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

Via email: rule-comments@sec.gov, File Reference No. S7-11-06

Dear Madame,

Alcon, Inc. appreciates the opportunity to comment on the Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting. As mentioned in the release, the implementation of the Sarbanes-Oxley Act and specifically section 404, has been a burden on public companies of all sizes. We request that with respect to reporting on internal control over financial reporting the Commission limit any additional infrastructure and allow companies to make decisions based on judgment and understanding of their unique fact sets. To ensure the efficient use of resources, we believe that any additional guidance issued should be interpretive in nature and focus on "broad principles" as opposed to a "rule" that will inevitably force companies into the "single-company methodology" mentioned in the release.

Allow Management Flexibility

An enterprise must have the ability to be flexible as operational needs arise, and the ability to implement changes in accounting systems, accounting methodologies, and the underlying internal controls around financial reporting as reporting needs change. A control environment is dynamic and should appropriately change with changes in operations. In order to maintain any sense of efficiency, companies must be allowed to use their judgment in designing, implementing and monitoring changes to their respective control environments with changes in operations.

We agree with the underlying goal of ensuring the integrity of financial reporting to the public and the Securities and Exchange Commission (SEC). We also appreciate the difficulty in implementing such a broad-sweeping concept, but feel strongly that the initial implementation has required excessive external costs and internal human capital costs. As mentioned above, any additional rule-based guidance will create inefficiencies due to the added administrative efforts required.

The SEC guidance issued in May 2005 outlined key concepts to be included in management's assertions and stressed the use of judgment. In our opinion, this is the proper manner in which to any future guidance should be given to companies. By allowing a company to determine the testing required for its assertion, and their external auditors to test the appropriateness of documentation supporting the assertions, you allow for judgment and ensure a more efficient process.

Amend Current Auditor Standards

We would also like to take the opportunity to comment on the standards set upon the Public Company Accounting Oversight Board's (PCAOB) issuance of Auditing Standard No. 2 (AS2). We believe that the only way to ensure the most efficient process for management to support its assertion is by each company, its external auditors, the PCAOB, and the SEC to be working in concert. Without all members of this process knowing the expectations of the reviewing member, inefficiencies are inevitable.

We agree with the ideas and sentiment of the PCAOB's "Four-Point Plan" release from May 2006. We ask the Commission use its influence to suggest changes to the current standard that allow for auditor efficiencies and do not detract from the final product. In particular, we support the amendment of the standard for the following considerations mentioned in the release:

- Guiding auditors to increase the use of the work of others where appropriate;
- Emphasizing the integration of the audit of internal control with the audit of the financial statements; and
- Allowing for and promoting auditors' use of experience gained in previous years' audits to focus and make most efficient the work in subsequent years.

Public companies and their external auditors should both benefit by the continued integration of the internal control procedures into traditional audit procedures. Auditors should determine areas to be tested quarterly and use a qualitative and quantitative risk-based approach in determining the controls to be tested. Guidance should allow for the following: 1) annual reviews of the key entity level controls (i.e. tone at the top, audit committee, etc.) and 2) rotational approach to annual testing of low risk areas and control rationalization of those processes considered less of a risk.

We feel that the PCAOB should amend AS2 after asking for and compiling comments from external auditors and audited companies reflecting their experiences to date. The amendment should stress that auditors use their judgment in assessing management's assertion, and not limit them to the rules-based guidance.

Any amendment should discuss the role of the PCAOB as a monitoring body to ensure that auditors' conclusions are fair and reasonable based on a company's specific facts without requiring a boiler-plate format. As part of the initial implementation of Section 404, audit firms were required to register with the PCAOB and their respective qualifications were reviewed and documented. The purpose of any subsequent review should be strictly to ensure those qualifications are still adequate, and that the spirit and requirements of AS2 are followed.

