

June 3, 2009

Ms. Sherry Hazel
AICPA
1211 Avenue of the Americas
New York, N.Y. 10036-8775

By e-mail: shazel@aicpa.org

**Re: Proposed Statement on Auditing Standards, Consideration of Laws and Regulations in
an Audit of Financial Statements**

Dear Ms. Hazel:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Auditing Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Robert N. Waxman, Chair of the Auditing Standards Committee at (212) 755-3400, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David J. Moynihan
President

Attachment

**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
PROPOSED STATEMENT ON AUDITING STANDARDS
CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL
STATEMENTS**

June 3, 2009

Principal Drafter

Robert N. Waxman

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New York State Society of Certified Public Accountants
Auditing Standards Committee

Comments on
Proposed Statement on Auditing Standards: Consideration of Laws and Regulations in an
Audit of Financial Statements

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the AICPA Auditing Standards Board's (ASB) Proposed Statement "Consideration of Laws and Regulations in an Audit of Financial Statements" (the proposed standard).

We support the ASB's efforts to improve the clarity and reduce the complexity of auditing standards as well as its ongoing goal to converge the proposed standards with International Standards on Auditing (ISAs).

1. Are the auditor's objectives appropriate?

We believe the stated objectives are appropriate.

2. Are the revisions from the existing standards to converge with ISA 250 appropriate?

Subject to the comments below, we believe that the existing AU 317 standards appropriately converge, where necessary, with ISA 250.

3. Are the differences between the proposed SAS and ISA 250 identified in Exhibit A, and other language changes, appropriate?

Subject to the comments below, we believe that the indicated differences in Exhibit A are appropriate.

4. Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?

While this proposed standard does not consider smaller or less complex entities, we agree that the procedures and explanatory material in the proposal are appropriate for all entities be they large or small, complex or not complex.

Other Comments

We agree with the proposed changes from the existing standards. In particular, we believe that extant AU 317.07 requiring the auditor to apply procedures only "if specific information comes to the auditor's attention" is insufficient in today's environment, and the inspection of correspondence is an appropriate convergence with ISA 250.

We agree with the new presumptively mandatory requirements in paragraph 12b and with the movement of representations in extant AU 317 to AU 333, “Management Representations.”

With regard to clarity, we recommend that redundant paragraphs be removed and verbiage eliminated. Some examples:

Paragraph 7. “In this SAS, differing requirements are specified for each of the previously mentioned categories of laws and regulations.” This is self-evident and can be deleted.

Paragraph 6a and part of paragraph 7 may be combined to read as follows:

6a. With regard to laws and regulations whose provisions are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, the auditor should obtain sufficient appropriate audit evidence about those material amounts and disclosures. (Ref: par. A8–A10)

The parenthetical “such as tax and pension laws and regulations” is already mentioned in the last bullet of paragraph A8 and is not needed here. In addition, paragraph 13 can be eliminated.

Paragraph 6b and part of paragraph 7 may be combined to read as follows:

6b. Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to (a) the operating aspects of the business, (b) to an entity’s ability to continue its business, or (c) avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations).

For these other laws, the auditor’s responsibility is limited to undertaking specified audit procedures that may identify noncompliance with those laws and regulations that may have a material effect on the financial statements.

The responsibility of management in paragraph A1 is included in paragraph 3 and the effect of laws and regulations is in paragraph 2. We suggest that paragraph A1 be deleted.

Paragraph A2. In the first paragraph, the third bullet references a “code of conduct.” We would add “and Code of Ethics,” a best practice adopted by many private companies following the lead of public companies pursuant to the SEC’s Regulation S-K, Item 406.

In the second paragraph, the “assigning appropriate responsibilities” is not helpful as “explanatory material,” and we recommend that additional guidance be added. For example, guidance could be added on what the auditor should expect from the audit committee. In general, the audit committee is responsible for reviewing and monitoring, in an oversight capacity, the financial reporting and auditing processes. Moreover, in that oversight role, the audit committee may review with management and internal auditors the entity’s internal control systems intended to ensure compliance with the entity’s code of conduct, code of ethics, and laws and regulations.