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Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Attn: Office of the Secretary

Re: Rulemaking Docket Matter No. 34
Concept Release on Possible Revisions to PCAOB
Standards Related to Reports on Audited Financial Statements

Members of the Board:

This letter is submitted on behalf of The Home Depot, Inc. ("The Home Depot," "the Company," or "We") in response to the *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements* ("Concept Release"), issued by the Public Company Accounting Oversight Board (the "Board") on June 21, 2011. The Home Depot is the world's largest home improvement specialty retailer, employing more than 300,000 associates. The Company has over 2,200 retail stores in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, 10 Canadian provinces, Mexico, and China. In fiscal year 2010, The Home Depot had sales of $68.0 billion and consolidated net earnings of $3.3 billion. Our stock has been traded on the New York Stock Exchange (NYSE: HD) since 1984 and is included in the Dow Jones industrial average and Standard & Poor's 500 index.

The Home Depot would like to thank the Board for its significant efforts in examining alternatives for increasing the transparency and relevance of the auditor's reporting model to financial statement users. We also appreciate the Board's attention to the viewpoints of all stakeholders on this important issue. However, we believe the Concept Release represents a fundamental change to a central tenet of financial reporting – that the financial statements and related disclosures are the responsibility of management, with the auditor's role being to express an opinion on whether the annual financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles ("GAAP"). Such a change overturns the basic structure of the financial reporting system and cannot be done without extensive involvement and action by the Securities and Exchange Commission ("SEC") and the Financial Accounting Standards Board ("FASB"). Furthermore, any benefits of such a change to financial statement users are greatly outweighed by the many costs and the likely confusion that would result. Therefore, our strong belief is that the majority of the suggestions for change presented in the Concept Release should not be adopted by the Board. We explain our position in more detail below, including specific responses to applicable questions posed by the Board in the Concept Release.

Overview

The preparation of our financial information is the result of a rigorous process that involves the dedicated efforts of teams of trained and experienced employees whose responsibilities include designing effective systems and internal controls, collecting and analyzing large amounts of data, researching difficult accounting judgments, and undertaking all of the other necessary steps to prepare clear and accurate financial statements for our shareholders and investor community. A key underpinning of this process is the participation by The Home Depot's financial management team in multiple internal discussions of strategic, operational, legal and accounting issues integral to our business and routine interaction with our vendors, customers, shareholders, advisors and other relevant third parties. Our financial management team (including myself), with oversight by our Chief Executive Officer and Audit Committee, is responsible for the accuracy of our financial reporting, and the CEO and I certify both the annual and quarterly financial information.

As a result, management, with the oversight of and input from the Audit Committee, is in the best position to determine whether our financial disclosures are complete, accurate and provide our investor community with appropriate insight into our business. This role is recognized by the standards for disclosure of financial information adopted by the SEC and the FASB. These standards reflect the fact that the decisions and judgments required to be made under GAAP and related financial disclosures like MD&A can only be made by management based on its day-to-day, in-depth management of the Company's operations.

Our auditor's role is to provide, through the audit and ultimately the audit report, assurance to those who read the financial information that the accompanying financial statements have been fairly presented in accordance with GAAP. Because our auditor's responsibility is to design the audit to provide reasonable assurance that no material misstatements are present in our financial statements, the auditor must have significant knowledge of our affairs. However, the auditor does not have, nor does their role require, the extensive level of understanding and insight that comes from daily involvement at all levels of the business.

Because of the difference in the roles of the auditor and of management, the auditor is not well suited to independently report information about the Company beyond what is required to be disclosed by management under GAAP and SEC regulations. Any proposal requiring the auditor to do so, if adopted, would lead to the auditor reporting at best redundant information to what the Company has reported and potentially conflicting, confusing or misleading information. At the same time, such reporting would add considerable bulk to the Company's filings (at a time when financial statement users are already complaining of information overload) without measurable benefit but with significant additional cost. Furthermore, to enhance investor understanding and comparability between companies, the standard for disclosure should be consistent for all companies. The current auditor reporting model provides this consistency, whereas many of the proposals in the Concept Release would result in considerable subjectivity and lack of comparability.

