2019 Inspection Deloitte & Touche LLP

(Headquartered in New York, New York)

December 17, 2020

PCAOB
Public Company Accounting Oversight Board

<u>THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT</u>

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2021-002A
(Includes portions of Part II and Appendix A of the full report that were not included in PCAOB Release No. 104-2021-002)

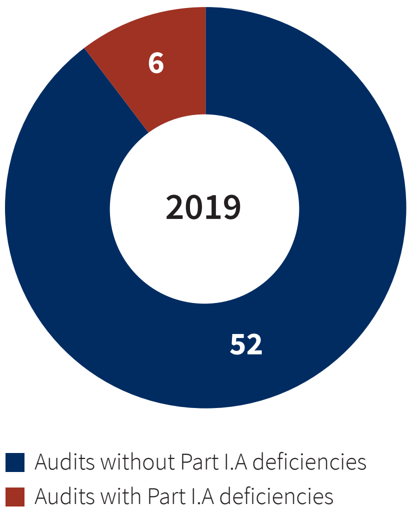
Executive Summary

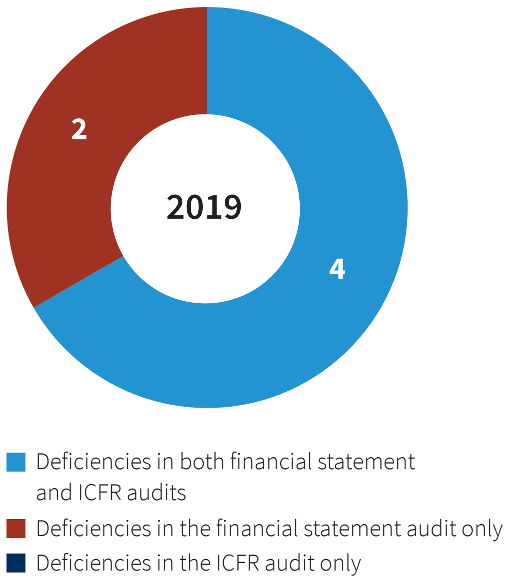
Our 2019 inspection report on Deloitte & Touche LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board ("PCAOB") standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of: (1) Part I.A of the report, which 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 on the issuer's financial statements and/or internal control over financial reporting ("ICFR"), and (2) Part I.B of the report, which discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

The fact that we have included a deficiency in this report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. If a deficiency is included in Part I.A or Part I.B of this report, it does not necessarily mean that the firm has not addressed the deficiency.

Overview of the 2019 Deficiencies Included in Part I

Six of the 58 issuer audits we reviewed in 2019 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 inventory and revenue and related accounts.





The most common Part I.A deficiencies in 2019 related to testing the design or operating effectiveness of controls selected for testing and in some cases the resulting overreliance on controls when performing substantive testing, performing substantive testing to address a risk of material misstatement, and evaluating significant assumptions or data that the issuer used in developing an estimate.

Other deficiencies identified during the 2019 inspection that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), which appear in Part I.B, related to management representation letters and retention of audit documentation.

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2019 Inspection

During the PCAOB's 2019 inspection of Deloitte & Touche LLP, we assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 58 audits of issuers with fiscal years generally ending in 2018. 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 2019 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 on the issuer's financial statements and/or ICFR.
  - Part I.B: Deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.
- **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 Sarbanes-Oxley Act ("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.

2019 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make most 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. In 2019, we established a target team to perform inspection procedures in areas of current audit risk and emerging topics. For our target team selections, our review focuses primarily on evaluating the firm's procedures related to that risk or topic.

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.

In 2019, our target team reviews focused, in part, on planning and execution of multi-location audits, including risk assessment, principal auditor considerations, and communications between the principal auditor and the other auditor. We also evaluated the firm's determination and communication of critical audit matters ("CAM"), in particular to understand the policies and procedures firms put in place to support and monitor the effective implementation of CAM requirements and how audit teams implemented CAM requirements.[1]

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.

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

[1] Refer to Staff Update and Preview of 2019 Inspection Observations and Critical Audit Matters Spotlight for observations from the target team reviews. Instances of non-compliance with PCAOB standards and rules identified during the target team reviews are included in Part I.A or Part I.B of this report.

