

29 September 2006

Ms Nancy M Morris  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington DC 20549 - 1090  
USA

[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Dear Ms Morris

**File S7-11-06 Management Reports on Internal Control**

The Group of 100 (G100) which represents the interests of CFOs of Australia's major business enterprises supports the provision of guidance for registrants and their advisors. A number of our members are foreign private issuers (FPIs).

While supporting the provision of additional guidance the G100 considers that it is important that it does not prescribe particular methodologies. We believe it is essential to provide companies with the flexibility to determine the most appropriate methodology in the context of the systems and processes that have been implemented to ensure compliance and to provide management with the assurance about the effectiveness of the internal controls over financial reporting. For example, guidance on the application of SOX requirements applying to the US GAAP reconciliation note particularly in regard to what constitutes a "material weakness" would be valuable for FPIs. In addition, we recommend that guidance would be particularly valuable in respect of greater emphasis on a risk based approach to the SOX audit. The G100 suggests that the areas of greatest risk of a material misstatement in the financial statements should be the areas where internal controls are most important and receive most focus from auditors with areas of low risk receiving a lower level of review. We also suggest that the proposed guidance should address the existence of overlapping requirements arising from extensive regulation and supervision by other regulators, including national regulators, in some industries as occurs in the banking industry in Australia and internationally under the BASEL arrangements.

We are also concerned about the cost implications associated with the implementation and subsequent change to systems and achieving assurance of compliance. Guidance leading to further change would be unhelpful once registrants have implemented systems and processes to achieve compliance. However, if the principal need is in respect of smaller public companies, additional guidance, if any, should be targeted to these companies.

Initial implementation and compliance may have been excessively influenced by the expectations of audit firms in respect of appropriate documentation, standards of evidence and the processes necessary to satisfy their own thresholds for making judgments. In this regard experience to date is that auditors of the SOX process are not consistent in their approach between and within firms for separate and like organizations.

However, it should be expected that processes etc evolve as more experience is gained and the companies and auditors adapt to changing circumstances.

Yours sincerely

A handwritten signature in black ink, appearing to read "Honan", written in a cursive style.

**Tom Honan**  
National President