Detailed Response Concept Release Questions Most Relevant to The Home Depot

1. *Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.*

   a. *Should the board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?*

   Most of the proposals in the Concept Release would change the fundamental roles of Company management and the auditor with respect to financial disclosure, without clear benefits but with significant additional cost. Moreover, such a radical change does not appear to be necessary. If, as reflected in the Concept Release, a primary rationale for such an initiative is to provide users with a better understanding of the audit process and the auditor's report, there are many other, better tools to accomplish this goal. Significant literature designed to address this basic educational concern already exists, and the Board, working with other relevant stakeholders, would be well suited to develop and/or provide an easily accessible repository of additional "plain English" explanations designed to meet this need, to the extent they are not already available. As discussed in more detail below, while we do not particularly object to certain clarifications of the auditor's report, we believe that any potential benefit that may result from wholesale changes to the auditor's reporting model would not outweigh the substantial resulting costs.

   c. *Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?*

   In accordance with applicable requirements[1], our auditor already reviews the information in our Forms 10-K and 10-Q outside of the financial statements and considers whether that information, or the way in which we present it, is materially inconsistent with the financial statements or constitutes a material misstatement of fact. Unlike many companies, we include a report from our auditors in our Forms 10-Q with respect to their review. Similarly, our auditor reviews our earnings releases for quantitative accuracy and consistency with our financial results. Our approach is to ensure that our earnings releases are consistent with our financial statements as reported in our Forms 10-K and 10-Q, to avoid creating any confusion for our investor community or raising unnecessary questions about the Company. We do not believe an additional assurance requirement is necessary nor that it would impact the content of our earnings releases. We believe that the current level of review of matters outside of the financial statements is sufficient for our Company and our shareholders, and any additional

[1] AU § 550.04-.06.

requirements would increase audit costs unnecessarily, negatively impacting shareholder value without any improvement in audit quality.

2. *The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."*

a. *Should the auditor's report retain the pass/fail model? If so, why?*

We believe that the current form of the auditor's report is appropriate and strikes the proper balance of all competing interests. It provides the consistency necessary for better comparability between companies and reflects the appropriate role and expertise of the auditor. What is important is that financial statement users understand the meaning and significance of the language currently used in that report. Any perceived shortcomings in the language of the report are better addressed through proper education of the user community. That being said, as discussed in question 21 below, we would not necessarily object to some of the additional "clarifications" set forth in the Concept Release.

To the extent that the concern with the current model is due to a perceived lack of leverage by the auditor "to effect appropriate change in the company's financial statements,"[2] we disagree completely and believe that this represents a lack of understanding of the audit process. Our auditor has the ability to review all information it deems relevant to fulfilling its role and determining whether our financials meet the standard for an unqualified opinion, and it will not issue its opinion if it believes that we have not fairly presented our financial results. Because we must have an auditor's opinion in order to file our financial statements with the SEC, this provides the auditor with significant, and powerful, leverage. Furthermore, the auditor has direct access to our Audit Committee, with whom it can discuss any concerns about our financial results or their presentation. This access also provides significant leverage.

The Concept Release also reflects concerns of users about matters that are "not necessarily material to the financial statements."[3] Again, this appears to represent a misunderstanding of the audit process and of the financial reporting system in general. Materiality is a key precept for the financial reporting system and is necessary to the creation of useful and informative financial reporting. Management, with its deep understanding of the business, is in the best position to assess materiality, and if a matter is not material to the financial statements, then it should not be a significant focus of the audit in general or of the auditor's report in particular. Education of financial statement users would again appear to better address this concern than a wholesale change in the audit reporting model. And to the extent that there are questions about decisions regarding what is and is not material, as we note

[2] Concept Release at 9.
[3] *Id.*

above, if the auditor has significant concerns about the materiality of a matter, it also has significant leverage to ensure that the Company appropriately addresses those concerns.

3. *Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation why.*

We firmly believe that the Company, whether through management or the Audit Committee, is best suited to provide information about the Company's financial statements. We also question whether significant additional information is necessary. We note that the repeated litany from the investor and user community is disclosure overload and that much of the information provided is not read. We believe that the footnotes and related financial information in our SEC filings already provide helpful and detailed information, together with earnings calls and other company announcements. To the extent that the SEC or FASB believes that this is not the case or that additional information is needed, we believe that they are in a better position to address any perceived disclosure gaps. Regardless, we do not believe that such information should come from auditors, whose role necessitates expertise in *auditing*, not in assessing the key business and strategic risks faced by our Company. It is our responsibility to effectively communicate these items to our shareholders, as reflected in the SEC's and FASB's rules and standards, and the importance of our relationship with our investing community, a relationship that does not exist between our auditors and investors, drives our efforts in this regard.

