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Ms. Sherry Hazel
Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Via e-mail: shazel@aicpa.org

Dear Ms. Hazel,

We appreciate the opportunity to comment on the discussion paper, *Improving the Clarity of ASB Standards*, approved by the Auditing Standards Board (Board) of the American Institute of Certified Public Accountants (AICPA).

We support the Board's objective to harmonize U.S. generally accepted auditing standards with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) and to avoid unnecessary differences with the standards of the Public Company Accounting Oversight Board (PCAOB). We further support the Board's clarity project and respectfully submit our responses to the questions for respondents in the accompanying appendix.

We would be pleased to discuss our comments with you. If you have any questions, please contact Mr. John L. Archambault, Managing Partner of Professional Standards, at (312) 602-8701.

Very truly yours,



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Appendix – Responses to Questions

1. Do you agree that the use of objectives, as proposed will enhance the clarity of standards and how professional judgment should be exercised in applying them?

We concur that the use of objectives will permit appropriate use of professional judgment in applying the SASs and that, in order to achieve harmonization, such objectives should be consistent with the ISAs. However, the Board should carefully consider the method by which the 10 generally accepted auditing standards (10 standards) will be incorporated into the proposed structure, including their relationship with the objectives of the individual SASs.

Although the 10 standards previously set the foundation for an audit, such standards do not currently reflect recent changes in the auditing standards, including, but not limited to, the new risk assessment standards. We believe the proposed structure contemplates an “umbrella” standard similar to the proposed ISA 200 (Revised and Redrafted), *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*. Consequently, we believe the concepts embedded in the 10 standards should be updated and clearly incorporated in the new “umbrella” standard to reflect the requirements that are needed to achieve the objectives of the audit.

2. Which presentation do you believe will help you better understand and implement the standard?

We support the Board’s proposed drafting improvements and other structural changes. However, we have been opposed to separating the requirements from the explanatory material in belief that such separation would adversely affect the consistent application and the quality of audits, regardless of whether or not the explanatory material carried the same level of authority. Although we have now seen some of the benefits of such separation within the ISAs, we still have concerns about such presentation.

We believe that by separating the requirements from the explanatory material, the Board increases the risk that the requirements will be read out of context and without regard to the explanatory guidance, which in effect reduces understandability, clarity and consistency in application. For instance, we believe that the requirements in ISA 600 (Revised and Redrafted), *The Audit of Group Financial Statements*, are difficult to understand without also reading the explanatory material and that the separation is time-consuming and less user-friendly. Accordingly, our preference is it to retain the explanatory material with the requirements (as illustrated in Appendix 1).

3. Will inclusion of these special considerations throughout the SASs be helpful?

Public sector entities may pose unique challenges for auditors. Accordingly, the inclusion of special considerations for audits of such entities may be useful, provided the guidance does not contradict existing legal, regulatory or other professional requirements. With regard to audits of small entities, however, the inclusion of special considerations would only be appropriate if such considerations do not set a lower bar for complying with the SASs. In this regard, we urge the Board to consider the risk assessment standards, which address size, as well as complexity.

4. Will inclusion of a glossary of terms in the Codification of the Statements on Auditing Standards be helpful?

We believe that consistency in terminology is essential within professional literature. A glossary of terms may not only be useful for auditors in understanding and applying the standards, but also beneficial to the Board and others who draft such standards and related guidance. We caution the Board, however, to ensure that the definitions are consistent throughout the literature, including any applicable definitions within the Code of Professional Conduct. Further, the Board should harmonize the definitions with those of the IAASB and PCAOB.