



# National State Auditors Association

June 30, 2008

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Ms. Sherry Hazel  
Audit and Attest Standards  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA Auditing Standards Board's proposed Statement on Auditing Standards No. 103 (redrafted), *Audit Documentation*.

We have reviewed the proposed statement and generally agree with the provisions in the exposure draft. Our general impression is that the proposed SAS remained consistent with the current requirements in SAS No. 103. We find the new format to be easy to follow, but only after understanding how the application and other explanatory material relates to the requirements, and the appendices and exhibits relate to main section of the standard. Therefore, we recommend the ASB continue to educate auditors about how these sections interrelate, including an improved explanation about the authoritative status of each of the sections, in future documents.

As requested, we offer the following feedback in response to the issue for consideration and the questions posed by the ASB:

### *Issue for Consideration – Definition of Experienced Auditor*

We agree with the definition of experienced auditor and believe footnote 2 is an important part of expressing the ASB's intent. The new definition accurately describes the essential characteristics of an experienced auditor.

### *Questions posed by the ASB*

1. *Are the objectives to be achieved by the auditor, stated in the proposed SAS, appropriate?*

The objectives to be achieved by the auditor, stated in the proposed SAS, are appropriate.

2. *Are revisions from the existing standards to converge with ISA 230 appropriate?*

The revisions from the existing standards to converge with ISA 230 are appropriate, except as noted below.

Paragraph 9 – we believe this proposed requirement will be viewed as a stricter requirement (compared to the existing standard). We believe it was clear, and sufficient, in SAS No. 103 that the auditor would include such information when it was necessary to meet the overall documentation requirements in paragraphs 8 and 10 of this proposed standard. We are uncertain about whether this proposed change expects the auditor to meet a higher documentation requirement than other audit procedures that will be documented as described in paragraph 10. Accordingly, we recommend that the ASB add guidance paragraphs to clearly explain this requirement, in light of what paragraphs 8 and 10 already require.

The proposed SAS removes the following language (see page 9 of 33 of the mapping document): "The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them." The explanation provided in the mapping document is that this language is repetitive of AU Section 530, paragraph 1. This is somewhat confusing as it appears the basis for the language in AU Section 530, paragraph 1, is SAS 103. Therefore, if the quoted language is deleted from SAS 103, wouldn't the language in AU Section 530, paragraph 1, also be deleted? We assume this requirement will be addressed in the redrafting of AU 530, but it is not clear.

3. *Are the differences between the proposed SAS 103 and ISA 230 identified in exhibit B, and other language changes, appropriate?*

The differences between the proposed SAS 103 and ISA 260 identified in exhibit B are appropriate, except as noted below.

Paragraph A3 does not include a sentence from the original standard regarding transferring or copying paper documentation to another media. In its place, the ASB has chosen to include a footnote referencing paragraphs containing further guidance in the Statements on Quality Control Standards. While we agree with the addition of the footnote reference, we do not agree with the deletion of the original sentence since it provides the auditor with summary guidance on application of the standard. We suggest the ASB paraphrase the requirement so that the auditor does not have to refer to the Statements on Quality Control Standards. Having to go to another set of standards reduces the clarity of this requirement.

Paragraph 16 requires the auditor to document the report release date in the audit work papers. Paragraph A23 allows auditors to document certain items centrally, but does not include matters specific to a particular engagement. We recommend the AICPA consider modifying paragraphs 16 and A23 to allow audit organizations to maintain the report release date either centrally or in the audit work papers. Although the report release date relates to a specific engagement, some audit organizations maintain this information centrally so that compliance with auditing standards related to the release date can be monitored.

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

The proposed statement appropriately addresses considerations for audits of smaller, less complex entities and governmental entities.

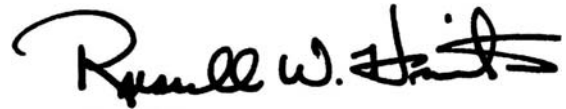
In addition to our comments above, we have some editorial comments as noted below:

- Page 12 – the footnote at the bottom of this page is without reference, but should be labeled.
- Paragraphs 17-18 and A25-A27 – the references between these paragraphs do not correlate. It appears that paragraph 17 should refer to A26-A27 and paragraph 18 should refer to A25.
- Paragraph 18 – Replace the word envisaged with a more common and easily understood word.
- Paragraph A2 (third bullet) should also refer to the financial statement level for assessing the risks of material misstatement.
- Exhibit B (page 25) – Reference to paragraph 10 should be replaced with paragraph 9.
- Throughout the document, "audit procedures" is used but sometimes "auditing procedures" is used. However, this should be consistently applied.

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We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (404) 656-2174.

Sincerely,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is written in a cursive style with a prominent initial "R" and a stylized "H".

Russell W. Hinton  
President, NSAA