5. *Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?*

In short, no. An AD&A might provide more information to investors, but it would not necessarily be better information. Our auditors are not experts on the day-to-day workings of our business and industry and cannot have the same understanding of the business that our management and financial reporting team has.[4] The auditors are not trained to evaluate business risks faced by our Company or make necessary business judgments. If the purpose of the AD&A is to provide greater insight for financial statement users into these key aspects, management – with the tool it already has in the MD&A – is the best source of such insight. An AD&A would require audit firms to perform a judgmental function that is outside of their role and expertise. Furthermore, to have sufficient information upon which to render judgment on significant matters or evaluate key risks, the auditor would have to obtain that information from our financial management team. The result, therefore, would likely be redundant disclosure or potentially conflicting assessments of the same information that financial statement users would have to decipher and digest.

[4] We note that this lack of expertise would be even further exacerbated if mandatory audit firm rotation were required, as considered by the Board in its Concept Release on Auditor Independence and Audit Firm Rotation.

Additionally, many of the matters proposed to be addressed in the AD&A are already discussed by the auditor with the Audit Committee. The Audit Committee, with both its understanding of the Company and of audit-related matters, is well-suited to digest, assess and discuss those matters with the auditor, for the benefit of the Company and its shareholders. In contrast, given the lack of user understanding reflected in the Concept Release and the comment responses above, adding more discussion of detailed audit matters to auditor reporting is likely to create further confusion and misunderstanding, which is the opposite of what the Board intends. This problem would only be exacerbated by the AD&A's inherent subjectively and lack of comparability between companies.

An AD&A also represents significant costs that are not justified by any clear benefits. It would substantially increase the scope of and time needed to complete an audit. We already face short deadlines to file our Form 10-K with the SEC, and each year we and our audit teams are challenged to meet those deadlines. Moreover, these short deadlines were driven by an investor community who desires the information in an increasingly short timeframe, and in fact pushes companies not just to meet, but to beat, these deadlines.

The requirement of an AD&A also would expose the auditors to considerable additional liability. The AD&A would be part of a filed document and would reflect an original statement of the *auditor*, not the Company, exposing the auditor to SEC review of and primary liability for those statements. In our litigious society, auditors would necessarily spend significant amounts of time and money on legal review of these disclosures, putting further stress on the process of meeting deadlines and likely resulting in carefully crafted boilerplate driven as much or more by liability concerns than investor understanding. The costs of this review, as well as many of the risks of such liability, will be passed through to the audited companies and ultimately their shareholders, without any real benefit to those shareholders.

Management would also need to devote additional time and effort to the audit and the AD&A, particularly to the extent that there are concerns about the propriety of additional disclosures in the AD&A or disagreements with portions of the discussion. Given the leverage that auditors have, management would be forced to address its concerns or disagreements with the AD&A in the Company's financial disclosures. This would result in more time, further disclosure overload and confusion for investors. We believe this would negatively impact the usefulness of financial reporting, not improve it.

9. *Some investors suggested that, in addition to audit risk, an AD&A should include a discussion of other risks, such as business risks, strategic risks, or operational risks. Discussion of risks other than audit risk would require an expansion of the auditor's current responsibilities. What are the potential benefits and shortcomings of including such risks in an AD&A?*

We reiterate our belief, expressed above, that an AD&A is inappropriate. A discussion of risks that are even further outside of the purview of the auditor's attest function and their area of expertise is best left to management, with oversight by the Audit Committee and the SEC.

Furthermore, there is already an extensive discussion of risks in our SEC filings, specifically tailored to our Company, that is derived from a comprehensive enterprise risk management process at The Home Depot. Again, to include similar discussion in the auditor's report would create, at best, redundant disclosure.

10. *How can boilerplate language be avoided in an AD&A while providing consistency among such reports?*

As noted above, we believe boilerplate would be inevitable. We also believe that investor understanding would be further impaired by an AD&A. As we discuss above under question 1, if financial statement users do not currently understand basic audit concepts, we fail to see how they could understand or benefit from an AD&A full of detailed discussion of audit procedures undertaken or other accounting methods that could have been used.

11. *What are the potential benefits and shortcomings of implementing an AD&A?*

See our discussion above.

