2024 Inspection
Deloitte & Touche LLP

(Headquartered in New York, New York)

February 26, 2025

PCAOB RELEASE NO. 104-2025-036

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

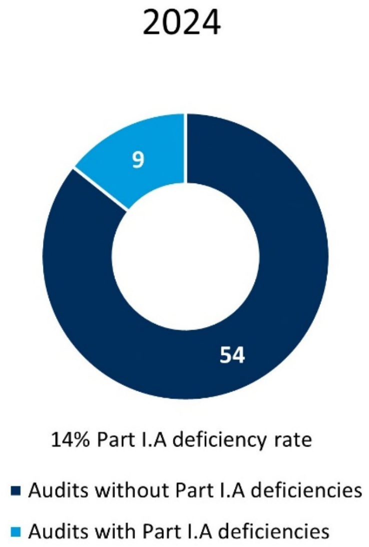
Our 2024 inspection report on Deloitte & Touche LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

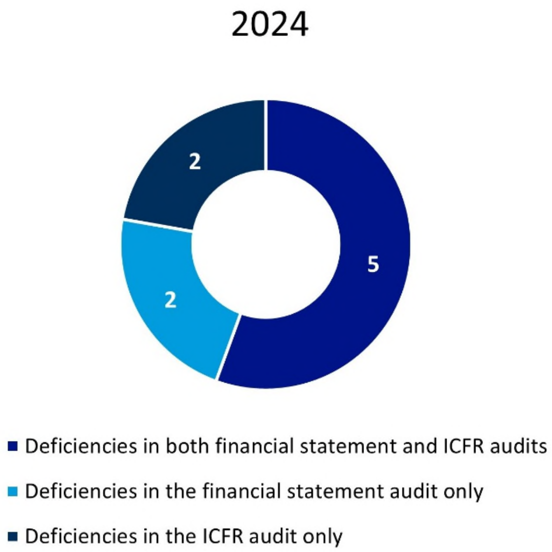
- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR).
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
- Part I.C of the report discusses instances of apparent non-compliance with rules related to maintaining independence ("Part I.C deficiencies").

If we include a Part I.A or Part I.B deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If we include a Part I.C deficiency in this report, it does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. If we include a deficiency in Part I.A, Part I.B, or Part I.C of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2024 Deficiencies Included in Part I

Nine of the 63 audits we reviewed in 2024 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and/or substantive testing of revenue, allowance for credit losses, and leases.





The most common Part I.A deficiencies in 2024 related to performing substantive testing to address a risk of material misstatement, testing the design or operating effectiveness of controls selected for testing, and testing controls over the accuracy and completeness of data or reports used in the operation of controls.

The Part I.B deficiencies in 2024 related to retention of audit documentation, audit committee communications, consideration of fraud, auditor tenure, and critical audit matters.

The most common Part I.C deficiencies in 2024 related to financial relationships, employment relationships, and audit committee pre-approval.

Table of Contents

2024 INSPECTION

In the 2024 inspection of Deloitte & Touche LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 63 audits of issuers with fiscal years generally ending in 2023. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2024 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
  - **Part I.A:** Deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.
  - **Part I.B:** Certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
  - **Part I.C:** Instances of apparent non-compliance with rules related to maintaining independence.

  Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

2024 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make the majority of our selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. We also select audits randomly to provide an element of unpredictability.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work nor of all of the audit procedures performed for the audits reviewed.

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2024, our target team focused primarily on the firm's procedures to identify and assess risks of material misstatement, on audits of issuers with significant investment in artificial intelligence technologies, on audits of issuers in the biotechnology industry, and on the firm's procedures to test the statement of cash flows.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

