Via email to comments@pcaobus.org

Office of the Secretary, PCAOB
1666 K Street, NW
Washington D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 51 Amendments to PCAOB Auditing Standards related to a Company’s Noncompliance with Laws and Regulations and Other Related Amendments

Dear Secretary Brown and Members of the PCAOB,

This submission is provided on behalf of Burford Capital Limited (“Burford” or “Burford Capital”) to oppose the proposed amendments to PCAOB’s auditing standards that would increase auditor obligations in identifying, evaluating and communicating with respect to noncompliance with laws and regulations (the “Proposed Amendments”).

Burford Capital is the leading global finance and asset management firm focused on law. Its businesses include financing litigation and risk management, asset recovery and a wide range of legal finance and advisory activities. Burford is publicly traded on the New York Stock Exchange (NYSE: BUR) and the London Stock Exchange (LSE: BUR), and it works with companies and law firms around the world from its offices in New York, London, Chicago, Washington, DC, Singapore, Dubai, Sydney and Hong Kong.

Indeed, Burford is likely the largest single user of complex legal services in the world, with a $7 billion portfolio of litigation matters and annual activity well in excess of $1 billion. As part of its core legal finance business, Burford provides capital and expertise in connection with a wide variety of legal activities across the globe. Burford employs approximately 60 lawyers qualified to practice in the United States, the United Kingdom, Australia, the Dubai International Financial Centre, Germany, Hong Kong, Ireland, Israel, New Zealand, South Africa or Switzerland, as applicable. These lawyers analyze the legal risk in which Burford invests and, as a multinational company, to which Burford is subject.

As shown from the above, Burford is uniquely positioned at the intersection of the finance and legal industries.

The Proposed Amendments would significantly expand an auditor’s responsibility for identifying, assessing and communicating a company’s noncompliance, or potential
noncompliance, with laws and regulations in the course of an audit. To do so would be to confuse and inappropriately juxtapose the fundamental ways in which accountants auditing a company and the legal professionals, both internal and external, advising a company perform their respective roles. The legal and regulatory regimes affecting an audited company often involve significant complexity and ambiguity. To ameliorate these issues, the legal industry and their corporate clients rely on two chief factors: legal experience and the attorney-client relationship.

Lawyers take years of education, training and experience to effectively understand and advise on the large and growing legal and regulatory environment companies operate within. The legal profession contains a variety of mechanics, from continuing education, to censure and disbarment, to ensure a minimal level of competence in its members. In spite of this, providing a company with competent legal analysis often requires a large, multi-disciplinary, multi-jurisdictional team of lawyers. The simple number of lawyers Burford employs clearly demonstrates this fact. The auditing profession is not currently situated to the provide this level of analysis and any attempts to do so would add tremendous costs to already escalating audit fees. Auditors are not lawyers, and auditors cannot quickly and efficiently become lawyers.

Even if the audit profession added the lawyers or legal resources to evaluate a given complex legal situation, the role of auditor is an inappropriate position for this evaluation to be carried out. Given the complex and ambiguous state of the legal and regulatory environment in which companies operate, complex and detailed rules of attorney-client privilege and legal ethics have developed. These rules encourage open and elaborate communication of facts between a client and its attorney. This communication allows the client to provide all applicable facts to the attorney. The attorney can then sort those facts for relevance and apply the relevant facts to the law. The relationship between management of a company and that company’s auditors is necessarily different. Indeed, disclosing information to a company’s auditors often waives the attorney-client privilege for the disclosed information. Thus, even if a company’s auditors had the legal analysis resources to fully evaluate the company’s compliance with relevant laws and regulations, that auditor’s position as auditor would prevent such a fulsome analysis. We welcome the opportunity to contribute to this consultation further.

Best regards,

Christopher P. Bogart
Chief Executive Officer
Burford Capital