

June 20, 2007

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

Discussion Paper: *Improving the Clarity of ASB Standards*

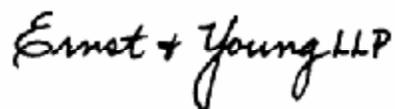
Dear Ms. Hazel:

Ernst & Young LLP (“Ernst & Young”) is pleased to submit this comment letter to the Auditing Standards Board (ASB) in response to the ASB’s request for comment regarding the above-referenced Discussion Paper. We support the objective of improving the clarity of the ASB standards and we believe this will further enhance the quality and consistency of audit performance. We also support the ASB’s plan to harmonize generally accepted auditing standards in the United States with the International Standards on Auditing (ISAs) and the alignment of its agenda with that of the International Auditing and Assurance Standards Board (IAASB). We agree that this approach facilitates the development of new or revised Statements on Auditing Standards (SASs).

We agree with the structure proposed in the Discussion Paper, which would retain the overall objective of the audit and the 10 standards, while adding an overall objective of the auditor and objectives for each of the SASs. In addition, as explained further in the attachment to this letter, we prefer a format that will position the explanatory material together with the requirements of the standards.

In the attachment to this letter, we have included our response to each of the ASB’s questions for respondents. We would be pleased to discuss our comments with members of the Auditing Standards Board or its staff.

Sincerely,



Objectives of Standards

- 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? Please explain why or why not.*

We agree with the use of objectives in the individual standards and also agree that these objectives will enhance the clarity of the standards by providing support for the 10 standards and the overall objective of the auditor. We also agree that the objectives will allow the auditor to put the requirements in context; that is, the auditor will be able to apply the requirements in the context of meeting the objective of the standard.

Further, as stated above, we support the inclusion of objectives in the individual standards, but believe that the objectives should be worded similarly to the objectives included in the clarified ISAs (i.e., we would not use the terms “must” or “should” in the objectives). Finally, we suggest that the use of unconditional requirements (“must”) be limited throughout the standards. We believe this use of terms would be consistent with the ISAs and would contribute to the greater clarity of the standards.

Improving Readability and Understandability

- 2. Which presentation do you believe will help you better understand and implement the standard? Please explain why.*

We prefer the format of Appendix 1, which positions the explanatory material along with the requirements. We also believe that the clear separation and identification of the requirements is important to the auditor’s ability to properly implement the standard. While we recognize that this format is different from that chosen by the IAASB, we believe the readability of the standard is enhanced as the explanatory material flows naturally after the requirement to which it relates. Further, positioning the explanatory material side-by-side with the requirements will help to reinforce to auditors that the explanatory material is an integral part of the SAS.

If the ASB elects to adopt the structure proposed in Appendix 2 in which the requirements and explanatory material are separated, we suggest repeating the requirements within the explanatory material.

Special Considerations in the Audits of Public Sector Entities and Small Entities

- 3. Will inclusion of these special considerations throughout the SASs be helpful? Please explain why or why not.*

The inclusion of special considerations for audits of public sector and small entities would be helpful in those areas where such entities have unique characteristics that would require special auditor consideration.

Glossary of Terms

4. *Will inclusion of a glossary of terms in the Codification of the Statements on Auditing Standards be helpful? Please explain why or why not.*

We support the inclusion of a Glossary of Terms to promote consistency throughout the SASs and to help auditors more easily identify the definitions of terms.