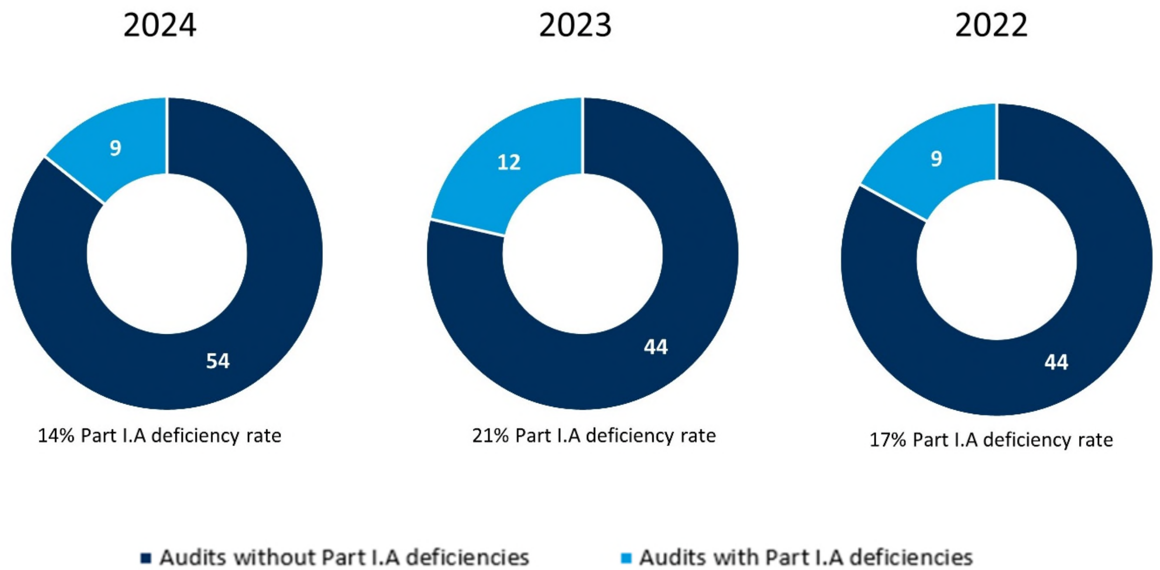
Audits Selected for Review

	2024	2023	2022
Total audits reviewed			
Total audits reviewed	63	56	53
Selection method			
Risk-based selections	48	42	37
Random selections	12	10	13
Target team selections[1]	3	4	3
Total audits reviewed	**63**	**56**	**53**
Principal auditor			
Audits in which the firm was the principal auditor	62	55	52
Audits in which the firm was not the principal auditor	1	1	1
Total audits reviewed	**63**	**56**	**53**
Audit type			
Integrated audits of financial statements and ICFR	50	50	37
Financial statement audits only	13	6	16
Total audits reviewed	**63**	**56**	**53**

[1] For further information on the target team's activities in 2023 and 2022, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2024, all of the audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, nine of the 12 audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, seven of the nine audits appearing in Part I.A were selected for review using risk-based criteria.

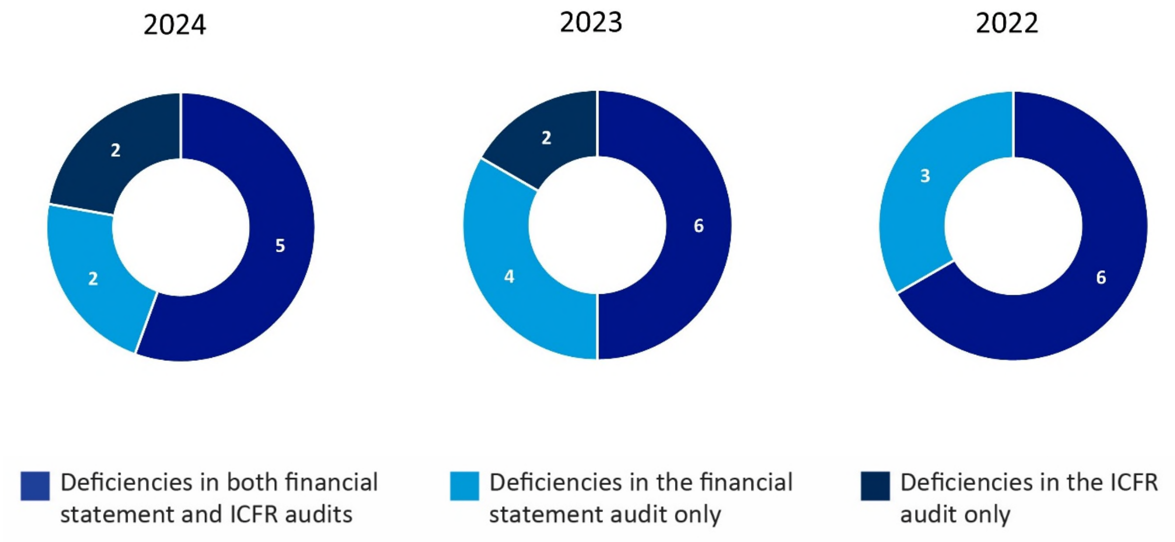


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a Part I.A or Part I.B deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audits Affected by the Deficiencies Identified in Part I.A



Our 2022 inspection procedures involved one audit for which the issuer, unrelated to our review, revised its report on ICFR and the firm revised its opinion on the effectiveness of the issuer’s ICFR to express an adverse opinion and reissued its report.

The following tables and graphs summarize inspection-related information, by inspection year, for 2024 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

Most Frequently Identified Part I.A Deficiencies

Deficiencies in audits of financial statements	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	4	5	5
Did not perform sufficient testing of data or reports used in the firm's substantive testing	2	3	1
Did not sufficiently test an estimate	2	2	2

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2024	2023	2022
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	4	5	1
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	3	2	1
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	4	4

Audit Areas Most Frequently Reviewed

This table reflects the five audit areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2024			2023			2022		
Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies	Audit area	Audits reviewed	Audits with Part I.A deficiencies
Revenue and related accounts	43	2	**Revenue and related accounts**	40	5	**Revenue and related accounts**	44	3
Inventory	12	1	**Inventory**	20	2	**Business combinations**	18	0
Long-lived assets	12	1	**Business combinations**	14	1	**Inventory**	14	1
Business combinations	11	0	**Goodwill and intangible assets**	12	1	**Goodwill and intangible assets**	8	0
Goodwill and intangible assets	9	0	**Investment securities**	8	2	**Long-lived assets**	6	3

Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

Audit area	2024		2023		2022	
	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed	Audits with Part I.A deficiencies	Audits reviewed
Revenue and related accounts	2	43	5	40	3	44
Allowance for credit losses/ Allowance for loan losses	2	4	2	4	0	2
Leases	2	3	0	0	0	0
Inventory	1	12	2	20	1	14
Investment securities	1	8	2	8	0	4
Insurance-related assets and liabilities, including insurance reserves	0	3	2	5	0	5
Long-lived assets	1	12	0	3	3	6

Revenue and related accounts: The deficiencies in 2024 related to substantive testing of, and testing controls over, revenue. The deficiencies in 2023 and 2022 primarily related to substantive testing of revenue.

