2024 Inspection PricewaterhouseCoopers LLP

(Headquartered in New York, New York)

February 26, 2025

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PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

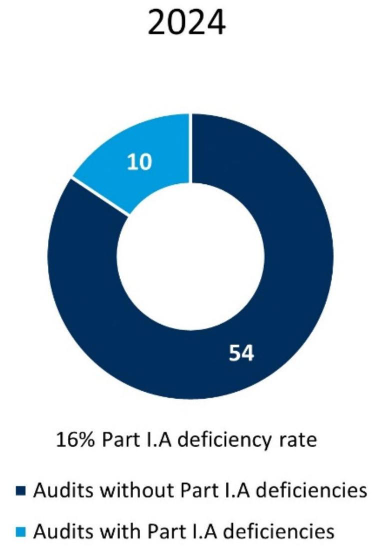
Our 2024 inspection report on PricewaterhouseCoopers LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level 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

Ten of the 64 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 and related accounts and the allowance for credit losses.



In connection with our 2024 inspection procedures for one audit, the issuer disclosed that its financial statements will be restated to correct misstatements.

The most common Part I.A deficiencies in 2024 related to performing substantive testing to address a risk of material misstatement, testing an estimate, and testing the design or operating effectiveness of controls selected for testing.

The Part I.B deficiencies in 2024 related to retention of audit documentation, audit committee communications, audit planning, risk assessment, communications to management, critical audit matters, and Form AP.

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

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2024 INSPECTION

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

We selected for review 64 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 initial audit of an issuer, 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 that had recently completed initial public offerings, and on the firm's procedures to test the statement of cash flows, segment reporting, and earnings per share.

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.

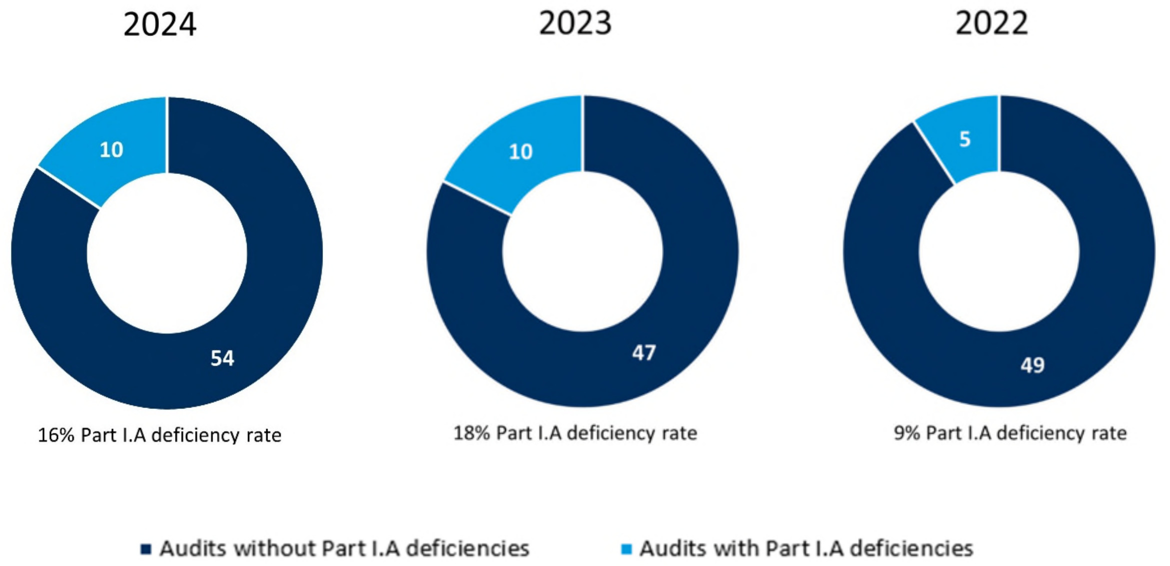
Audits Selected for Review

	2024	2023	2022
Total audits reviewed			
Total audits reviewed	64	57	54
Selection method			
Risk-based selections	48	43	37
Random selections	12	10	13
Target team selections[1]	4	4	4
Total audits reviewed	**64**	**57**	**54**
Principal auditor			
Audits in which the firm was the principal auditor	64	56	53
Audits in which the firm was not the principal auditor	0	1	1
Total audits reviewed	**64**	**57**	**54**
Audit type			
Integrated audits of financial statements and ICFR	54	50	47
Financial statement audits only	10	7	7
Total audits reviewed	**64**	**57**	**54**

[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, seven of the 10 audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, eight of the 10 audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, four of the five audits appearing in Part I.A were selected for review using risk-based criteria.