12. *What are your views regarding the potential for an AD&A to present inconsistent or competing information between the auditor and management? What effect will this have on management's financial statement presentation?*

We believe the potential for such inconsistencies is high. Many of the matters proposed to be discussed in the AD&A directly overlap with matters already addressed in financial reports, raising the question of why such information is necessary. As noted above in our response to question 5, because of the auditor's leverage, management would be forced to address concerns or disagreements with the AD&A in the Company's financial disclosures. For financial statement users, this would create confusion and further disclosure overload.

To the extent that a matter is important to the understanding of the financial statements and is not currently included in the financial report, it begs the question of why such information was not presented by the Company. The SEC is the better arbiter of this concern – if the SEC deems the Company's information to be appropriate and sufficient, there is no need for additional information from the auditor. If the SEC sees a need for more information, its rules governing the Company's disclosures are the best source for any additional requirements.

13. *Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?*

We do not believe that the emphasis paragraphs would be relevant or more useful in making investment decisions. We believe that the best location for such information is in the footnotes to the financial statements or in MD&A – both prepared by the people with the greatest understanding of the Company. Anything else added by the auditor reflects the same problems discussed above and may even detract from or distract users from the more important information in footnotes and MD&A. Given the apparent lack of understanding of the audit process implicit in the Concept Release, such a result is even more likely.

14. *Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?*

No. See our response to question 13 above. In addition, any detailed discussion of specific audit procedures will likely be meaningless to many users, given the understanding gap that already exists.

17. *How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?*

Similar to the AD&A, we believe that additional emphasis paragraphs will inevitably lead to standardized, boilerplate language driven by liability concerns.

18. *What are the potential benefits and shortcomings of implementing required and expanded emphasis paragraphs?*

We do not believe additional emphasis paragraphs will provide benefits. See our responses above for a discussion of significant shortcomings.

19. *Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?*

No. The current scope of auditor assurance is appropriate and reflects their role, their training and their expertise in financial accounting and auditing. Having auditors opine on matters with respect to which they possess no (or at best limited) expertise will not lead to better or more transparent information. While we do not currently see such a need, if the SEC believes that certain specific items outside of the financial statements and notes should be subject to auditor assurance, they should be moved from Regulation S-K to Regulation S-X, and therefore included in the financial statements.

Moreover, as the Concept Release notes, such additional assurance would increase the scope of the auditor's responsibilities, resulting in increased risk and audit cost (both in terms of dollars and time). The benefits, however, would be minimal at best, especially given the reviews that are already performed by the auditor. For example, our auditor currently reviews our earnings releases for quantitative accuracy and for consistency with our financial results. We do not believe that adding an assurance requirement for the earnings releases would impact the content of those releases. We do believe, however, that it would increase the time prior to the release of the information, in direct contrast to the desires of our investor community, and it would clearly increase our audit costs.

e. *Would auditor reporting on a portion or portions of the MD&A affect the nature of MD&A disclosures? If so, how?*

While we believe that any significant changes are unlikely, we also believe any such reporting is unnecessary and, in fact, inappropriate. Our auditors already test MD&A to assure that it is consistent with our financial statements and does not constitute a material misstatement of fact. Beyond these matters, the content of MD&A is specifically designed to present *management's* analysis of the financial condition and results of operations of the Company, to "give the investor an opportunity to look at the company through the eyes of management…."[5] Our disclosures reflect the input, review and oversight, as applicable, of our financial management, disclosure committee, senior management including the CEO, Audit Committee and Board of Directors. We believe that additional auditor reporting would not significantly impact this process, other than to add unnecessary time, effort and cost, and is not appropriate given the nature of what MD&A is designed to provide.

21. *The concept release presents suggestions on how to clarify the auditor's report in the following areas:*

- *Reasonable assurance*
- *Auditor's responsibility for fraud*
- *Auditor's responsibility for financial statement disclosures*
- *Management's responsibility for the preparation of the financial statements*
- *Auditor's responsibility for information outside the financial statements*
- *Auditor independence*

a. *Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?*

We believe that many of the issues raised in the Concept Release result from of a basic lack of understanding of the attest and audit function. We do not believe that fundamentally changing and expanding the role of the auditor will address this problem, and in fact is more likely to exacerbate it. We do not object, however, to limited clarifications of the auditor's report that would not increase the scope and cost of the audit process and may be of some value in addressing the understanding gap.

[5] Securities Act Release No. 6711 (April 24, 1987) [52 FR 13715] at 13717; cited in Securities Act Release No. 6835 (May 18, 1989) [54 FR 22427].