Allowance for credit losses/Allowance for loan losses: The deficiencies in 2024 primarily related to testing controls over the allowance for credit losses. The deficiencies in 2023 related to substantive testing of, and testing controls over, the allowance for credit losses/allowance for loan losses.

Leases: The deficiencies in 2024 primarily related to substantive testing of leases, including evaluating leases for possible impairment.

Inventory: The deficiencies in 2024 and 2022 related to testing controls over the existence of inventory and the resulting overreliance on controls when performing substantive testing. The deficiencies in 2023 related to substantive testing of, and testing controls over, inventory.

Investment securities: The deficiency in 2024 related to testing controls over the valuation of investment securities. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, the valuation of investment securities.

Insurance-related assets and liabilities, including insurance reserves: The deficiencies in 2023 related to substantive testing of, and testing controls over, claims and other data used by the issuer to determine the estimated liabilities.

Long-lived assets: The deficiencies in 2024 and 2022 related to substantive testing of, and testing controls over, long-lived assets, including evaluating long-lived assets for possible impairment.

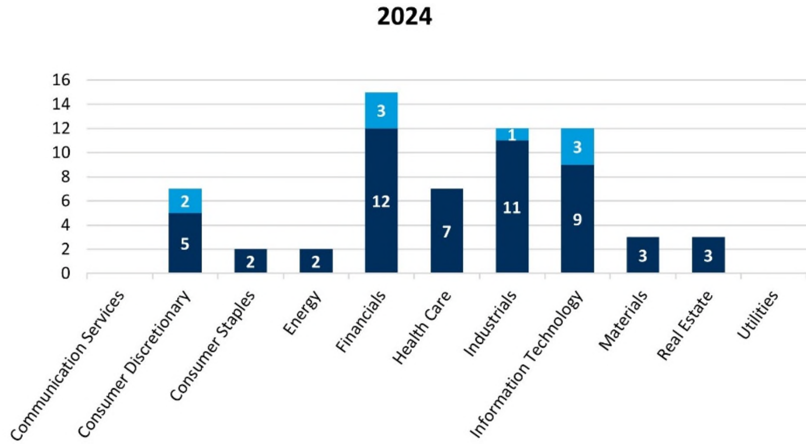
Auditing Standards Associated with Identified Part I.A Deficiencies

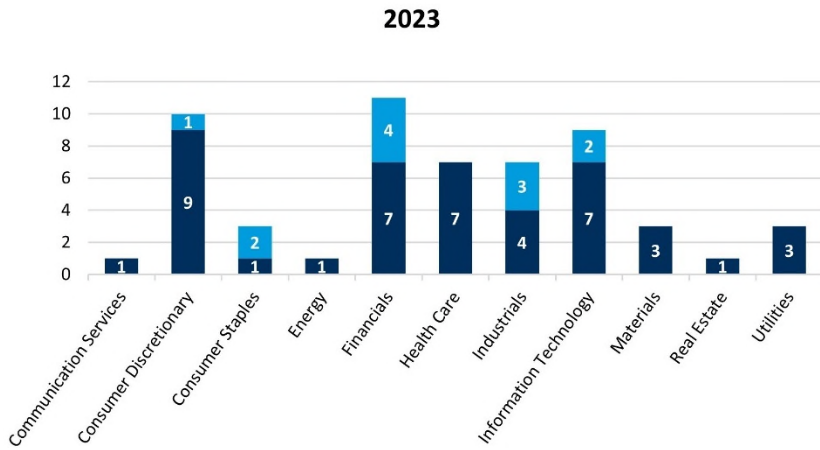
The following lists the auditing standards referenced in Part I.A of the 2024 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

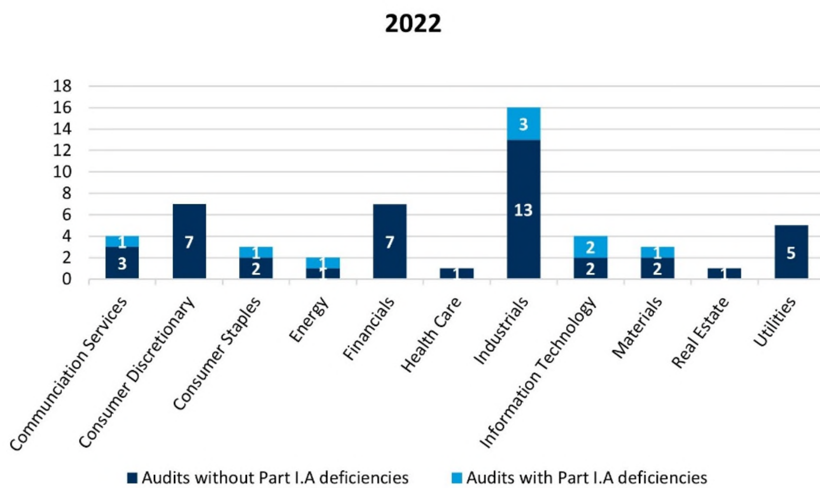
PCAOB Auditing Standards	2024	2023	2022
AS 1105, *Audit Evidence*	3	4	1
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	11	13	6
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	4	4	5
AS 2305, *Substantive Analytical Procedures*	2	2	1
AS 2310, *The Confirmation Process*	1	0	0
AS 2315, *Audit Sampling*	0	1	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*	1	3	2
AS 2505, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments*	0	1	0
AS 2510, *Auditing Inventories*	1	0	1
AS 2810, *Evaluating Audit Results*	1	1	0

