



August 7, 2023

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: Proposing Release: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments; PCAOB Rulemaking Docket Matter No. 051

Dear Office of the Secretary:

On behalf of APi Group Corporation (NYSE: APG) and its consolidated subsidiaries, we are submitting this comment letter to express our views regarding the Public Company Accounting Oversight Board's proposal, Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments.

We support the PCAOB's mission to protect investors by modernizing auditing standards that support the performance of continued high-quality audits in today's complex business environment. However, we are concerned that the proposed amendments do not advance that mission. They risk reducing audit quality and lessening investor protections while unnecessarily increasing the cost and complexity of audits.

We share the concerns raised by PCAOB Board Members Duane DesParte and Christina Ho in the PCAOB's June 7, 2023, open meeting. Specifically, we are concerned that:

- The proposed scope is too broad and does not properly take into account the concepts of reasonable assurance and materiality, both of which are well-established and have been acceptable benchmarks for investors and other stakeholders to make decisions.
- The proposal does not sufficiently take into account a company's existing compliance function and the shared responsibility of the board of directors, the audit committee, the chief compliance officer, and the general counsel.
- Auditors are not lawyers and as a result the proposed amendments would expand the auditor's role to include knowledge and expertise outside their core competencies.
- The proposal will substantially increase the cost of the audit without a commensurate benefit.

We believe that any change should (i) keep the auditor focused on NOCLAR that could materially impact the financial statements, such as material penalties or loss contingencies, and (ii) maintain a risk-based approach and consider the role the company's compliance program plays in detecting NOCLAR that could be material to the audited financial statements.

To expand upon our position, we offer the following rationale:

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1. The proposed requirement that auditors identify “laws and regulations with which noncompliance could reasonably have a material effect on financial statements” is duplicative of existing functions and unnecessary and will ask auditors to provide independent validation of a company’s compliance with all laws and regulations. Existing accounting and disclosure standards have been written and adopted to address the risk of non-compliance or illegal acts. The proposed rule is inconsistent with established practices and would require significant investment to be spent on matters which are clearly of no consequence to the financial statements of the company.
2. APi Group is a global life safety, security, monitoring, and specialty services business with approximately 29,000 employees across 20+ countries and expected 2023 revenue in excess of \$7 billion. As a result, we are subject to vast number of laws and regulations across numerous jurisdictions. In many markets we also operate in regulated industries which can subject us to additional complex compliance standards. To support our compliance with this vast array of laws and regulations, we have extensive compliance and risk management processes led by a cross-functional team of legal, finance, audit and other business professionals to mitigate the highest risks for APi and to drive compliance across our global organization. The results of those processes are regularly reported to our senior leadership team and ultimately our audit committee, as well as to the external auditors for their input regarding the process and evaluation of any significant matters.
3. The proposal does not sufficiently take into account the existing risk mitigation and compliance function that companies already have, and which, in the case of APi, is led by our finance team, the chief compliance officer, and the general counsel, all of which is overseen by our board of directors and the audit committee.
4. In addition to being unnecessary and burdensome, the proposed amendments would expand the auditor’s role to include skills, knowledge, and expertise outside the auditor’s core competencies and expertise. The teams of in-house attorneys and outside counsel engaged by APi is better suited to monitor, identify, and investigate potential violations of laws and regulations.
5. The lack of clarity or limits in the proposed scope would result in a significant increase in cost by both auditors and management and would result in risks to the completion of timely and efficient audits. Auditors would incur extraordinary costs to perform unnecessary procedures in an effort to meet expectations of a standard which is not currently clear. Management would in turn be forced to increase spending on lawyers, experts and consultants across all businesses and geographies in order to establish controls that are designed and operated at such a level where there is little to no risk. We expect the effect to be akin to the introduction of the Section 404 internal controls requirements of the Sarbanes-Oxley Act. While those rules have added value and greater comfort in the accuracy of financial statements, they also led to a significant cost to registrants and auditors, to the point that the SEC recognized how “inflexible, burdensome, and wasteful” the Section 404 process had become and eventually provided guidance to permit companies to follow a more risk-based and materiality approach, striking a more appropriate balance between management’s evaluation and the audit process.¹

¹ Securities and Exchange Commission, *Commission Guidance Regarding Management’s Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934*, Interpretive Release Nos. 33-8810 and 34-55929 (June 27, 2007).

We believe that it takes company management, audit committees, auditors, and regulators working in concert to foster a system that supports both high-quality financial statements and audits, all for the protection of investors. Oversight of a company's compliance with laws and regulations is primarily the shared responsibility of the board of directors, the audit committee, the chief compliance officer, and the general counsel. We suggest a better approach could be one that is risk-based, and where the auditor considers the role the company's compliance program plays in detecting non-compliance with laws and regulations that could be material to the audited financial statements.

We appreciate the opportunity to share our views.

Sincerely,



J.T. Arseniadis
Vice President, Chief Accounting Officer



Louis B. Lambert
Senior Vice President and General Counsel