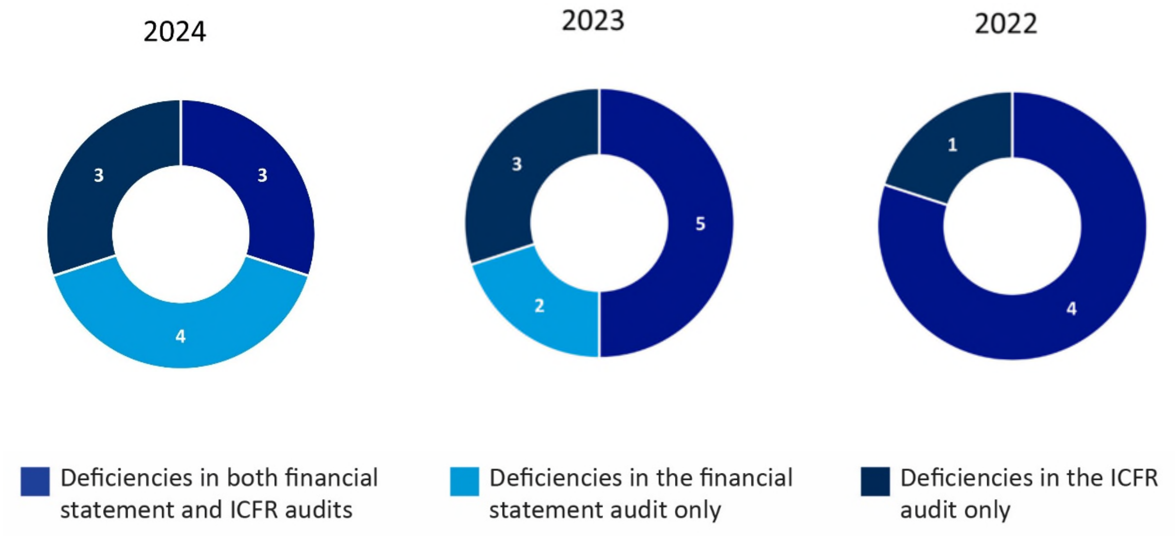


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing 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



In connection with our 2024 inspection procedures for one audit, the issuer disclosed that its financial statements will be restated to correct misstatements.

In connection with our 2023 inspection procedures for one audit, the issuer 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	6	3	3
Did not sufficiently test an estimate	4	2	1
Did not sufficiently evaluate the appropriateness of the issuer's accounting method or disclosure for one or more transactions or accounts	1	0	0

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	6	2
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	2	3
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	2	2	1

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	47	5	**Revenue and related accounts**	39	3	**Revenue and related accounts**	48	0
Goodwill and intangible assets	17	0	**Inventory**	17	1	**Business combinations**	24	2
Inventory	15	0	**Goodwill and intangible assets**	13	3	**Inventory**	14	1
Investment securities	12	1	**Investment securities**	12	1	**Accruals and other liabilities**	12	1
Business combinations	11	1	**Business combinations**	6	1	**Income taxes**	10	0

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	5	47	3	39	0	48
Allowance for credit losses	2	6	0	3	2	5
Goodwill and intangible assets	0	17	3	13	0	5
Business combinations	1	11	1	6	2	24

Revenue and related accounts: The deficiencies in 2024 primarily related to substantive testing of revenue, including arrangements with multiple performance obligations. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, revenue, including arrangements with multiple performance obligations.

Allowance for credit losses: The deficiencies in 2024 related to substantive testing of, and/or testing controls over, the allowance for credit losses. The deficiencies in 2022 related to substantive testing of, and testing controls over, the risk ratings assigned to commercial loans, which were important inputs in estimating the allowance for credit losses.

Goodwill and intangible assets: The deficiencies in 2023 primarily related to evaluating intangible assets for possible impairment or testing controls over the review of impairment indicators.

Business combinations: The deficiency in 2024 related to testing a control over the accuracy and completeness of data used to value liabilities assumed. The deficiencies in 2023 and 2022 related to substantive testing of, and testing controls over, the valuation of assets acquired in a business combination.

Auditing Standards Associated with Identified Part I.A Deficiencies

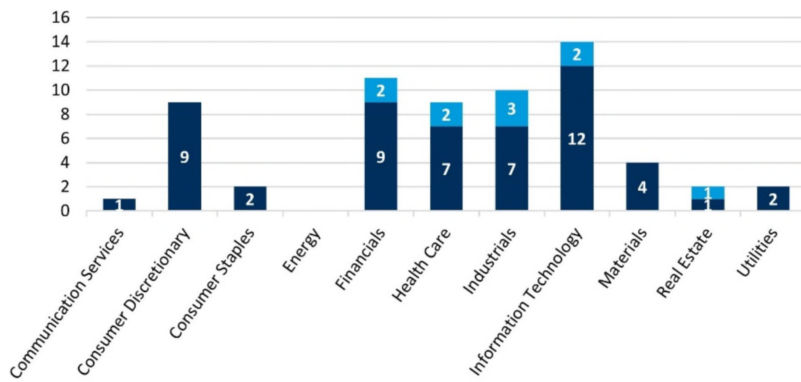
The following lists the auditing standards referenced in Part I.A of the 2024 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2024	2023	2022
AS 1105, *Audit Evidence*	1	9	1
AS 2101, *Audit Planning*	0	0	1
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	10	13	12
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	10	5	1
AS 2310, *The Confirmation Process*	1	0	0
AS 2315, *Audit Sampling*	0	0	2
AS 2401, *Consideration of Fraud in a Financial Statement Audit*	1	0	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*	7	4	2
AS 2510, *Auditing Inventories*	0	1	0
AS 2810, *Evaluating Audit Results*	3	1	0