Inspection Results by Issuer Industry Sector

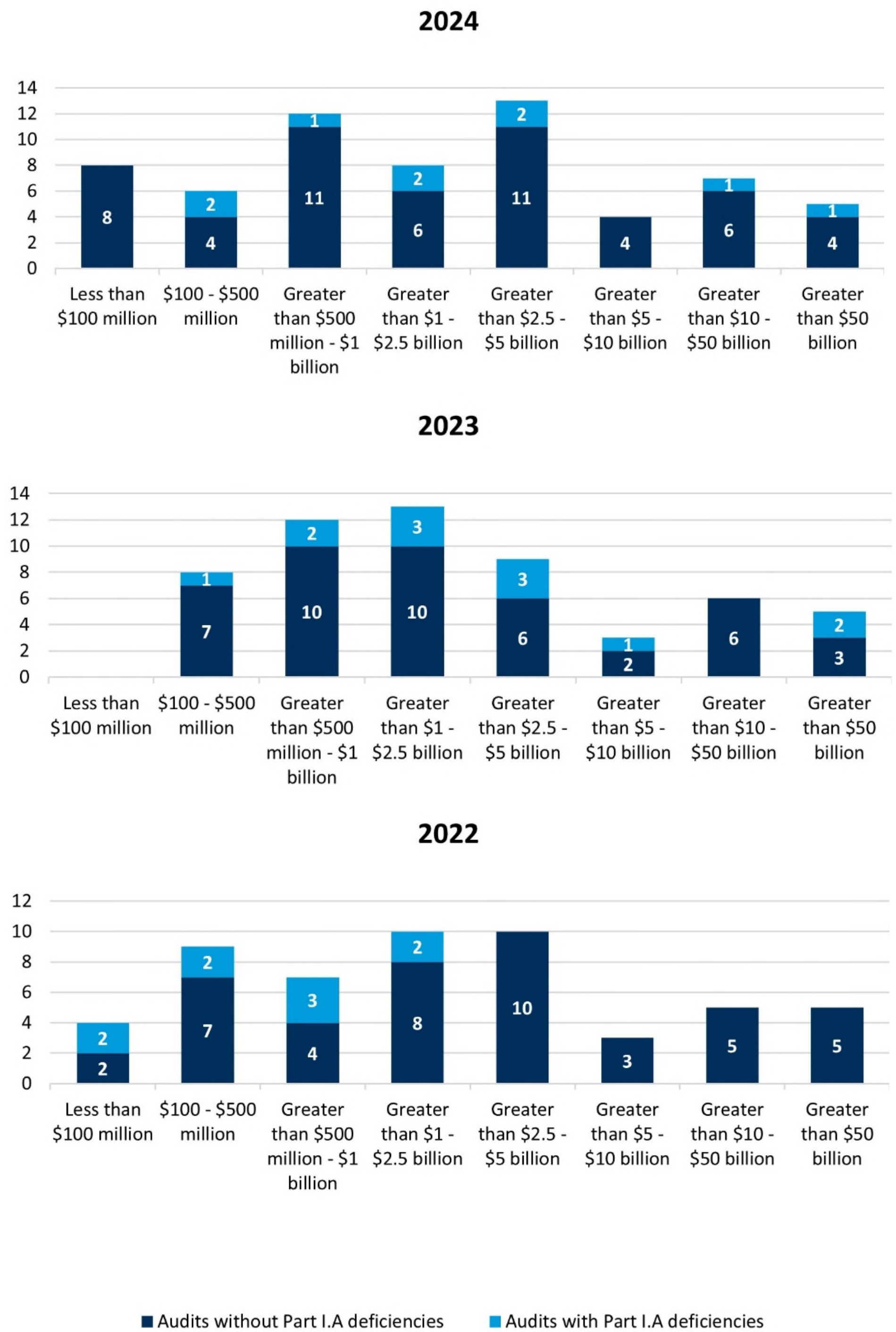
The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data.



