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February 26, 2007

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

Re: File Number S7-24-06

Dear Ms. Morris:

We would like to thank the Securities and Exchange Commission (the “**Commission**”) for the opportunity to comment on the issues raised in its proposed interpretative guidance, Management's Report on Internal Control Over Financial Reporting of December 20, 2006 (the “**Guidance**”), and we applaud the Commission’s continuing efforts to facilitate compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Act**”) and the rules promulgated thereunder by the Commission (collectively, “**Section 404**”).

By way of introduction, The Hundred Group of Finance Directors (the “**100 Group**”) represents the finance directors of Britain’s largest companies, mainly but not entirely drawn from the constituents of the FTSE 100 Index of the largest companies by market capitalisation listed on the London Stock Exchange. Almost 40 of our member companies are SEC registrants. We meet periodically to discuss issues affecting major corporations, and selectively respond to governmental and other consultation exercises where we believe that our role in companies and collective experience give us a particular insight into often complex matters.¹

Following the publication of the Guidance, a number of our member companies who are SEC registrants set out to consider the questions posed in the Guidance. A response prepared at a workshop was subsequently circulated to all members of the 100 Group who are SEC registrants for further comment. The consensus views that emerged from this process are appended to this letter as Appendix A.

We acknowledge that Section 404 is designed to improve corporate governance, increase the quality of financial and other disclosure and instill investor confidence in the

¹ While this letter expresses the views of The Hundred Group of Finance Directors as a whole, such views are not necessarily those of individual members or their respective employers.

financial markets. Nevertheless, many market participants and commentators have observed the high cost and burden associated with its implementation. The “Staff Statement on Management’s Report on Internal Control Over Financial Reporting” released on May 16, 2005 and the Concept Release Concerning Management’s Reports on Internal Control Over Financial Reporting of July 11, 2006 (the “**Concept Release**”) were important steps in trying to ease the cost burden associated with the application of Section 404. Our group accepted the Commission’s invitation to comment on the Concept Release and sent in a letter with our views on the questions posed by the Commission on September 15, 2006. The Guidance reflects a number of concerns and suggestions we voiced in our comments, and we applaud the Commission for its continuing efforts in this regard.

Consistent with our response to the Concept Release we recognise the value of the management attestation requirement, and the investor protection benefits generated by the enhanced requirements to assess the effectiveness of internal controls. We also recognise the deterrent effects of the additional civil and criminal penalties adopted in recent years for financial reporting failures.

However, in our response to the Concept Release we noted that the 100 Group did not have complete conviction that the application of the auditor attestation requirement in its current form was worth all of the cost and burden associated with it, due primarily to the duplication of effort by management and auditors in the documentation and testing of controls.

We consider there to be three options for the opinion of the auditor as regards internal control over financial reporting (“**ICFR**”):

1. Retain the current requirement for auditors to opine both on management’s evaluation process and separately opine on their own assessment of the effectiveness of ICFR.
2. Require auditors to opine only on the effectiveness of ICFR, removing the requirement to opine on management’s own evaluation process (as proposed in the Guidance).
3. Require the auditors to opine only on management’s evaluation process, and not provide their own assessment of ICFR.

We consider that the first option does not provide an efficient or effective assessment process and has resulted in the cost and burden of compliance exceeding the benefits derived by registrants and the investor community.

The option proposed in the Guidance, as noted in 2 above, would afford management and the registrant’s board an independent assessment of the effectiveness of ICFR, thus providing some additional comfort in the performance of their fiduciary duties in this regard. Investors may also take additional comfort from an independent assessment of ICFR. The requirement should also offer the potential to reduce some of the cost and burden of complying with the Act, if properly applied in a top-down, risk-based framework that is principle based and that permits the auditors to perform a truly integrated audit of ICFR and the financial statements.

We believe, however, that requiring auditors to opine only on management's own evaluation process (option 3 above) would result in the most cost effective outcome in complying with the Act, primarily through the removal of duplicative documentation and testing requirements on auditors and management. The maximum potential reduction in cost and burden from this option would be realised if auditors were afforded sufficient flexibility to apply professional judgment in the same fashion as the proposed Guidance permits management to do in its assessment process. We also consider that an assessment of management's own evaluation process and the conclusions from that work by the auditor would provide sufficient comfort to registrants and investors with regard to the effectiveness of ICFR. In conclusion, while we would like to reiterate our support for the Commission's efforts to reduce the costs and burdens associated with the Act, we believe that the cost/benefit implications of the Act are better served by requiring the auditor only to opine on management's own evaluation process. As such we would welcome the opportunity to participate in any cost/benefit analysis undertaken by the Commission before finalisation of these proposals.

In addition to the comments above, several general themes and principles run through our comments:

1. The 100 Group supports the thrust of the guidance contained in the Guidance and the goals the Commission is seeking to achieve through this guidance.
2. Consistency with prior Commission guidance and with the proposed PCAOB auditing standards is of critical importance, and we encourage the Commission to consolidate all the relevant releases and guidance into a single, consistent statement of interpretative guidance.
3. If the Commission adopts the current proposal on the role of the auditor in Section 404, the final guidance should clarify and affirm the Commission's and PCAOB's publicly stated goal of eliminating the requirement for auditors to provide an opinion on management's evaluation of internal control over financial reporting, as the Guidance and the related proposed auditing standards of the PCAOB currently contain ambiguities that might cause inconsistent application.
4. We request that the Commission immediately implement the final guidance contained within the Guidance, and give consideration to a retrospective application of the guidance to apply to accounting periods commencing on or after January 1, 2006.

Once again, we appreciate the opportunity to comment on the Guidance, and hope that our comments will assist the Commission in evaluating the issues raised therein. We are also available to consult with the Commission concerning our comments.

Yours sincerely,

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cc: Sebastian R. Sperber
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