

26 February 2007

Dear Sir

I would like to begin by expressing my gratitude for giving us this opportunity to comment on your proposal.

Introduction of the Sarbanes-Oxley Act has resulted in improvement of public confidence in financial reporting information. There has also been an increase in focus on corporate responsibility and governance.

With the third year of implementation drawing to a close, it is important that we look back and evaluate the Industry's concerns (particularly due to the rising cost of implementation) and the learnings noted by the Industry and the Independent auditors.

Following are some suggestions that I would like to present to you, that in my opinion would make compliance with the provisions of the Act more value adding for the Industry, the Independent auditors, the public and the Regulators.

1. Top Down approach- The management sets the tone of governance across the organisation. We need to evaluate managements' commitment to maintaining an appropriate tone across the organisation. The 'Entity Level Questionnaire' can be used to good effect to evaluate the same which could take into account the results from previous years.

A 'risk-based' approach could be considered to determine 'Key Processes' instead of the current scoping approach based on the account balances. A 'risk-based' approach will require the management to implement adequate controls for the key risks facing the organisation.

2. The management's / Independent auditor's testing plan for testing Internal Controls over Financial Reporting ("ICFR") could also be derived from the above mentioned risk-based approach. A 'point scoring' system could be used to determine the risk profile for each process with points assigned for inherent risk, process complexity, previous year testing results, major changes in controls during the year etc. Testing plans could be based on this risk assessment, wherein 'High Risk' processes could be tested more than once a year, 'Medium Risk' processes once a year with a certain percentage of 'Low Risk' processes tested each year.

This would make management testing more focused to the 'Key Risk' facing the organisation which include 'Environment Risk' (Legislative Risk, Competitors Risk) and 'Operational Risk' (e.g. Financial Risk, Liquidity Risk, Control Risk).

3. The above mentioned risk- based approach could also be applied to select the International locations where control testing is performed. The 'point scoring system' mentioned above could be used and High Risk locations could be tested yearly, Medium Risk locations once in 2 years and Low risk locations once in 3 year. We could do away with the requirement to test locations contributing more than 5% of Net Revenue / Net Assets.
4. The sample size used to test ICFR could also be based on the risk rating assigned to a particular process. Hence, a larger sample could be used to test a 'High Risk' processes and a smaller sample size for 'Low Risk' processes. This would help make the testing effort more focused and lead to a reduction in effort.
5. The PCAOB may consider doing away with the requirement to quantify all open deficiencies. The exercise is very time consuming, involves a lot of judgement and adds little value to business. Instead thematic issues noted during evaluating ICFR could be disclosed by the Management to the Independent Auditors and by the Independent Auditors to the Management.

The SEC / Board may also consider doing away with the requirements of classification of a weakness into a 'deficiency', 'significant deficiency' and 'material weakness'. Deficiencies may only be noted as 'deficiencies' and 'material weakness', the later being reported to the SEC.

6. The Commission may also consider doing away with the requirement for the independent auditors to evaluate Management's assessment if the Independent Auditor's evaluation does not reveal any 'material weakness' in the ICFR.
7. The Commission may consider doing a survey of the 'Cost of Implementation' vs 'Benefit' to the industry which would justify the need for SOX.
8. The PCAOB may consider recommending to the Independent Auditors to link SOX audits to evaluate ICFR to Financial Statement audits and use experience gained from past SOX and Financial Statement Audits.

I hope the above helps the SEC and the PCAOB to introduce regulatory changes that will benefit the market, the independent auditors, the public and the industry.

Regards

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