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The Goldman Sachs Group, Inc. | 180 Maiden Lane | New York, New York 10038  
Tel: 212-902-5675 | Fax: 212-346-2920 | e-mail: sarah.smith@gs.com

Sarah E. Smith  
Managing Director  
Chief Accounting Officer

**Goldman  
Sachs**

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February 26, 2007

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 021**

**Proposed Auditing Standard – an Audit of Internal Control over Financial Reporting that is integrated with an Audit of Financial Statements and Related Proposals**


Goldman Sachs supports the Public Company Accounting Oversight Board ("the Board") in its mission to oversee the auditing of public companies, protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. Therefore, we appreciate the opportunity to comment on the above-referenced standard and proposals.

We support the Board's recent proposals and believe the revised auditing standard will "reinforce the Board's expectation that the integrated audit be conducted in the most efficient manner, while achieving the objectives of the standards" as stated by Chairman Olson. We support the proposed standard's goal of focusing the auditor on the matters most important to internal control on a risk weighted basis and eliminating unnecessary procedures. We believe the Board has also placed appropriate emphasis on the importance of leveraging a broader range of management efforts to maintain a rigorous internal control environment.

We have attached comments that may be helpful to the Board. It is our hope that the Board will consider these comments and finalize the proposed standard expeditiously to afford auditors and management the opportunity to take full advantage of the refinements during the 2007 financial reporting year.

Once again, we appreciate the opportunity to offer our views and we would be happy to meet with you to discuss them in greater detail.

Sincerely,



Sarah E. Smith  
Chief Accounting Officer  
(212) 902-5675

**ATTACHMENT: Comments and Concerns**

**Considering and Using the Work of Others**

We support the Board's acknowledgement of public concern regarding the cost and level of effort associated with implementation and on-going compliance with Sarbanes-Oxley Section 404. The proposed standard has addressed the most significant issues by eliminating the requirement of the auditor to evaluate management's process and allowing the auditor to use the work of others. As stated on page 21 of the proposed standard, "When the auditor duplicates high-quality, relevant work that already has been performed by competent and objective individuals, he or she risks increasing effort without enhancing quality." Additionally, by clearly stating that the auditor may use the work of competent and objective individuals to perform an integrated audit, the Board encourages management and the auditor to proactively consider opportunities to achieve efficiencies.

To further promote efficiency and coordination between the auditor and management, we recommend that the Board encourage auditors to engage management directly in identifying specific opportunities for leveraging work executed by or on behalf of management. In instances where the auditor determines he or she cannot rely on the work of management, the auditor should explain why the work could not be utilized, and what changes would be required to the design and execution of related work in the future that would allow use by the auditor in support of the opinion.

**Company-Level Controls**

Within the list of company-level controls (page A1-11); there is mention of the "controls to monitor other controls, including activities of the internal audit function, the audit committee, and self-assessment programs." While we agree that the audit committee's role is important in establishing and maintaining a strong control environment, we were surprised by the addition of the requirement to "assess the effectiveness of the audit committee" (A1-31) since this provision was not included in Auditing Standard No. 2. The primary criticism of this provision centered on the auditor's inability to offer an independent opinion of the audit committee since the auditor is hired by and reports into the audit committee. This fundamental issue does not seem to be addressed in the proposed standard.

**Use of Benchmarking Audit Technique**

Benchmarking of automated controls is a strategy employed by auditors to save time for both management and the auditor as long as there is evidence of proper access to applications, strong program change control, and the ability to verify that no significant changes have been made to the automated controls. We have had success with implementing this strategy and strongly encourage the Board require this for all audit engagements. We would recommend that the Board consider expanding this time-saving technique to other IT-related areas such as user entitlements and application general controls as long as management can display proper change control over these important areas. Considerable audit time is dedicated to IT-related areas and there needs to be a constructive dialogue between management and auditors to reduce complexities and burden related to auditing IT-related areas.