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June 18, 2007

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

**Regarding Discussion Paper**  
***Improving the Clarity of ASB Standards***

Dear Ms. Hazel:

We appreciate the opportunity to provide comments on the Auditing Standards Board's Discussion Paper, *Improving the Clarity of ASB Standards*. We support the Board's planned clarity project and believe it will provide the Board with a unique opportunity to bring existing standards under a common set of drafting conventions, which will increase the consistency of their application in practice.

An auditor's ability to understand and consistently interpret and apply auditing standards has a direct impact on audit quality. Therefore, we support the drafting improvements and structural changes, including the use of procedural-based objectives, illustrated in Appendix 1 to the Discussion Paper.

The example standard illustrated in Appendix 1 includes the explanatory material immediately following the requirements. We believe that this format promotes an effective understanding of the requirements of the standard by providing context to the requirements. Providing context to the requirements of an auditing standard is critical to understanding and implementing the standards' requirements, consistent with the overall objective of the auditor. Separating requirements from the applicable guidance that provides context to the requirements increases the likelihood that auditors will misinterpret the objectives of the standard or misapply its related requirements. We believe that audit quality will suffer if the AICPA's auditing standards are redrafted separating the requirements from the respective application material.

The Discussion Paper proposes that each SAS address any special considerations that are specific to audits of small entities (as well as audits of public sector entities). While we

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do not object in principle to auditing standards addressing special considerations, such as those noted in the Discussion Paper, we believe that these considerations should be addressed in the context of smaller, less complex entities (as opposed to the characterization of “small entities”). The factors that affect the scalability of an audit or specific procedures include both the size and complexity of an entity, not simply the size of the entity.

We appreciate the opportunity to comment on the Discussion Paper. If you have questions or comments regarding information included in this letter, please contact Craig Crawford (212) 909-5536, [ccrawford@kpmg.com](mailto:ccrawford@kpmg.com), or Walt Conn, (212) 909-5505, [wconn@kpmg.com](mailto:wconn@kpmg.com).

Very truly yours,

**KPMG LLP**