



910 E. St. Louis Street, Suite 400 / Springfield, MO 65806

P 417.831.7283 / F 417.831.4763

[forvis.com](http://forvis.com)

March 18, 2024

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

**Re: Amendments to PCAOB Auditing Standards Related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments; Reopened Comment Letter Period; PCAOB Rulemaking Docket Matter No. 051**

Dear Office of the Secretary:

**FORVIS, LLP** (FORVIS) appreciates the opportunity to respond to the PCAOB's proposal, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations And Other Related Amendments (the "Proposal")* during the reopened comment period. FORVIS ranks among the top 10 public accounting firms in the nation, with nearly 6,000 dedicated professionals and clients in all 50 states, as well as internationally, and is a member of Praxity, AISBL, a global alliance of independent firms.

FORVIS submitted a letter to the PCAOB during the first comment period on August 7, 2023, and re-affirms the views submitted in our original letter. In addition, after observing the virtual roundtable held by the PCAOB on March 6, 2024, we offer additional views within this letter in response to certain topics raised in that discussion.

FORVIS continues to be an active participant in many profession-wide endeavors, including, but not limited to, participating on various committees, task forces, and working groups of the Center for Audit Quality (the CAQ). And similar to our participation during the first comment period, we have again worked with the CAQ as it developed its second response letter to the PCAOB's Proposal during the reopened comment period. FORVIS' comments below are also intended to supplement the views expressed in the CAQ's second comment letter.

Our supplemental response continues to be framed by our experiences serving primarily middle-market public issuers, employee benefit plans subject to a Form 11-K filing requirement, and non-issuer broker-dealers, and include our concerns regarding the potential implications the Proposal could have for firms below the top six Global Network Firms (GNFs) as it relates to our responsibilities to identify noncompliance with laws and regulations ("NOCLAR").

## General Comments

We commend the PCAOB for hosting the public roundtable to obtain additional insight from stakeholders across the financial reporting spectrum on this important topic. We think broader stakeholder engagement is vital to develop valuable perspectives on how the auditor's role and responsibilities related to NOCLAR might be enhanced, and the roundtable was a meaningful first step to achieve this objective. We also support the reopened comment period as an avenue to hear from stakeholders who may not have been represented at the roundtable discussion or developed additional views subsequent to the first comment period.

In reflecting upon the views expressed during the roundtable, we observed that many participants generally agreed with views we expressed on the Proposal in our initial comment letter, summarized as:

- Any changes to the existing standards should be made in the context of a) the auditor's role (contrasted to that of management); b) the skill set and core competencies of the auditor; and c) a company's internal control over financial reporting as defined by the PCAOB.
- The Proposal shifts the detection of and accountability for NOCLAR from management (and the audit committee) to the auditor and would substantially enhance the need for additional legal resources, which many firms below the top few do not currently have in house, nor is there any confidence they would be externally available.
- There will be a disproportionate effect on the audits of smaller registrants and registrants in regulated industries, which we believe includes 11-K filers and broker-dealers.

The following are intended to supplement our initial response.

### *Consideration and Reliance on Management Processes*

We were pleased to hear that participants across multiple stakeholder groups agreed that the auditor should assess and consider management's processes around compliance. We agree with participants who expressed the need to recognize and maintain the differing roles and responsibilities for monitoring and detecting incidents of NOCLAR by management and the auditor. We believe that is an important distinction that should be maintained in any updated standard. In that context, we believe the proposed rule should require the auditor to first consider management's processes to both identify laws and regulations that are relevant to financial reporting and to monitor compliance with those laws and regulations. Enhanced procedures to understand management's process as part of the auditor's risk assessment process would help the auditor to determine whether risks of material misstatement due to noncompliance are present and drive the auditor's response to those identified risks.

### *Distinction Between Direct and Indirect Laws and Regulations*

There were significant discussions and suggestions around retaining the concept of direct and indirect laws and regulations in the scoping of the proposed standard. While both are important, by their very nature they result in differing potential effects on the financial statements, as well as differing characteristics *vis-a-vis* the auditor's skillset to detect and evaluate related incidents. Some views expressed in the roundtable suggested stakeholders do not expect auditors to develop a complete list of all laws and regulations applicable to their clients. However, as currently written, we interpret the Proposal to implicitly require this as a first step in order for the auditor to

then identify those for which noncompliance could have a material effect on the financial statements.

Adjusting the scope of the proposed standard to (1) maintain the distinction between direct and indirect laws and regulations, and (2) as described in the preceding paragraph, to allow the auditor to assess and rely on management's processes, would appropriately focus the starting point for the auditor's work.

### ***Need for Re-Exposure of the Proposal***

We believe that significant changes to the proposed standard are necessary, especially in the initial scoping as discussed above, and as a result, re-exposure will be needed for the following reasons:

- Feedback received from the initial comment letters on the Proposal as well as commentary from the roundtable indicate sweeping changes are needed to the Proposal which cannot be accomplished with minor revisions. As a result, continued dialogue, including important re-exposure, would be critical to give stakeholders the chance to read and provide feedback on concepts which were not included as part of the original Proposal.
- With any changes to the Proposal, especially in scope, there could be a cascading effect, intended or otherwise, into operationalizing other aspects of the standard such that re-exposure would allow a thorough evaluation.
- As the awareness of the proposed standard continues to grow, re-exposure would allow the PCAOB to present a refined assessment of the costs and benefits and allow more voices, especially those of investors and audit committees, to meaningfully participate in the dialogue.

\* \* \* \*

We appreciate the opportunity to comment on the Proposal and are pleased to discuss any questions the Board and its Staff may have concerning our comments. If you have any questions related to this response and would like to discuss further, please email Jeff Rapaglia, National SEC Services Partner at [jeff.rapaglia@forvis.com](mailto:jeff.rapaglia@forvis.com), Greg Faucette, National Financial Reporting Partner at [greg.faucette@forvis.com](mailto:greg.faucette@forvis.com), or Angela Donnelly, Partner, Professional Standards, at [angela.donnelly@forvis.com](mailto:angela.donnelly@forvis.com).

Sincerely,

**FORVIS,LLP**