

PCAOB Delays NOCLAR Proposal

Proposal Would Require Auditors to Assess Corporate Compliance With Laws and Regulations

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The Public Company Accounting Oversight Board (PCAOB) has delayed final action on its controversial June 2023 Noncompliance with Laws and Regulations (NOCLAR) standards proposal. The PCAOB [website](#) now indicates that the next board action on the NOCLAR proposal is “TBD,” with no further actions expected until 2025. As recently as November 13, 2024, the PCAOB’s website indicated that the proposal was slated for adoption in 2024. We previously discussed the details about the proposal, which would require auditors to assess a company’s compliance with laws and regulations in the performance of an audit, here: [“PCAOB Proposes Massive Expansion of the Auditor’s Role.”](#)

The update to the PCAOB website follows a November 15, 2024 report from [Accounting Today](#), where a “PCAOB spokesperson” was quoted as saying, “the PCAOB will not take additional action on NOCLAR this year,” with the report attributing the change in administration as a result of the 2024 elections as underlying the decision. PCAOB rules must be approved by the Securities and Exchange Commission (SEC) to be effective, and the forthcoming leadership changes at the SEC are expected to alter rulemaking activity.

The NOCLAR standards have been one of the most controversial proposed standards ever put forward by PCAOB, judged based on the number of comment letters received. On March 6, 2024, the PCAOB held a roundtable to consider these comments and the proposed standards, where many commentors questioned the proposed standards’ aim and worried they could result in confusion and increase audit costs, among other significant concerns (our discussion of the roundtable is available [here](#)).

Although the NOCLAR proposal is delayed, PCAOB remains focused on auditors’ responsibilities for illegal acts, recently issuing staff guidance, [“Auditor Responsibilities for Detecting, Evaluating, and Making Communications About Illegal Acts,”](#) to “focus auditors on relevant considerations when performing procedures to detect, evaluate, and make communications about illegal acts by a company under audit.” The guidance emphasizes current laws, rules, and audit standards concerning how auditors should address illegal acts.

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