

**From:** Jack Henry <jack.henry@sbvllc.com>  
**Sent:** Saturday, August 5, 2023 3:05 PM  
**To:** Comments  
**Subject:** [EXT]: PCAOB Rulemaking Docket 051: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations

This is another solution in search of a problem and is beyond the expertise of auditors. The proposal's wording is too general; for example it states that "some" expect auditors to play a bigger role in detection and reporting of such events. Who are the "some"? would this apply to manufacturing companies where there "could" be noncompliance with regulations in the manufacturing process? Think Boeing before the 737 Max crashes. What about a botched surgery which was not in accordance with standard medical protocols? There was a recent bridge collapse in Minnesota. Supposing there was a departure from certain construction codes, is this the responsibility of the auditor? If a noncompliance is found what is the process for estimating the materiality of the related fine, which would be the subject of negotiations with the relative regulator? Does the auditor need to consider the possibility of an appellate court overturning a lower court's ruling? The findings of administrative law judges are a risk in that they are unpredictable and the Supreme Court has related cases on its docket.

This proposal creates other problems such as an increase in the auditor's 404 examination; additional disclosures and CAMs; increased litigation exposure;

The current standards are sufficient with respect to the auditor. Auditors currently address potential violations for FCPA. The auditor's understanding of the client's business will focus the audit on material matters and internal controls. This will include obtaining representation letters from general and outside counsel who would be on the front line of these issues. If management has not consulted with counsel on known compliance issues it is unlikely the auditor will find them.

The SEC filings already require relevant disclosures. This proposal will only add to the bulk of the SEC filings. The greater the number of disclosures the less significant each becomes because all are significant.

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