

September 13, 2007

Mr. James Sylph
Technical Director, IAASB
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Re: Exposure Draft: *Proposed Redrafted International Standard on Auditing (ISA) 200 (Redrafted), Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing.*

Dear Mr. Sylph:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the above referenced exposure draft. We commend the International Auditing and Assurance Standards Board (IAASB) on its proposed revisions to International Standard on Auditing (ISA) 200. We believe that the obligation attaching to objectives is appropriate. We think the use of objectives will enhance the clarity of the standards and how professional judgment should be exercised in applying them. The ASB agrees with the description of the authority of the objectives of the standards. We also believe the discussion of inherent limitations of an audit is sufficiently comprehensive.

We offer the following comments on the Exposure Draft. Unless otherwise indicated, suggested new language is shown in boldface italics; suggested deleted language is shown by strikethrough.

Paragraph 5 - The Overall Objective of the Auditor.

As written, the overall objective of the independent auditor has two components:

- (1) to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- (2) to report on the financial statements in accordance with the auditor's findings.

This may result in confusion as to whether there are one or two overall objectives of the auditor. In addition, since reporting in accordance with the auditor's findings is addressed by the language "to express an opinion whether the financial statements are prepared in accordance...", it is not necessary to include that

second component in the objective of the auditor. We suggest the following change:

5. In conducting the audit so as to achieve its objective, the overall objective of the independent auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, ~~and to report on the financial statements in accordance with the auditor's findings.~~

Paragraph 16 - Definitions.

Financial reporting framework is not defined. *Applicable financial reporting framework* is defined, but the definition addresses the meaning of *applicable*, as evidenced by the use of the term *financial reporting framework* within the definition. We recommend defining *financial reporting framework* and suggest the definition of “a set of criteria having substantial support that is applied to all material items appearing in the financial statements”.

Paragraphs 24, A55 and A56.

It is only when sufficient appropriate audit evidence has not been obtained that other audit procedures need to be performed; accordingly the word connecting paragraph 24(a) and 24(b) should be *or*. This is consistent with the application material in paragraph A56, which lists the steps to be taken when the auditor concludes sufficient appropriate audit evidence has not been obtained. Also, the requirement to consider the relationship amongst the ISAs is stated indirectly in paragraph 24, although it is directly stated in the application material in paragraph A56. We were confused as to why it would be necessary to consider the relationships amongst the ISAs if objectives of all relevant ISAs are being used, and we concluded that the reason for the need is to ensure that all relevant ISAs are identified. We believe that the following wording better expresses the intent of the ISA:

24. To achieve the overall objective of the auditor, the auditor shall use the ~~objectives~~ *objective* stated in ~~the~~ *each* relevant *ISA while having regard to the interrelationships among the* ISAs, to judge whether, ~~having regard to the interrelationships amongst the ISAs and~~ having complied with the requirements of the ISAs:

- (a) Sufficient appropriate audit evidence has been obtained in the context of the overall objective of the auditor; ~~and~~ *or*
- (b) Other audit procedures need to be performed in pursuance of the objectives.

A55. ~~In achieving the objectives of the ISAs, The requirement in paragraph 24 for the auditor is required to have regard to the interrelationships among the ISAs-~~ ***assists the auditor in identifying relevant ISAs. Relevant ISAs may not be immediately identifiable*** This is because of the ~~different~~ ***diverse*** nature of the ISAs, which as indicated in paragraph A43 deal in some cases with general responsibilities and in others with the application of those responsibilities to specific topics...

A56. ~~The auditor is required to use the objectives to judge~~ ***judgment of*** whether sufficient appropriate audit evidence has been obtained, ***using the objectives of the ISAs, may*** ~~-If as a result~~ ***in*** the auditor ~~concludes~~ ***concluding*** that the audit evidence is not sufficient and appropriate. ***When this is the result,*** then the auditor may follow one or more of the following approaches to ~~meeting the requirement of paragraph 24(a)~~ ***obtain sufficient appropriate audit evidence...***

We believe the word *diverse* better connotes that the ISAs vary in nature from one ISA to the next, whereas the word *different* may imply that the ISAs as a group are different from some other unspecified group.

Editorial comments

To avoid confusion between requirements and application material, we recommend that the phrase “the auditor is required to” not be used in application material. Accordingly, in addition to the above-recommended changes to paragraph A55 and A56, we suggest the following:

A36. Although it is often not possible to obtain audit evidence that is conclusive, ***the ISAs require*** the auditor ~~is required~~ to obtain audit evidence ...

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Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Ahava Goldman at +1-212-596-6056, agoldman@aicpa.org or Sharon Walker at +1-212-596-6026, swalker@aicpa.org.

Respectfully submitted,

/s/ Harold Monk, Jr.
Chair, Auditing Standards Board