Specifically, providing a definition of the term "reasonable assurance," clarifying that the financial statements under Regulation S-X include all notes and all related schedules, and clarifying the auditor's role with respect to non-financial information could all be helpful to financial statement users. We would also not object to requiring the auditor to state that it has a responsibility to be independent of the company and has complied with applicable independence requirements of the Board and the SEC, although we note that this is both implicit in the title of the report and is already addressed in the Audit Committee report in the Company's proxy statement.[6]

We do not believe, however, that discussion regarding fraud would be appropriate, and believe it would have the negative effect of leading some to believe that fraud exists where it does not or that the report is somehow being qualified. Fraudulent financial statements are not common, and adding this language would seem to penalize the many for the bad actions of a few. Furthermore, assessment and detection of potential fraud is already addressed by the Company with the Audit Committee and the auditor on a quarterly basis through our robust internal controls and disclosure controls process and is better addressed in that forum. Finally, we do not think it is necessary for the auditor's report to state specifically that management prepares the financial statements and has responsibility for the fair presentation of the financial statements. We note that we already specifically address this in a statement by management that precedes our auditor's report and believe that it is better suited to that location.

c. *What other clarifications or improvements to the auditor's reporting model can be made to better communicate the nature of an audit and the auditor's responsibilities?*

None.

d. *What are the implications to the scope of the audit, or the auditor's responsibilities, resulting from the foregoing clarifications?*

Because these changes only reflect clarifications, there should be no change to the audit scope or the auditor's responsibilities.

22. *What are the potential benefits and shortcomings of providing clarifications of the language in the standard auditor's report?*

See our discussion above.

25. *What alternatives not mentioned in this concept release should the Board consider?*

We do not believe that there is a strong need for action by the Board in this area. Resources would be better spent on reducing the understanding gap of users and better educating them

[6] If there is a significant call among financial statement users for auditors to address their independence, it raises the question of whether investors are in fact reviewing the Audit Committee report and whether it might be better located in the Form 10-K rather than the proxy statement.

on the role of the auditor and the audit and the meaning and significance of the auditor's opinion. While certain of the audit report clarifications are not objectionable to us, we believe they provide minimal benefit. The other suggestions would result in significant increases in costs without meaningful improvements to financial information provided to investors.

29. *What effect would the various alternatives have on audit quality? What is the basis for your view?*

We do not believe that any of the suggestions will improve audit quality and, for many of the reasons discussed above, may actually impair it.

30. *Should the changes to the auditor's reporting model considered by the Board apply equally to all audit reports filed with SEC, including those filed in connection with the financial statements of public companies, investment companies, investment advisers, brokers and dealers, and others? What would be the effects of applying the alternatives discussed in the concept release to the audit reports for such entities? If audit reports related to certain entities should be excluded from one or more of the alternatives, please explain the basis for such exclusion.*

We believe that any changes should apply to all entities.

31. *This concept release describes certain considerations related to changing the auditor's report, such as effects on audit effort, effects on the auditor's relationships, effects on audit committee governance, liability considerations, and confidentiality.*

a. *Are any of these considerations more important than others? If so, which ones and why?*

As discussed above, we believe that increased liability is a primary consideration which will impact the amount of time spent, the level of review required by both the auditor and its legal counsel and the Company and its counsel, the costs of the audit, and the ultimate content and usefulness of any changes actually made.

b. *If changes to the auditor's reporting model increased cost, do you believe the benefits of such changes justify the potential cost? Why or why not?*

We do not believe that any perceived benefits would outweigh the inevitable additional costs.

32. *The concept release discusses the potential effects that providing additional information in the auditor's report could have on relationships among the auditor, management, and the audit committee. If the auditor were to include in the auditor's report information regarding the company's financial statements, what potential effects could that have on the interaction among the auditor, management, and the audit committee?*

We believe that the right balance currently exists, both in the form and content of the audit report and in the leverage between the auditor and the Company. If the proposed changes are implemented, we foresee a disruption of this balance driven by the inevitable back and forth over the auditor's subjective assessment of what is important to the Company's investors, based on their more limited scope of expertise, and the corresponding assessment by management and the Audit Committee. As discussed above, the time that this process would take, including the need for each side to obtain additional legal review and, in the auditor's case, national office review, followed by the significant potential for conflicting disclosures or disagreements, cannot avoid straining the relationship. When viewed in light of the lack of measurable benefits, we do not believe this balance should be disrupted.

Thank you for the opportunity to comment on this important topic. I would be pleased to provide further comments if you have any questions regarding this letter.

Sincerely,