As mentioned in the SEC release, any amendment to AS2 should specifically address the auditor's role in assessing the validity of management's assertion. As it relates to the procedures performed on the assessment of management's assertion, we feel that specific language should be included discussing the expectations and requirements of the reviews performed by the PCAOB on an auditor's procedures and documentation. In general, auditors are forcing companies to use the rules-based guidance in AS2 as the backbone for their assessment of management's assertion, and auditors are unlikely to change their

expectations of public companies' documentation and testing requirements unless clear guidance is given by the PCAOB.

As evidenced by our commenting on both SEC and PCAOB related issues, we feel that clear communication with all parties involved in the process is critical in creating an environment that ensures the adequate design and effectiveness of internal controls over financial reporting. A public company's goal to maximize shareholder value dictates that management strives to implement the most efficient process in regards to section 404 of Sarbanes-Oxley. We understand that the role of the SEC is not necessarily to maximize shareholder value, but also point out that clear communication between parties and the elimination of cumbersome and inefficient requirements should be the goal of any new guidance issued.

In addition to our comments above we offer our responses on the following questions asked in your request for comment:

1. Question 11 – What guidance is needed to help management implement a “top-down, risk-based” approach to identifying risks to reliable financial reporting and the related internal controls?

Response: Continued encouragement of a risk-based assessment in which annual qualitative and quantitative evaluations are performed to document identified risks. Control environment, entity-level controls, and key controls in high risk areas should be tested each year. For lower risk areas, a rotational approach should be implemented by both a company and its auditors to ensure efficiencies in the testing of internal controls. Each respective company should be permitted to use reasonable judgment to determine the risk-level for a given area.

As a change in the internal controls is noted, a new assessment is required to ensure the risk level has not changed. Should the SEC/PCAOB require specific areas (i.e. revenue) to be designated a significant risk for all companies; those areas should be clearly identified in the guidance in order to eliminate ambiguity.

2. Question 15 – What guidance is needed about the role of entity-level controls in evaluating and assessing the effectiveness of internal control over financial reporting?

Response: There can be no guarantee that fraud will be eliminated at all levels of an organization. With this in mind, the SEC guidance issued in May 2005 was appropriate in identifying that collusion and fraud of an immaterial nature should not be the focus of the design and testing of the internal controls over financial reporting. Significant fraud is generally executed within the higher echelons of executives in a company. In order to mitigate the risks of significant fraud, controls over management override are essential. These controls are generally higher-level in nature, and require an understanding of the control environment of each specific company. We think that there is no further need for additional guidance in this area.

3. Question 29 - Is guidance needed to help companies determine which IT general controls should be tested?

Question 34 – Is guidance needed about documentation for information technology controls? If so, is guidance needed for both documentation of the controls and documentation of the testing for the assessment?

Response: An aggressive control rationalization approach to the testing of IT related controls should be implemented by both companies and their auditors. Based on discussion forums, articles we have read in various publications, and our experience, most companies feel they are spending excessive amounts of time in the testing of controls related to general computer controls and specific controls over applications. By their very nature, automated financial controls are in place to eliminate human errors. Once a base-line for automated financial controls has been set, continued testing is redundant, and should be minimized.

In order to take the control rationalization approach, IT “Change Controls” should be reviewed each year to ensure that no significant changes to the underlying applications or environment go untested. Failures in the change control process would then lead a company and its auditors into more testing of other IT areas based on the specifics of the failures. Upon a change in the systems underlying financial reporting, additional testing would need to be performed to ensure the appropriate controls are in place and working effectively.

To conclude, we believe that any guidance given should allow for a company and its auditor to use their judgment. Each company should be held accountable for its control environment and internal controls, but in a manner that allows for flexibility in determining all assertions are appropriate. Please keep in mind that each time a company files a report with the SEC, that company inherently asserts that the internal controls over the information published are working. We ask that the SEC and PCAOB both use discretion in any guidance issued as the addition of unnecessary requirements could add to what most companies feel is already a very cumbersome process.

Very truly yours,



Jeff Stratton

Vice President, U.S. Operations Finance and Corporate Controller