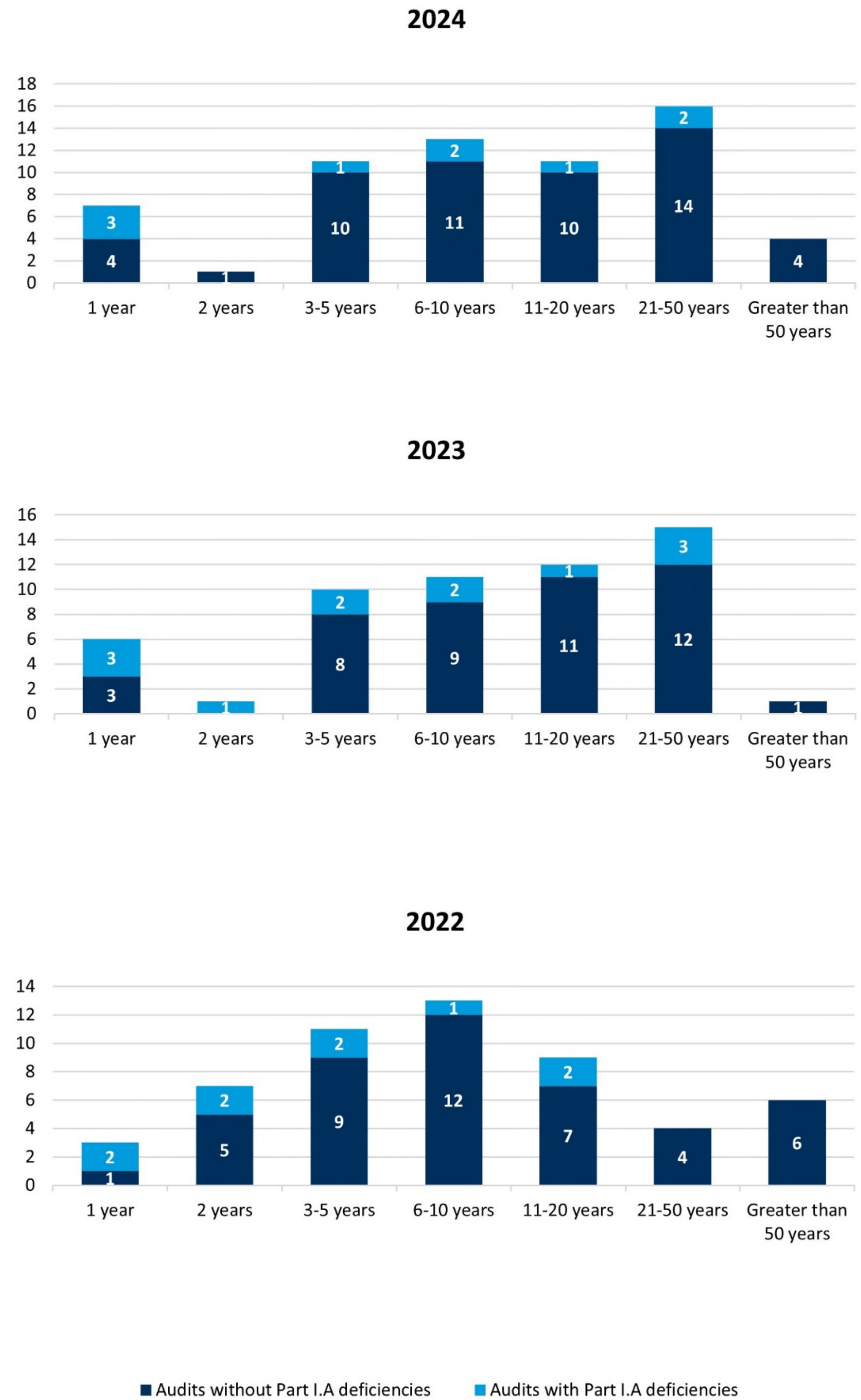




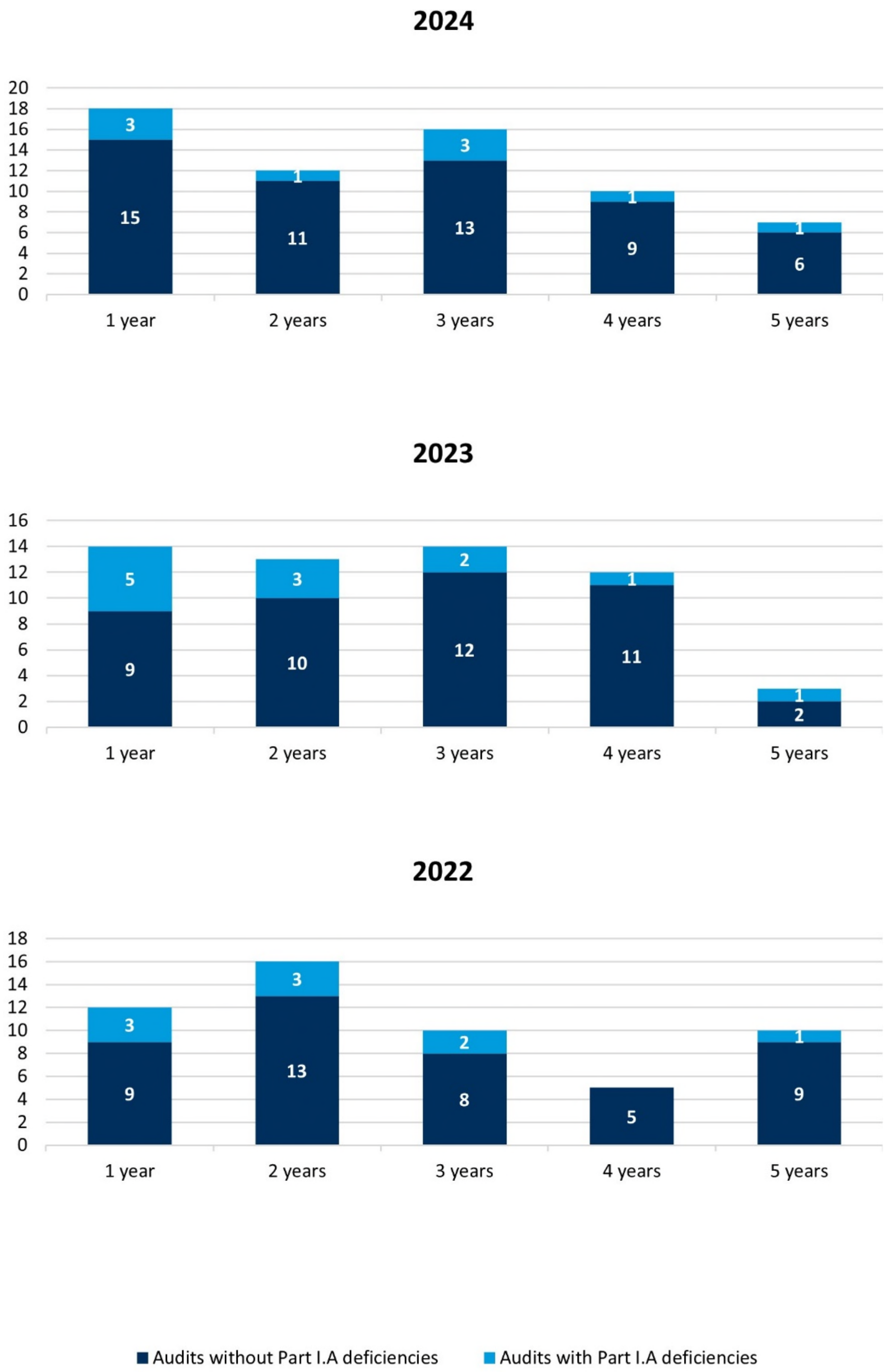
Inspection Results by Issuer Revenue Range



