



American  
Business  
Conference

A Coalition of Growth Companies

John Endean  
*President*

August 8, 2023

Ms. Phoebe W. Brown Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006-2803

**Re: Proposing Release: *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations* (PCAOB Release No. 2023-003, June 6, 2023; PCAOB Rulemaking Docket Matter No. 051)**

Dear Ms. Brown:

I am the president of the American Business Conference (ABC), a nonpartisan coalition of leaders of midsize companies founded by Arthur Levitt, Jr. and currently chaired by Alfred West, Chairman and Founder of SEI Investments, Oaks, Pennsylvania.

The proposed rule amends existing auditing standards in regard to an audited firm's noncompliance with laws and regulations. It would expand the auditors' responsibility, in the Board's words, to "identify, through inquiry and other procedures, laws, and regulations applicable to the company with which noncompliance could reasonably have a material effect on the financial statements."

If adopted this would create obvious problems for auditing firms that they are in no position to address.

As an example, one of ABC's member firms has offices in 40 countries and sells products into 172 markets. It is difficult to imagine how any auditor could efficiently and cost-effectively catalogue and track compliance with all the changing laws and regulations in all of these localities. Clearly, accounting firms lack the

necessary expertise to do so and their attempts to fulfill this new mission would put at risk the quality and timeliness of financial audits.

In our view, compliance is a company responsibility for which it needs to have very specific internal control processes. These processes should provide reasonable assurance that there is no material noncompliance with laws and regulations in all countries and markets in which it does business.

In turn, the role of the auditor, as part of an integrated audit, is to perform an audit of management's assessment of the effectiveness of internal control over financial reporting. This audit would include a test of the design and operating effectiveness of the specific internal control processes designed to identify material noncompliance with laws and regulations.

The proposed rule does not improve on this two-part system.

We note that two board members – the only two board members with accounting backgrounds – dissented from the decision to release the proposed rule. ABC agrees with them.

The proposed rule is unworkable and unnecessary, and we respectfully suggest that it be withdrawn.

Sincerely,

A handwritten signature in cursive script that reads "John Endean". The signature is written in black ink and is positioned above the typed name and title.

John Endean  
President  
American Business Conference