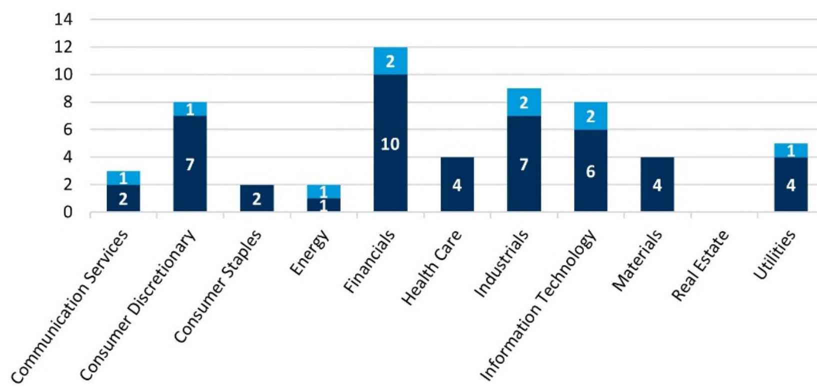
Inspection Results by Issuer Industry Sector

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.

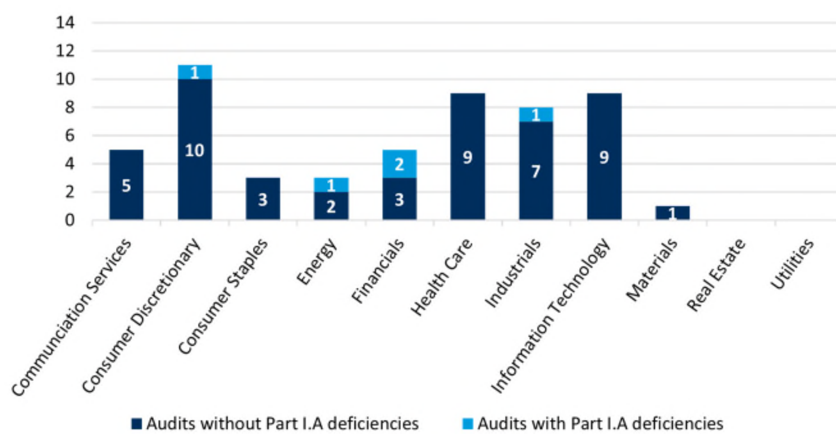
2024



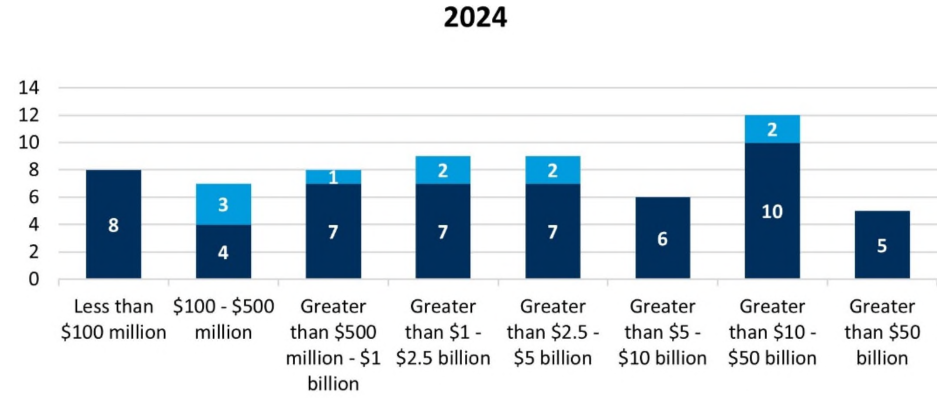
2023

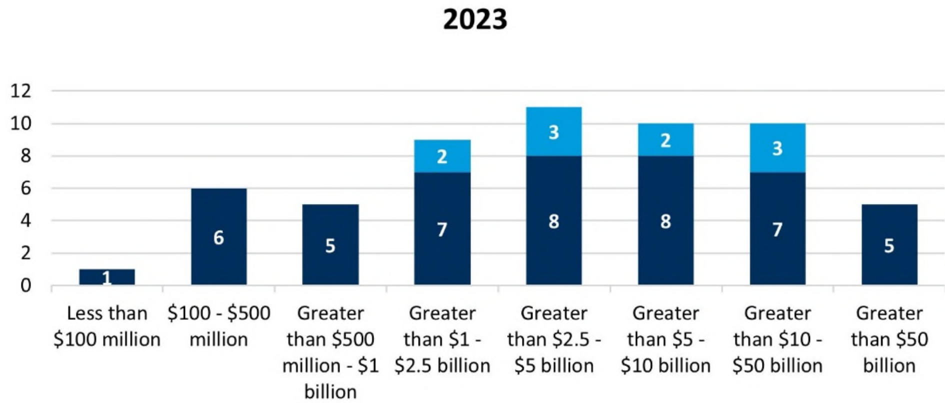


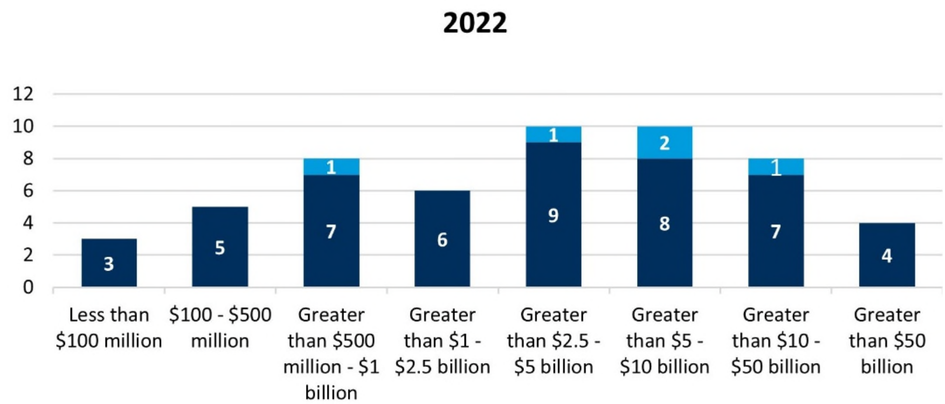
