

May 19, 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 Fraud in a Financial Statement Audit* (Redrafted)**

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,



Sharon Sabba Fierstein  
President

Attachment

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

**COMMENTS ON  
PROPOSED STATEMENT ON AUDITING STANDARDS  
CONSIDERATION OF FRAUD IN A FINANCIAL STATEMENT AUDIT  
(REDRAFTED)**

**May 19, 2009**

**Principal Drafters**

**Robert W. Berliner  
Sharon M. Campbell  
Vincent Gaudio  
Mark Springer  
Anna Zubets**

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### **NYSSCPA Staff**

Ernest J. Markezin  
William R. Lalli

**New York State Society of Certified Public Accountants**  
**Auditing Standards Committee**

**Comments on**  
**Proposed Statement on Auditing Standards, *Consideration of Fraud in a Financial Statement Audit (Redrafted)***

The New York State Society of Certified Public Accountants welcomes the opportunity to comment on the AICPA Auditing Standards Board's (ASB) proposed Statement on Auditing Standards (SAS), *Consideration of Fraud in a Financial Statement Audit (Redrafted)*.

We support the ASB's efforts to improve the clarity of the fraud risk standard, and to converge the proposed standard with International Standards on Auditing (ISAs). Although we generally agree with the provisions of the proposed standard, discussed below are some comments for your consideration:

**Should a separate fraud risk standard be retained?**

We agree with the ASB's decision to retain a separate fraud risk standard, as opposed to following PCAOB's approach of integrating fraud guidance into the risk standards. We are generally opposed to creating differences between ASB and PCAOB standards, unless there is a compelling reason to do so. However, in this case, we believe that retaining a separate fraud risk standard is desirable, because doing so enhances clarity and highlights the importance of fraud risk procedures in a financial statement audit.

**Are the auditor's objectives appropriate?**

The auditor's objectives are appropriate.

**Are revisions from the existing standard to converge with ISA 240 (Redrafted) appropriate?**

The revisions from the existing standard to converge with ISA 240 (redrafted) are appropriate.

**Are the differences between the proposed SAS and ISA 240 (Redrafted) identified in the exhibit, and other language changes, appropriate?**

The differences are generally appropriate, subject to the specific comments below.

We support revisions to paragraph 22 specifically to require performance of analytical procedures relating to revenue. However, we believe that paragraph 22, as currently drafted, may lead some auditors to neglect analytical procedures relating to accounts

other than revenue. We suggest that the last sentence of paragraph 22 be revised as follows:

...To the extent not already included, the analytical procedures and evaluation thereof should include, among other things, procedures relating to revenue accounts. [Underlined text added]

We support diverging from ISA 240 specifically to require revenue analytical procedures to be performed at the risk assessment and overall review stages of the audit. However, we believe that paragraph 34, as currently drafted, does not articulate this concept clearly. The first sentence of paragraph 34 refers to “both stages” of the audit without defining clearly what those stages are. We suggest that paragraph 34 be redrafted as follows:

The auditor should evaluate whether the accumulated results of auditing procedures, including analytical procedures, that are performed during the audit indicate a previously unrecognized risk of material misstatement due to fraud. In particular, analytical procedures relating to revenue should, at a minimum, be performed during the risk assessment and the overall review stages of the audit, and, if not already performed, should also be extended through the end of the reporting period, as discussed in paragraph 22.

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

Considerations for audits of smaller, less complex entities and governmental entities have been dealt with appropriately.