

August 18, 2017

Brent J. Fields
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Subject: File Number PCAOB-2017-01

Dear Mr. Fields:

We appreciate the opportunity to comment on the PCAOB's request for SEC approval of a new auditing standard, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (the "new auditing standard"). Northrop Grumman is a leading global security company with annual sales of \$24 billion and approximately 65,000 employees.

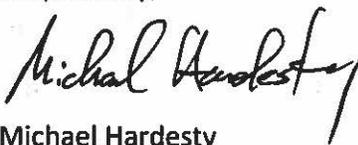
We previously provided comments on this topic to the PCAOB during the comment periods for both the initial concept release in 2011 and the reproposal in 2016. As expressed in those letters, we believe some of the requirements in the new auditing standard will make the auditor's report easier to read and provide information which may be useful to certain users of the financial statements. However, as we also previously communicated to the PCAOB, we do not agree with the requirement in the new auditing standard that auditors disclose critical audit matters (CAMs) in the auditor's report. Our primary objections are summarized below:

- Information material to investors is required to be disclosed by management and key judgments and accounting assumptions (along with the related financial sensitivities) are provided for investors in the critical accounting estimates section of MD&A. Adding a requirement for auditors to communicate CAMs would likely be duplicative to management's disclosure and may be confusing to investors. CAM disclosures could extend well beyond a page and would contribute to disclosure overload rather than facilitate disclosure effectiveness.

- Audit committees and the PCAOB provide oversight to preparers and auditors and improve the overall quality of financial reporting. This oversight enhances investor confidence regarding management's preparation of the financial statements and the auditor's performance of the audit. We believe these governance elements support investor reliance on the information presented in the audited financial statements without the need for further elaboration by the auditor on the matters they considered in reaching their audit opinion.
- CAM disclosure in the auditor's report may result in the unintended consequence of changing the quantity and nature of information communicated by auditors to audit committees. In contemplation of the required disclosure in the auditor's report, auditor communications with audit committees may lack the depth of current communications and become more general or boilerplate in nature.
- Requiring CAMs to be included in the auditor's report will likely result in increased audit costs for companies due to the additional preparation activities for auditors and corresponding reviews by management and audit committees. We routinely communicate with investors and none have inquired about audit matters, so we question whether the benefits of this new requirement outweigh the added costs.

Please contact me if you have any questions or if you would like to discuss these comments.

Respectfully,

A handwritten signature in black ink that reads "Michael Hardesty". The signature is written in a cursive, slightly slanted style.

Michael Hardesty
Corporate Vice President, Controller and Chief Accounting Officer