2022



Inspection Results by Issuer Revenue Range

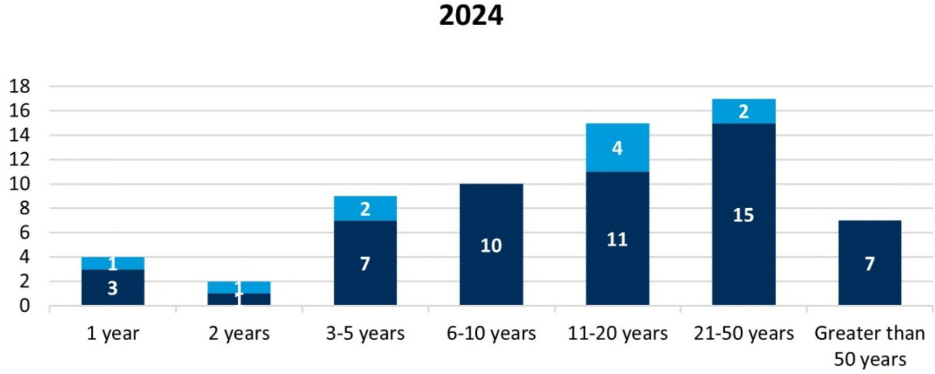


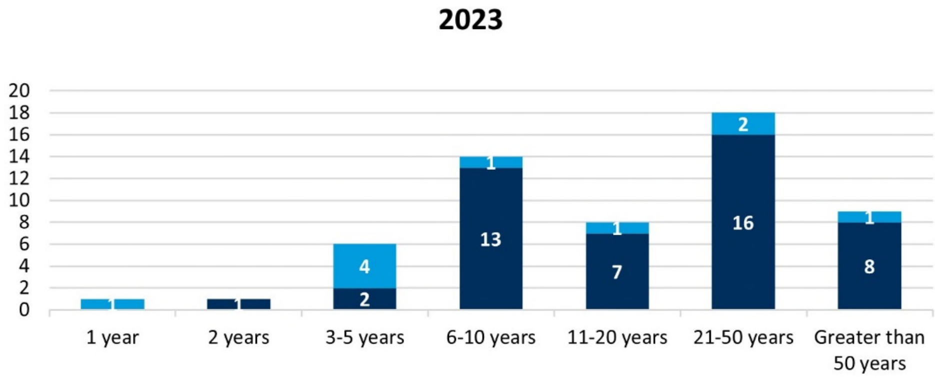


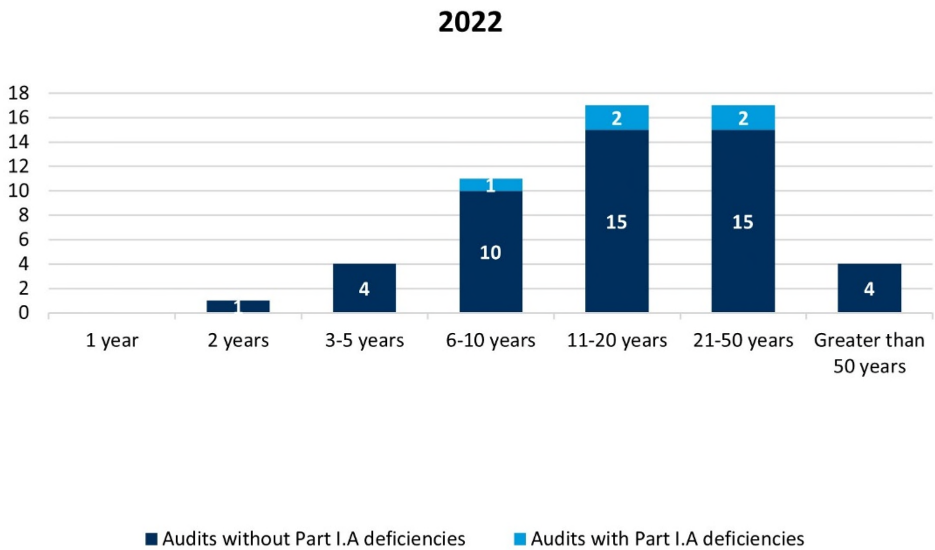


■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Firm’s Tenure on the Issuer

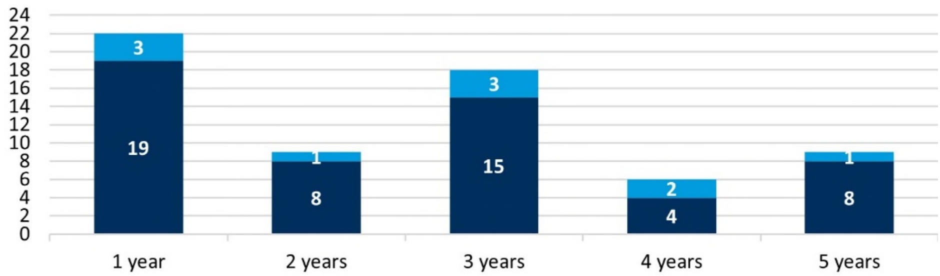