Inspection Results by the Firm’s Tenure on the Issuer



Inspection Results by the Engagement Partner’s Tenure on the Issuer



Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR. This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

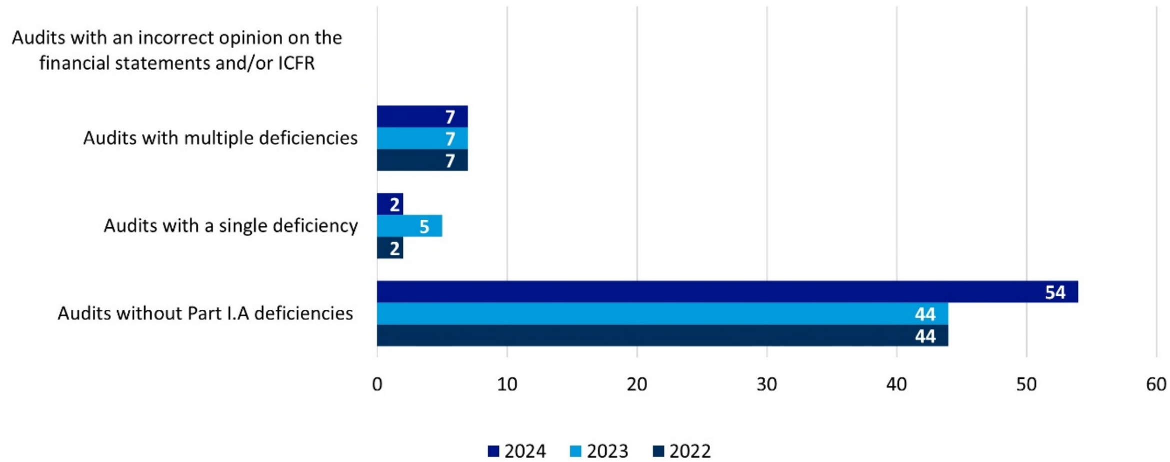
Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

Number of Audits in Each Category



PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the Act, it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue** and **Pension Assets**.

Description of the deficiencies identified

With respect to **Revenue**:

The issuer disclosed the amounts of unsatisfied performance obligations. The following deficiencies were identified:

- The firm did not identify and test any controls over the unsatisfied performance obligations the issuer expected to be recognized as revenue within the next 12 months. (AS 2201.39)
- The firm selected for testing a control that consisted of the issuer's review of unsatisfied performance obligations that it expected to be recognized as revenue beyond the next 12 months. The firm did not identify and test any controls over the accuracy and completeness of the report used in the operation of this control. (AS 2201.39)
- The firm performed a substantive analytical procedure to test this disclosure. The firm did not determine whether the expectation it used in this analytical procedure was based on predictable relationships. (AS 2305.13 and .14) In addition, the firm established its threshold for investigating differences based on a level of control reliance that was not supported due to the above deficiencies in the firm's testing of controls. As a result, the threshold that the firm used did not provide the desired level of assurance that misstatements that could have been material would be identified. (AS 2301.16, .18, and .37; AS 2305.20)

With respect to **Pension Assets**:

The firm sent a positive confirmation request to the custodian for certain pension plan assets, which was returned with exceptions. The firm did not evaluate the nature of these exceptions. (AS 2310.33)

Issuer B – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to the **Allowance for Credit Losses (ACL)**.

