



Following up on last month's [blog](#) regarding the PCAOB's proposal to adopt a new audit standard regarding "Noncompliance with Laws and Regulations" (NOCLAR), we have been hearing that many companies are interested in commenting on the proposal.

As a reminder, this proposed standard would replace existing AS 2405 ("Illegal Acts by Clients"). It would significantly broaden an independent auditor's obligations in identifying laws and regulations that are applicable to the company and evaluating whether noncompliance has occurred, and would accelerate communications on the topic of noncompliance between the auditor and each of management and the audit committee.

Many companies – and audit committees – are concerned with the breadth of the proposal, the expansion of the role of the auditor into areas of legal expertise, and the potential to substantially increase public company audit costs without providing significant benefit to shareholders. Comments on the proposal are due August 7th. For those who are interested in participating in the comment process, it may be worth checking with bar associations, business organizations and industry groups to which you belong to see if you can add your voice to the comment process. A few options include:

- The [Center for Audit Quality](#) has prepared a two-page letter for audit committee members to consider submitting to the SEC.
- As noted in its [July 27th Society Alert](#) (membership required), the Society for Corporate Governance is drafting a comment letter.

For inspiration, also consider the [comment letter](#) submitted by the Audit Committee Council of the CAQ last week.

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