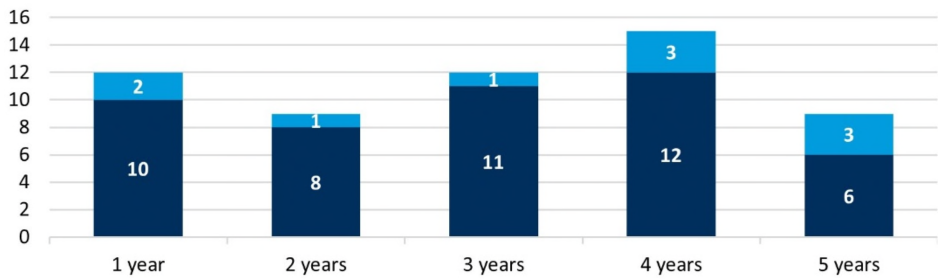


Inspection Results by the Engagement Partner's Tenure on the Issuer

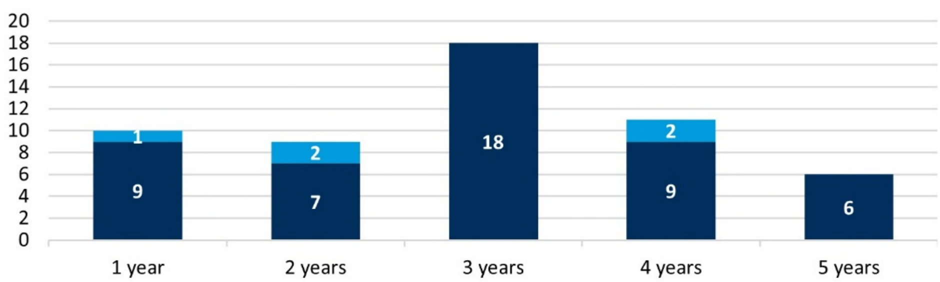
2024



2023



2022



■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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.