Description of the deficiencies identified

The issuer assigned each loan a loan risk rating, which was an important input in estimating the quantitative component of the ACL. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review, for a sample of loans, of the loan risk ratings assigned to the loans. The firm identified deviations in the operation of this control but did not evaluate the effect of these deviations on the operating effectiveness of the control. (AS 2201.48) In addition, in its testing of the operating effectiveness of this control, the firm excluded certain loans from its testing population. (AS 2201.44)
- The firm's substantive procedures to test the reasonableness of the assigned loan risk ratings for certain loans included making a selection of loans for testing. The firm identified differences in the assigned loan risk ratings but did not evaluate the effect of these differences on whether it had obtained sufficient appropriate audit evidence. Further, the firm did not perform any

substantive procedures to test the loan risk ratings for the loans that were excluded from the firm's control testing procedures discussed above. (AS 2301.08)

Issuer C – Financials

Type of audit and related area affected

In our review, we identified deficiencies in the ICFR audit related to the **ACL**.

Description of the deficiencies identified

The issuer determined the qualitative reserve component of the ACL using various qualitative factors. The firm selected for testing controls that included the issuer's reviews of these factors. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these factors. (AS 2201.42 and .44)

The issuer assigned each loan a loan risk rating, which was an important input in estimating the quantitative component of the ACL. The firm selected for testing a control that included the issuer's review of the risk ratings for certain loans. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these risk ratings. (AS 2201.42 and .44) In addition, for this control and two other controls the firm selected for testing over the ACL, the firm did not identify and test any controls over the accuracy and completeness of certain loan information used in the operation of these controls. (AS 2201.39)

Issuer D – Information Technology

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

The issuer disclosed the amount of unsatisfied performance obligations. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of this disclosure. The firm did not identify and test any controls over the accuracy and completeness of the issuer-prepared schedules related to this disclosure that were used in the operation of this control. (AS 2201.39)
- The firm used these issuer-prepared schedules in its substantive testing of this disclosure but did not perform any procedures to test, or (as discussed above) test any controls over, the accuracy and completeness of these schedules. (AS 1105.10)
- The firm did not identify and evaluate a misstatement in this required disclosure under FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2810.30 and .31)

Issuer E – Information Technology

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Inventory**.

Description of the deficiencies identified

The issuer performed cycle counts of certain inventory. The firm did not identify and test any controls that addressed whether this inventory was counted with sufficient frequency in accordance with the issuer's cycle-count policy. (AS 2201.39)

Due to the deficiency discussed above, the firm did not obtain sufficient appropriate audit evidence that the cycle-count procedures the issuer used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items each year. (AS 2510.11)

Issuer F – Consumer Discretionary

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Leases**.

Description of the deficiencies identified

The issuer engaged specialists to determine the fair value of certain leased assets using various data and assumptions. The following deficiencies were identified:

- The firm did not perform procedures to (1) test the accuracy and completeness of issuer-produced data used by the company's specialists and (2) evaluate the relevance and reliability of external information used by one of the company's specialists. (AS 1105.A8a)
- The firm did not evaluate the reasonableness of significant assumptions used by the company's specialists. (AS 1105.A8b)

Issuer G – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Long-lived Assets** and **Leases**.

Description of the deficiencies identified

The issuer used (1) store-level operating results to evaluate whether any impairment indicators existed for its long-lived assets, including lease right-of-use assets, and (2) store-level cash-flow forecasts to evaluate the recoverability of certain of these assets. The issuer excluded certain costs from these analyses. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's reviews of these operating results and cash-flow forecasts. The firm did not evaluate the specific review procedures that the control owner performed to assess the appropriateness of excluding these costs. (AS 2201.42 and .44)

- The firm used these operating results in its substantive procedures to evaluate whether any impairment indicators existed for these assets. The firm did not evaluate whether these excluded costs were directly associated with the identified asset groups. (AS 2301.08)
- The firm's approach for substantively testing the recoverability of certain of these assets was to test the issuer's process. The firm did not evaluate whether the issuer's method to determine the recoverability of these assets using cash-flow forecasts that excluded these costs was in conformity with FASB ASC Topic 360, *Property, Plant, and Equipment*. (AS 2501.10)

Audits with a Single Deficiency

Issuer H – Financials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Investment Securities**.

Description of the deficiency identified

The issuer recorded available-for-sale securities at fair value. The firm selected for testing a control that included comparing recorded prices from an external service provider to prices determined by the control owner. The firm did not evaluate the specific review procedures that the control owner performed to (1) determine the comparative prices and (2) to identify items for follow-up. (AS 2201.42 and .44)

Issuer I – Information Technology

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Certain Assets**. This was the firm's initial audit of this issuer.

Description of the deficiency identified

The firm did not perform sufficient procedures to evaluate the issuer's presentation of certain assets as current assets because it did not evaluate, beyond inquiring of management, the issuer's intent to consume all of these assets within one year from the balance sheet date. (AS 2301.08)

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In one of 63 audits reviewed, the firm provided certain services to the issuer but did not document that the audit committee had approved the engagement before the issuer engaged the firm to provide the services. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In two of 58 audits reviewed, the firm did not make certain required communications to the audit committee related to the name, location, and planned responsibilities of other accounting firms or other persons not employed by the firm that performed audit procedures in the audit. In one of these two audits, the firm communicated that certain other accounting firms performed audit procedures when those other firms had not. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 57 audits reviewed, the firm did not make a required communication to the audit committee related to corrected misstatements. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 13 audits reviewed, the firm reported in writing to the audit committee that no significant deficiencies were discovered during the audit, even though there is the potential that the limited degree of assurance associated with such reporting will be misunderstood. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.
- In two of 48 audits reviewed, the firm reported in writing to the audit committee that no significant deficiencies were identified during the audit, even though an ICFR audit does not provide assurance that all deficiencies less severe than a material weakness have been identified. In these instances, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In two of 63 audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not have an appropriate rationale for limiting its testing

of entries it identified as having certain fraud risk characteristics to certain entries. In these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

