

June 15, 2007

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

Re: Discussion Paper, *Improving the Clarity of ASB Standards*

Dear Ms. Hazel:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the discussion paper, *Improving the Clarity of ASB Standards*.

We support the efforts of the Auditing Standards Board (ASB) to harmonize, to the greatest extent possible, US Statements on Auditing Standards (SASs) with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB). We believe that harmonization efforts to date have strengthened US auditing standards and enhanced audit quality for non-issuers. In addition, aligning the ASB agenda with that of the IAASB has brought a desirable immediacy to the objectives of eliminating unnecessary differences in requirements, particularly performance requirements, between US and international auditing standards and, where differences cannot yet be resolved, enhancing a mutual understanding of the reasons why.

We also support the efforts of the ASB to avoid creating unnecessary differences between ASB and PCAOB standards.

Our responses to the specific questions in the discussion paper are presented below.

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 believe that the introduction of principles-based objectives into auditing standards enhances clarity when such objectives provide context for the requirements in the SASs. In that regard, objectives will assist auditors in determining whether (1) sufficient appropriate audit evidence has been obtained, including consideration of evidence obtained through the application of all the SASs relevant to the audit; (2) additional procedures are necessary to obtain such sufficient appropriate audit evidence; or (3) the auditor's report should be modified.

We support the use of objectives, as stated above. The discussion paper, however, proposes (and both Appendix 1 and Appendix 2 illustrate) that objectives be used to create a level of

"must" or unconditional requirements, in addition to the "should" or presumptively mandatory requirements set forth in the "Requirements" section of the SAS. We do not support that approach because we believe it is inconsistent with the purpose of "objectives," which is to set out goals rather than requirements. We also believe that the "Requirements" section of the SAS can accommodate both "must" and "should" requirements. In addition, placing "must" requirements in the "Objectives" section and "should" requirements in the "Requirements" section potentially could cause confusing redundancy.

2. Which form for presenting the content of a standard do you believe will help you better understand and implement the standard? Please explain why.

We prefer the Appendix 2 presentation in which the requirements and explanatory material are in separate sections. We believe that presenting all the requirements together in a separate section, with cross-references to and from the explanatory material, is clearer and more concise than the Appendix 1 presentation. In addition, the Appendix 2 presentation aligns with that used by the IAASB for ISAs.

3. Will inclusion of special considerations in the audits of public sector entities and small entities throughout the SASs be helpful? Please explain why or why not.

We believe that guidance in auditing standards generally should be drafted so that it is scalable to entities of all sizes, thus obviating the need to create "special considerations" guidance for small entities. We are concerned that the proliferation of special considerations guidance throughout standards potentially has the unintended consequence of creating a "second set" of standards. We prefer use of the term *less complex* rather than *small* because complexity is a more relevant factor than size in driving audit approach.

We believe that it is appropriate for ASB auditing standards to continue to refer to additional regulatory guidance, where relevant, that may be applicable to regulated entities.

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 inclusion of a glossary of terms in a separate section of the Codification of Auditing Standards. Establishing a glossary of terms will promote consistency of definitions throughout the SASs. In addition, a glossary of terms will facilitate quick comparison of US definitions with those in the International Federation of Accountants Handbook.

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have. Please contact Jorge Milo (973-236-4300) regarding our submission.

Sincerely,