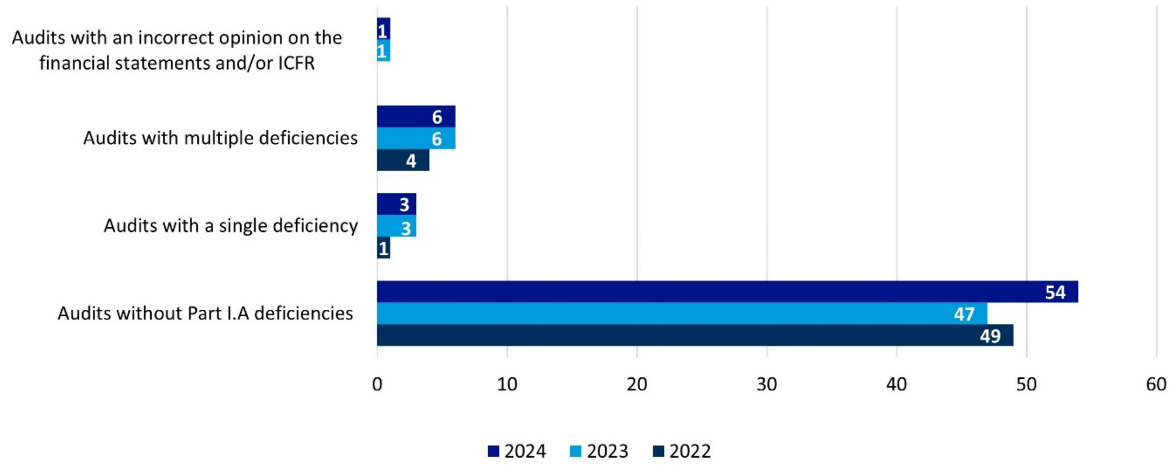
Audits with Multiple Deficiencies

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

Issuer A – Industrials

Type of audit and related area affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue**, for which the firm identified a fraud risk.

Description of the deficiencies identified

Certain of the issuer's revenue arrangements included multiple performance obligations. The issuer allocated the total transaction price for each of these arrangements to the separate performance obligations based on the issuer's estimate of the relative standalone selling prices. The estimated standalone selling prices were based on an expected cost plus a margin approach that involved significant assumptions. The following deficiencies were identified:

- The firm did not perform procedures, beyond reading an issuer-prepared analysis, to assess whether the services promised in the issuer's contracts were distinct and should have been accounted for as separate performance obligations. (AS 2301.08 and .13)
- For certain contracts, the issuer recognized revenue over time using an output method to measure its progress toward completion of its performance obligations. The firm did not evaluate whether this method was in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2501.10)
- The firm did not perform any substantive procedures to evaluate the reasonableness of the expected costs of satisfying the performance obligations and related margins. (AS 2501.16)

In connection with our review, the issuer reevaluated its accounting for these arrangements and concluded that misstatements existed that had not been previously identified. The issuer subsequently filed a Form 8-K disclosing that its previously issued financial statements should no longer be relied upon and that it plans on restating its financial statements to correct these misstatements.

Audits with Multiple Deficiencies

Issuer B – Health Care

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue**, **Accounts Receivable**, and **Other Liabilities**.

Description of the deficiencies identified

With respect to **Revenue**:

The issuer recognized certain revenue based on the issuer's estimate of the number of customers enrolled in plans under which the issuer provided services. The firm did not sufficiently evaluate whether the issuer had a reasonable basis for this significant assumption because it did not evaluate the relevance of certain historical customer data that the issuer adjusted and used to develop this significant assumption. (AS 1105.04 and .06; AS 2501.16)

The firm did not perform any substantive procedures to evaluate whether certain payments that the issuer recognized as revenue met the criteria for revenue recognition set forth in FASB ASC Topic 606. (AS 2301.08)

With respect to **Accounts Receivable**:

The firm did not perform any substantive procedures to test certain accounts receivable. (AS 2301.08)

With respect to **Accounts Receivable** and **Other Liabilities**:

The firm did not identify and evaluate various misstatements in the issuer's disclosures related to accounts receivable and other liabilities. (AS 2810.30 and .31)

The issuer disclosed that it presented its accounts receivable net of certain unpaid costs. The firm did not perform any substantive procedures to evaluate whether this presentation was in conformity with FASB ASC Topic 210, *Balance Sheet*. (AS 2301.08)

Issuer C – Financials

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Investment Securities**:

The firm did not identify and test any controls over the issuer's allowance for credit impairment for certain investment securities. (AS 2201.39)

The firm did not perform any substantive procedures to test the allowance for credit impairment for these investment securities. (AS 2501.07)

With respect to the **ACL**:

The firm did not identify and test any controls over the issuer's ACL for certain loans. (AS 2201.39)

The firm did not perform any substantive procedures to test the ACL for these loans. (AS 2501.07)

With respect to **Loans**:

The issuer disclosed the estimated fair values for certain loans measured at amortized cost. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of this disclosure but did not identify and test any controls over the accuracy and completeness of the issuer-prepared schedules used in the operation of this control. (AS 2201.39)

- The firm did not perform substantive procedures to test the fair values of these loans, beyond comparing the amounts disclosed to the issuer-prepared schedules discussed above. (AS 2501.07)