- In one of 57 audits reviewed, the year the firm began serving consecutively as the company's auditor that was included in the firm's audit report was incorrect. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In one of 52 audits reviewed, the firm's communication of a critical audit matter in the auditor's report did not accurately refer to the relevant financial statement accounts or disclosures related to the critical audit matter. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.
- In five of 61 audits reviewed, for certain permissible tax services, the firm did not describe, in writing and in connection with seeking pre-approval, to the issuer's audit committee the scope and/or fee structure for these services. In one additional audit, the firm did not discuss with the audit committee the potential effects of permissible tax services on the independence of the firm in connection with seeking audit committee pre-approval of the services. In these instances, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.
- In one of 61 audits reviewed, the firm did not describe in writing to the audit committee all relationships that may have been thought to bear on the firm's independence prior to accepting the audit. In this instance, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants* ("Rule 2-01").

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of apparent non-compliance with PCAOB Rule 3520 that we identified and the firm brought to our attention, there may be other instances of non-compliance with rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We identified the following instances of apparent non-compliance with PCAOB Rule 3520:

Under Rule 2-01(c)(7), an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In 61 audits reviewed, we identified 15 instances across 10 issuers in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, 106 instances across 68 issuers,[2] representing approximately 3% of the firm's total reported issuer audits, in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rules 2-01(b) and/or Rule 2-01(c) or PCAOB Rules 3523 or 3500T related to maintaining independence. Approximately 30% of these instances of apparent non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instances of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent non-compliance may be reflective of the size of the firm, including the number of non-U.S. associated firms in the global network; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of the issuer. Therefore, we caution against making any comparison of these firm-identified instances of apparent non-compliance across firms.

The most common instances of apparent non-compliance related to financial relationships, employment relationships, and audit committee pre-approval requirements:

[2] The firm-identified instances of apparent non-compliance do not necessarily relate to the issuer audits that we selected for review.

- The firm reported 47 instances of apparent non-compliance with Rule 2-01(c)(1) regarding financial relationships, eight of which involved non-U.S. associated firms. Of these instances, 45 related to investments in audit clients, 41 of which involved a member of an engagement team. Of the 45 instances related to investments in audit clients, 15 instances related to investments in broad-based funds.

- The firm reported 27 instances of apparent non-compliance with Rule 2-01(c)(2) regarding employment relationships. Of these instances, 14 related to employees of the firm who were also employed by an audit client, the majority of whom were staff-level employees of the firm. Thirteen instances related to a former employee of the firm who was employed at an audit client in an accounting or financial reporting oversight role.

- The firm reported 14 instances of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval, 10 of which related to services provided by non-U.S. associated firms. Nine instances related to tax services provided without those engagements having been pre-approved by the audit committee.

The firm has reported to us that it has evaluated the instances of apparent non-compliance for issuer audit clients in which the firm was the principal auditor and determined in all instances that its objectivity and impartiality were not impaired. In addition, the firm reported to us that it has communicated the remaining instances of potential non-compliance to the respective principal auditor and that the principal auditor determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

Deloitte.

30 Rockefeller Plaza
New York, NY 10112
USA

February 14, 2025

Ms. Christine Gunia
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006

Re: Deloitte & Touche LLP – Response to Part I of Draft Report on 2024 Inspection (PUBLIC)

Dear Ms. Gunia:

Deloitte & Touche LLP is pleased to submit this response to Part I of the Public Company Accounting Oversight Board's (the PCAOB) draft report on the 2024 Inspection of Deloitte & Touche LLP (the Draft Report). We believe that the PCAOB's inspection process serves an important role in improving audit quality, which serves investors and the public interest. We are committed to our shared objective of furthering the public interest in the preparation of informative, accurate, and independent audit reports.

We have evaluated the matters identified by the PCAOB's inspection team for each of the issuer audits described in Part I of the Draft Report and have taken actions as appropriate in accordance with PCAOB standards to comply with our professional responsibilities under AS 2901, *Consideration of Omitted Procedures After the Report Date,* and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report.*

Fulfilling our purpose and responsibility to strengthen trust and transparency in the capital markets with integrity and ethical leadership is our top priority. As described in our US Audit Quality Report, quality informs every aspect of our Audit & Assurance business and is the bedrock of our strategy. Our pursuit of audit quality is at the center of our culture of continuous improvement. In order to drive continuous improvements, we are continuing to digitize the audit, transforming the way we work, and fostering the development of our people, to fulfill our role of providing high-quality audit and assurance services to the capital markets. We believe an effective system of quality control is crucial for the consistent delivery of high-quality audits, and we continue to make significant investments in our audit and assurance processes, our people, and our technologies that underlie our system of quality control to transform and continuously enhance the quality of our audits for the investing public.

We are confident that our ongoing transformation and related investments are resulting in significant, sustainable enhancements to our audit quality.

Sincerely,

Dipti S. Gulati
Chair and Chief Executive Officer
Deloitte & Touche LLP

Jason M. Girzadas
Chief Executive Officer
Deloitte US