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February 22nd, 2007

Securities and Exchange Commission
Attn: Nancy M. Morris, Secretary
100 F Street, NE Washington, D.C. 20549-1090

Dear Ms. Morris,

Re: **File Number S7-11-06**
Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting

PCG Worldwide Limited (UK) is pleased to respond to the request for comments from the Securities and Exchange Commission with respect to its Concept Release Concerning Management's Reports on Internal Control over Financial Reporting [Release No. 34-054122; File No. S7-11-06]

The comments provided herein, echo the concern expressed in feedback to the Commission that the 'interpretation of the Act has resulted in overly conservative application of the Commission rules' *in the main by audit firms* (our italics) and specifically the treatment of requirements under § 302. We also address a requirement for some form of 'Cost Metrics. We support the goals of Sarbanes-Oxley but we maintain that most executives are fundamentally honest, though by the very nature of their jobs, financially competitive, which has led to a measure of unacceptable behaviour. We consider that the Act has achieved in wide measure, its objectives; what is now being addressed by the 'concept release', in addition to necessary clarifications, are the unintended consequences of the Act.

Wearing our governance hat we are concerned at the extent of the micro managing, tick box approach by the audit profession in implementing §404. That approach is expensive and commercially cumbersome as well as providing a false security to management, the board and the investment community, leading to increased reputational risk. We consider that the 'concept release' goes a long way in laying to rest these concerns. In particular the clear expression of underlying principles will assist management who are neither accountants nor lawyers in interpreting requirements and claim back control of the processes.

1. [Sections 302 & 404](#)

Originally it appeared that §302 was the implementation section with §404 the confirmatory section. Today however §404 is the implementation and confirmatory section and §302, whilst still required in detail, appears as the poor relation. We consider that the management certification required under §302, is a highly significant statement of corporate governance responsibility. The evidential information is very much a secondary requirement and should be provided under §404. We would like the commission to emphasise the importance of section §302 as a corporate governance responsibility.

With regard to the ‘disclosure to auditors’ under §302 (§5A & §5B) we are aware of your guidance of May 16, 2005, emphasizing that ‘management, not the auditor, is responsible for determining the appropriate nature and form of internal controls for the company as well as their evaluation methods and procedures. However at least one audit firm in its submission to you, has requested clarification on the documentation required from management under §302.

We see §302 as a stand alone clear expression of management’s responsibility and judgement. We see no necessity for ‘auditor regulation’ of evidential requirements under §302. Lest it be considered that this might weaken §302, we show below the comprehensive evidential requirements of §404, SEC existing regulations and the current concept release all of which go a long way to eliminate this possibility.

We would expect this simplification which we consider to be in keeping with your amended provisions, for auditors ‘attestation’ (VI Cost Benefit Analysis), to concentrate managements mind on their responsibilities and on principles, not tick box compliance. This will hopefully lead to a reduction in one aspect of the charging schedule.

| § 302 – Ref | Sarbanes-Oxley 302 | § 404 - ref | Sarbanes-Oxley 404 | 404 Interpretation |
|-------------------------------|---|-------------|---|--------------------|
| (1)Certify | Management reviewed report | | | Note 1 |
| (2)Certify | No misleading information | | | Note 2 |
| (3)Certify | Materially accurate information | | | Note 3 |
| (4)Certify | Confirm responsibility for establishing internal controls | (a) (1) | Internal control report of managements responsibility for adequate internal control structures and procedures for financial reports | |
| (4)(B)Certify | Internal transparency of information | | | Note 4 |
| (4)(C)Certify | Evaluated effectiveness of controls within previous 90 days | (a)(2) | Internal control assessment of the effectiveness of Internal control structure and procedures for financial reports | |
| (4)(D)Certify | Conclusions of effectiveness | | | Note 5 |
| (5)(A) Disclosure to Auditors | Significant deficiencies and or material weaknesses in internal control | (b) (a) | Attestation and report by auditors of managements assessments | |
| (5)(B) Disclosure to Auditors | Fraud by management or internal control officers | | | Note 6 |
| (6)Disclosure to Auditors | Subsequent material changes and corrective actions | (b) (a) | Attestation and report by auditors of managements assessments | |

Note 1 Covered under § (13(a) or §15(D) also B2 ‘Expression of Assessment of Effectiveness of the ICFR by Management...’

Note 2 Covered under B3 ‘Disclosures about Material Weaknesses’ also SEC 14c – 6

Note 3 Covered under 1a. ‘Identifying Financial Reporting Risks’

Note 4 Covered under SEC 13a-15(f) and 15d-15(f) [17 CFR 240.13a-15(f) and 15d-15(b)] et al

Note 5 Covered under 2c ‘Evidential Matter to Support Assessment’

Note 6 This is the only issue not directly dealt with and rightly requires to be a statement of fact.

In the light of the above we would like to see a statement that ‘the sole requirement under §302 (5) is management disclosure and managements own determination of the evidence’.



2. VI -Cost Benefit Analysis

You are rightly concerned with the necessity of reducing the costs of implementing Sarbanes-Oxley. There is little doubt that companies who take the time to understand the new 'concept release' and once finalised, firmly incorporate it into their systems, should be able to reduce internal and external costs. In the light of previous experience, there is a risk that any change may actually push up costs. Therefore, to take full advantage of one of the main objectives of the 'concept release', reducing cost, a method requires to be found to compare year on year charges by the audit firms.

Currently there appears to be no effective benchmarks by which companies can evaluate their external audit costs particularly important in the case of the smaller and medium size companies. The latest information tells us that audit costs directly connected with the Act have increased by 66%¹

We suggest therefore that the Commission should publish a metric or metrics on the average audit firm charges to companies for Sarbanes -Oxley implementation.

All companies should be required to produce in their SEC filings (currently voluntary) their estimate of cost of the Sarbanes-Oxley element of the audit. The metric could be relatively simply produced by relating charges to a number of items such as, revenue, capital, number of employees etc or by an algorithm incorporating these and other parameters. This should be based on the audit year just completed.

There are always numerous arguments put forward as to why comparative metrics or more simply league tables will not work, not be fair, not produce measurable results, or cost reductions.

Certainly, at the onset of Sarbanes, the varying state of companies' procedures may have militated against fair comparisons; this is no longer the case. Equally, there may be the argument around the difficulty of accurately identifying the external audit costs. Most companies have the capability to cost some of the most complex items on the planet to a fraction of a cent; splitting out Sarbanes costs should not prove a barrier. Some fairly broad categorizations, such as service, financial, manufacturing etc may also be required. The important matter is not to kill the usefulness by creating ever smaller divisions.

We expect that this measure of transparency would assist in keeping down costs.

We appreciate the opportunity to comment as above. Should you consider that these comments require further discussion, please contact the undersigned.

Yours Faithfully,

/Jeffrey S. Coorsh
CEO

¹ Audit Analytics February 2007