
From: Tim Breeding [mailto:Tim.Breeding@wal-mart.com]
Sent: Monday, February 26, 2007 8:16 PM
To: Comments
Subject: Rulemaking Docket Matter No. 021 - SOX Audit Standards

Thank you for the opportunity to review and comment on the proposed updates to the SOX audit standards. I am glad to see the general direction and support the top-down, risk based approach. My experience has been that if Internal Audit and external audit agree on the framework to be used, the scope, testing steps, etc... and both groups are highly competent in their ability to execute the audit, that the external auditors should be able to place more reliance on the internal audit (management's assessment). My organization understands the need for the audit and has been supportive. However, they perceive the external audit to be a repeat of the internal audit and they challenge why they are taking time from important projects to be available for an audit that Internal Audit just completed. In this regard, I am extremely appreciative of the new position that allows the external auditors to place more reliance on the internal audit.

Another improvement is allowing for knowledge gained about the control environment in previous reviews to be used. This, along with consideration of change frequency/results to the control environment in lower risk areas allow for more intelligent use of resources to the areas of higher risk. Allowing for the use of rotational schedules in these areas, I believe, would add further efficiency.

The concept of the Auditors evaluating management's assessment is confusing to me. On page 14, there is mention of the Auditors no longer having to evaluate the process used for management's assessment. Yet page 72 offers the Auditors must render an evaluation of the management assessment. These seem conflicting to me and could result in management being surprised at the end of the review. If the Auditors are not pleased with the process used by the management assessment, yet they only opine on the end assessment, it is akin to seeing problems with a software development effort but waiting until the software is installed before mentioning the concerns. As part of our external auditors quest to independently opine on our assessment, they frequently will not answer questions that would help provide clarification as to approach, scope, or the use of frameworks. In the areas of general controls where there is not a lot of specific guidance, this can be very frustrating. They often refuse advising in any capacity or offer their opinion as to concepts and control structures. This seems counter to the intent of the Act. Furthermore, I do not see the value in the Auditors solely opining on management's assessment. Rather it makes more sense to me for them to opine on the internal controls, of which the internal assessment can be considered a part.

I sincerely appreciate the time and effort your organization has applied to this important matter. Thank you for the opportunity to participate in the commentary period.

Kind Regards,
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