Issuer D – Information Technology

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**:

Certain of the issuer's revenue arrangements included multiple performance obligations. The issuer allocated the total transaction price for each of these arrangements to the separate performance obligations based on the issuer's estimate of the relative standalone selling prices. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of certain contracts under these types of arrangements for appropriate revenue recognition. The firm did not evaluate the specific review procedures that the control owners performed to evaluate whether the contracts contained embedded leases and whether all performance obligations were identified. (AS 2201.42 and .44)
- The firm did not sufficiently evaluate whether certain contracts contained embedded leases because it did not evaluate certain terms that may have met the definition of a lease. (AS 2301.08; AS 2810.03)
- The firm did not sufficiently evaluate whether all performance obligations were identified for certain contracts because it did not identify that the contracts contained an option that may have represented a material right. (AS 2301.08; AS 2810.03)
- The firm did not identify and test any controls over the issuer's determination of the standalone selling prices. (AS 2201.39)
- The firm did not perform any substantive procedures to evaluate the reasonableness of the significant assumptions the issuer used to estimate standalone selling prices. (AS 2501.16)

With respect to **Other Assets**:

The firm did not perform substantive procedures to evaluate whether the issuer's capitalization of certain contract costs was in conformity with FASB ASC Topic 340, *Other Assets and Deferred Costs*, beyond, for a selection of costs capitalized during the year, reading the contracts and comparing the costs to the issuer's subledger. (AS 2301.08)

The firm did not perform any substantive procedures to evaluate whether the period the issuer used to amortize the capitalized contract costs for contracts with multiple performance obligations was in conformity with FASB ASC Topic 340. (AS 2301.08)

Issuer E – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, for which the firm identified a fraud risk, and **Accounts Receivable**.

Description of the deficiencies identified

The firm identified control deficiencies related to controls over certain revenue contracts at one of the issuer's locations. The firm did not evaluate the severity of these control deficiencies, individually or in combination, to determine whether they represented a material weakness. (AS 2201.62)

The firm sent positive confirmation requests to the issuer's customers for a sample of accounts receivable. For certain confirmations that were not returned, the firm did not perform alternative procedures that provided sufficient appropriate audit evidence that these balances represented valid receivables as of the confirmation date. (AS 2310.31)

Issuer F – Financials

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to the **ACL**:

The firm selected for testing a control that included the review of the data the issuer used to estimate the ACL but did not evaluate the specific review procedures that the control owner performed to assess the accuracy and completeness of these data. (AS 2201.42 and .44)

With respect to a **Business Combination**:

During the year, the issuer acquired a business. The firm selected for testing a control that consisted of the issuer's review of the valuation of certain assets acquired and liabilities assumed. The firm did not identify and test any controls over the accuracy and completeness of a system-generated report that the control owners used in the operation of this control for certain liabilities assumed. (AS 2201.39)

Issuer G – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

Certain of the issuer's revenue arrangements included multiple performance obligations. In its evaluation of the issuer's revenue recognition for these arrangements, the firm did not evaluate, beyond reading certain issuer-prepared memorandums, (1) whether the issuer identified all performance obligations in its customer contracts and (2) certain contractual terms and conditions that could affect the issuer's revenue recognition. (AS 2301.08)

Audits with a Single Deficiency

Issuer H – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

The issuer disclosed various material weaknesses, including deficiencies related to segregation of duties. In understanding the issuer's financial reporting process, the firm identified that the general ledger system allowed individuals to both post and approve journal entries and to edit journal entries after they have been approved. The firm did not perform any substantive procedures to address these risks related to inappropriate segregation of duties. (AS 2301.08; AS 2401.61)

Issuer I – Health Care

Type of audit and related area affected

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

Description of the deficiency identified

The firm selected for testing a control that consisted of the issuer's review of its evaluation of its ability to continue as a going concern. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain significant assumptions the issuer used to develop the forecasted cash flows used in its evaluation. (AS 2201.42 and .44)

Issuer J – Real Estate

Type of audit and related area affected

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

Description of the deficiency identified

The firm selected for testing a control that consisted of the issuer's review and approval of manual journal entries prior to posting them to the general ledger. In evaluating the design of this control, the firm did not identify that the general ledger system allowed the control owners to modify journal entries prior to posting. (AS 2201.42)

