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Memorandum
PT In Control

To Nancy M. Morris
Secretary
Securities Exchange Commission
100 F Street, NE
USA - Washington DC 20549-1090
Email: rule-comments@sec.gov

J. Gordon Seymour
Office of the Secretary
Public Company Accounting Oversight Board
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From Mrs M.J.L. van Ool, project manager “In Control”

Date 27 February 2007

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Copies to CFO, Director Corporate Control, General Counsel, Director Internal Auditing Service

Subject **Securities and Exchange Commission Release on Management’s Report on Internal Control over Financial Reporting**

Public Company Accounting Oversight Board Proposed Auditing Standard on An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Other Proposals

Dear Ms Morris and Mr Seymour,

Akzo Nobel NV is both a Dutch listed company, as well as a (large) foreign issuer by being listed on the NASDAQ and has been confronted with the consequences of the Sarbanes-Oxley Act of 2002 to its full extent.

AkzoNobel is pleased to comment on:

- the Securities and Exchange Commission (SEC) Release Nos. 33-8762 and 34-5476 on Management’s Report on Internal Control over Financial Reporting (the SEC’s proposals); and
- the Public Company Accounting Oversight Board (PCAOB) Rulemaking Docket Matter No. 021 of 19 December 2006 – Proposed Auditing Standard on An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Other Proposals (the PCAOB’s proposed standard).

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Akzo Nobel notes with interest the SEC's proposals and the PCAOB's proposed Auditing Standard in view of Akzo Nobel's own recent discussions over the future direction of requirements and guidance relating to risk management and internal control.

We are supportive of the proposed objectives of the SEC and the PCAOB which we believe include:

- improving the effectiveness and efficiency with which management and auditors assess a company's internal control over financial reporting;
- adopting a top down, risk-based approach with emphasis on the control environment;
- providing flexibility in the approach to assessing internal control;
- increasing the focus on the exercise of judgment, rather than encouraging a check-list mentality; and
- considering issues related to multi-location companies such as Akzo Nobel is.

However, we have some points of concern we would like to share.

1. Unclarity how the introduction paragraph "companies are supposed to be in control (reference to FCPA and COSO etc)", which in essence is the basic assumption on which the SEC's proposals are being built, will be verified by the SEC. In other words: will the SEC, in future, ask proof from the companies to assure that this basic assumption is valid for that particular company?
If yes, how can we show/proof this without very detailed documentation of the design of controls, including routine transactions?

2. Will the US GAAS regarding materiality for financial statements be adopted by the SEC to at least have an objective calculated amount as a basic reference to set the materiality level? The "prudent governmental official" being the reference for materiality is a difficult concept to translate for a multi-national company dealing with numerous different cultural forms of prudence exercised by governmental officials.

3. Will the SEC and the PCAOB agree on one set of requirements for coverage in the case of multi-locations companies? Currently the external auditors follow the PCAOB guidance on coverage as 70% of material financial statement lines and more or less the company has been forced to ensure that we have documented the controls in line with that coverage. If and when the risk based top-down (qualitative) approach is the basis for management's selection of multi-locations a pre-defined coverage will thus not be guaranteed.

4. By adopting a "Risk based approach" to identify which risks need at least documented controls for which also proof of effectiveness should be provided, should we consider typically the residual risks? In other words take into account the basic control design as set by management, or should we consider inherent risks and refrain from allowing for our assumed solid design of controls to mitigate most of the generic inherent risks?

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5. And finally some specific questions to the PCAOB: The external auditor may rely on and use work of others. It is understood that the work of others should achieve a certain standard of quality. Will there still be a number of qualitative demands to the professionalism exercised by and (the format of the) working papers of these others, that force companies to prepare full audit working papers as part of their management's assessment documentation?
Will there be any guidance on how the cooperation between External and Internal Auditor should be formalized? And more specifically regarding using the work of the Internal Auditor for the Audit of Internal Control over Financial Reporting that is integrated with an Audit of Financial Statements?

We would be pleased to discuss with you any aspect of this letter you may wish to raise with us.

Yours sincerely,
Akzo Nobel

Mrs M.J.L. van Ool
Project Manager "In Control"