

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) 500
“Considering the Relevance and Reliability of Audit Evidence”***

Dear Mr. Sylph:

The American Institute of Certified Public Accountants (AICPA) is pleased to have the opportunity to comment on the above referenced exposure draft.

We would like to commend the International Auditing and Assurance Standards Board (IAASB) on the issuance of this exposure draft. We believe that the exposure draft clarifies the concept of audit evidence and we support its issuance. We believe that the objective to be achieved by the auditor is appropriate, and that the criteria for determining whether a requirement should be specified have been applied appropriately and consistently.

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

Paragraph 11

Paragraph 11 states “when designing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence.” In the proposed ISA the objective of the auditor is “to design and perform audit procedures so as to be able to obtain relevant and reliable audit evidence.” We believe that it is appropriate when performing procedures for the auditor also to consider the relevance and reliability of the information to be used as audit evidence. Accordingly, we recommend that paragraph 11 be amended as follows:

11. When designing ***and performing*** audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence.

Paragraph 12

Paragraph 12 establishes a requirement of the auditor to evaluate information produced by the entity and used by the auditor for purposes of the audit. We agree that the auditor should evaluate the reliability of the audit evidence when it is produced by the entity. However, we believe that the requirement should only apply to information that the auditor obtains while performing audit procedures to obtain audit evidence about assertions related to classes of transactions, account balances or disclosures or about the operating effectiveness of internal controls. This is because risk assessment procedures, generally, are performed to identify the risks of material misstatement, not to obtain audit evidence about assertions related to classes of transactions, account balances, or disclosures or to test the operating effectiveness of internal controls. Accordingly, we suggest the following revision to paragraph 12:

12. When information used by the auditor for purposes of the audit was produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable ***to provide audit evidence about an assertion related to classes of transactions, account balances, or disclosures or testing the operating effectiveness of internal controls*** ~~for the auditor's purposes~~, including as necessary in the circumstances:...

If the IAASB does not accept the proposed change, we recommend moving the content in paragraph 12 to the application material.

Paragraph 13

Paragraph 13 establishes a requirement of the auditor to determine the means of selecting items for testing that are effective in meeting the purpose of the audit procedure whether selected by means of audit sampling or other means. We agree that this requirement and related application guidance are appropriate, however we do not believe that ISA 500 is the appropriate standard to deal with this matter. ISA 330, *The Auditor's Responses to Assessed Risks*, deals with the nature, timing and extent of audit procedures that an auditor should perform in response to assessed risks. Accordingly, we believe that ISA 330 is the more appropriate standard to deal with this particular requirement and related application guidance.

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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 Hiram Hasty at +1-212-596-6011, hhasty@aicpa.org or Sharon Walker at +1-212-596-6026, swalker@aicpa.org.

Respectfully submitted,

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