop
NASBA President and CEO