

From: Litherland, Melinda <mlitherland@deloitteired.com>
Sent: Monday, March 18, 2024 2:54 PM
To: Comments
Subject: [EXT]: Docket 051: Proposed Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations

Thank you for reopening the comment period on PCAOB Release No. 2023-003, Proposed Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations. I appreciated the opportunity to read responses from the original comment period. The estimates of the cost of implementation were thoughtful and contributed to my negative views of this proposal.

The views I express are my own and not those of any organization with which I am affiliated. My opinions were formed both from the perspective of my current role as audit committee chair for several SEC registrants and my past role as audit partner of SEC registrants.

The proposal is aspirational without consideration of the current audit framework. The agenda of the roundtable on March 6 was an accurate reflection of my concerns:

- **Identification**
The proposed standard lacks understanding or appreciation of the enormous range of laws and regulations which apply to a global organization. Materiality thresholds which are a basis for the management of risk in an entity are excluded from consideration. There is no regard for outdated, conflicting, and unenforceable laws and regulations.
- **Considerations for an Auditor's Assessment of Noncompliance and Other Legal Considerations**
Audit professionals, corporate finance teams, and audit committees are trained in the fields of finance and accounting. This proposal is entirely outside the experience, training, and knowledge of those who would be tasked with compliance. Further, the conflict created by this proposal for attorney client privilege has a strong possibility of reducing the flow of information to auditors and degrading audit quality.

The audit profession has not reliably reported on known frauds and illegal acts under the current standards. I support enhancement of the audit reporting framework for fraud and illegal acts rather than a complete overhaul of the financial statement audit profession.

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