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 potential non-compliance with SEC rules or instances of non-compliance with PCAOB 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 64 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In six of 63 audits reviewed, the firm did not make one or more required communications to the audit committee related to (1) the extent to which the auditor planned to use the work of internal auditors; (2) the names, locations, and planned responsibilities of other accounting firms that performed audit procedures in the audit; (3) uncorrected misstatements; (4) the critical accounting policies and practices and/or critical accounting estimates; and/or (5) the firm's evaluation of the quality of the issuer's financial reporting. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 9 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 three of 64 audits reviewed, the firm did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In these instances, the firm was non-compliant with AS 2101, *Audit Planning*.
- In two of 64 audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to a relevant assertion for certain significant accounts and disclosures. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of 64 audits reviewed, the firm did not evaluate certain information that indicated that fraud risk factors were present and should have been taken into account in identifying and

assessing fraud risks. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of 64 audits reviewed, the firm did not revise its risk assessment related to a significant account and disclosure after obtaining audit evidence during the course of the audit that contradicted the audit evidence on which the firm originally based its risk assessment. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of 54 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. In this instance, 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 18 of 51 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 three of 64 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include one or more matters that were communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, 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*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In four of 64 audits reviewed, the firm's report on Form AP included inaccurate information or omitted information related to the participation in the audit by certain other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

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)(2), an accountant is not independent if it has an employment relationship with the audit client at any point during the audit and professional engagement period. In 63 audits reviewed, we identified one instance for one issuer in which this circumstance appears to have occurred.
- 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 63 audits reviewed, we identified six instances across five issuers in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.
- An audit client's agreement to indemnify its auditor with respect to certain liabilities is inconsistent with the general standard of independence set out in Rule 2-01(b) and impairs the accountant's independence with respect to an audit client. In 63 audits reviewed, we identified one instance for one issuer in which this circumstance appears to have occurred.

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, 144 instances across 67 issuers,[2] representing approximately 4% 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 Rule 2-01(c) related to maintaining independence. Approximately 33% of these instances of apparent non-compliance involved non-U.S. associated firms.

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

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, audit committee pre-approval requirements, and employment relationships:

- The firm reported 100 instances of apparent non-compliance with Rule 2-01(c)(1) regarding financial relationships, all but 11 of which occurred at the firm or involved its personnel. Of these 100 instances, 75 related to investments in audit clients and 25 related to other financial relationships with audit clients. The majority of the financial relationships were instances where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer. Thirty-five of the financial relationships related to a member of an audit engagement team. Of the total 75 instances related to investments in audit clients, 17 instances related to investments in broad-based funds.

- The firm reported 27 instances of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval, 22 of which related to a service provided over multiple years for one issuer. Of these 27 instances, 26 related to services provided by non-U.S. associated firms without those engagements having been pre-approved by the audit committee.

- The firm reported seven instances of apparent non-compliance with Rule 2-01(c)(2) regarding employment relationships. Of these instances, six related to employees of the firm who were also employed by an audit client, four of whom were staff-level employees. One instance related to a close family member of a staff-level employee of the firm who was employed at an audit client in an accounting role.

The firm has reported to us that it has evaluated these instances of apparent non-compliance and 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.

February 14, 2025

Ms. Christine Gunia, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006

Re: Response to Draft Report on the 2024 Inspection of PricewaterhouseCoopers LLP

Dear Ms. Gunia:

On behalf of PricewaterhouseCoopers LLP (the "Firm"), we are pleased to provide our response to the Public Company Accounting Oversight Board's (the "PCAOB" or "Board") Draft Report on the 2024 Inspection of our Firm's 2023 audits (the "Report"). We recognize the inspection process provides a valuable opportunity to further enhance the quality of our audits. Performing quality audits remains our top priority, including addressing the matters raised in the Report in a thorough and thoughtful way.

We have evaluated the observations set forth in *Part I: Inspection Observations* and have taken appropriate responsive actions. Our response included those steps we considered necessary to comply with AS 2901, *Consideration of Omitted Procedures After the Report Date,* and where applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report,* and AS No. 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements.*

We appreciate that many of our stakeholders will review the PCAOB's report and this response. We wanted to therefore provide a link to our 2024 Audit Quality Report to encourage our stakeholders to learn more about our system of quality management and how we delivered on our audit quality objectives over the past year. Our Audit Quality Report describes the training, tools, and guidance we provide to our people to support them in maintaining independence, upholding our values, and executing a quality audit. In it, we describe the significant investments of both time and resources we have made to maintain and continually enhance audit quality and address potential risks to our independence.

In closing, we are fortunate to have capital markets that are aided by a strong and mature ecosystem and a strong regulatory environment. At PwC, we are proud to be a part of the ecosystem and to consistently serve as a leader on quality within the profession. We recognize it is important to acknowledge and address the matters raised in the Report in a thorough and

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thoughtful way. In addition, we have also taken a leading role in equally important efforts to advance a holistic, forward-thinking approach to collectively enhance audit quality overall, continually advance the relevance of the profession, and to promote efficiency in the capital markets.

We look forward to continuing our dialogue with the PCAOB and would be pleased to discuss any aspects of this response or any other questions you may have.

Sincerely,

Paul Griggs
PwC US Senior Partner

Deanna Byrne
PricewaterhouseCoopers LLP Assurance Leader