Overview of the 2019 Inspection and Historical Data by Inspection Year

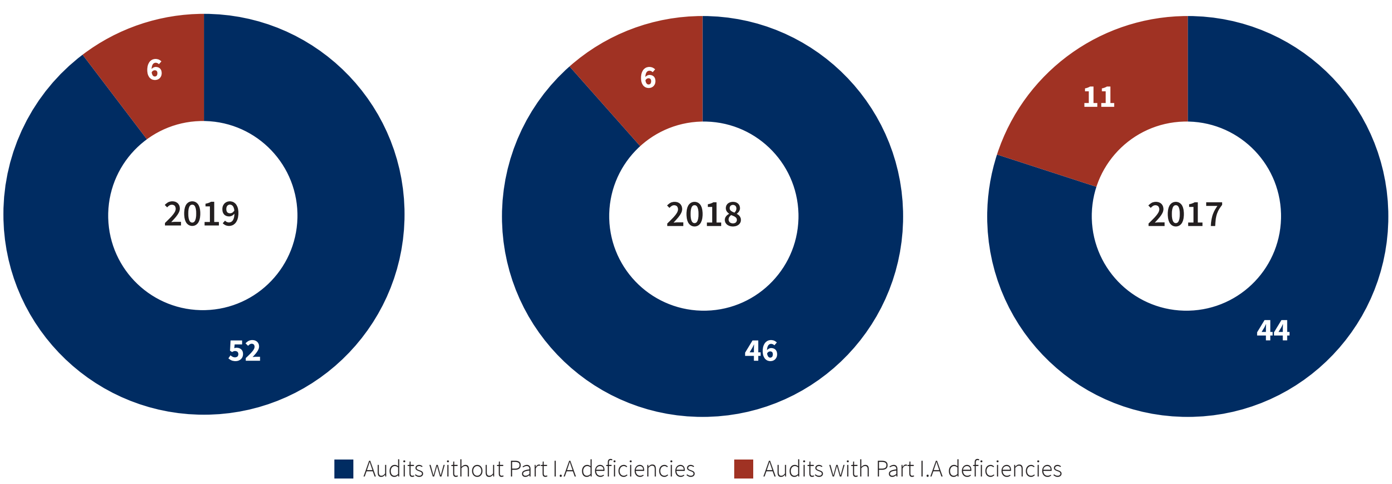
The following information provides an overview of our 2019 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, 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 Reviewed

	2019	2018	2017
Total audits reviewed	58	52	55
Audits in which the firm was the principal auditor	55	51	54
Audits in which the firm was not the principal auditor	3	1	1
Integrated audits of financial statements and ICFR	47	49	52
Risk-based selections	39	42	45
Random selections	13	10	10
Target team selections	6	0	0

Part I.A Deficiencies in Audits Reviewed

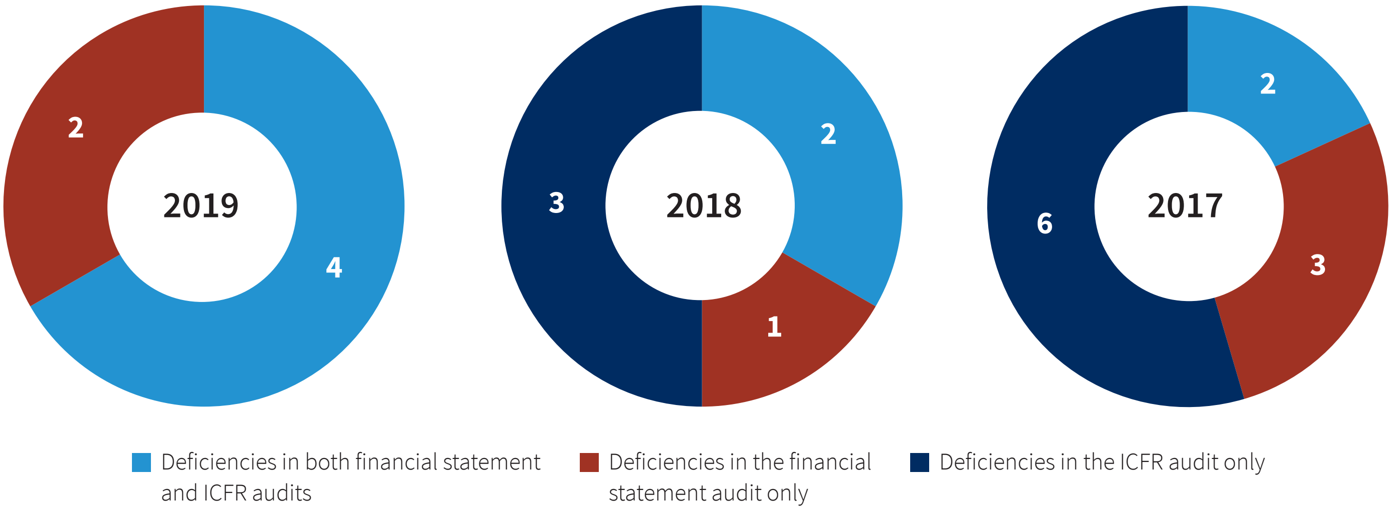
In 2019, five of the six audits appearing in Part I.A were selected for review using risk-based criteria. In both 2018 and 2017, all audits appearing in Part I.A were selected for review using risk-based criteria.



If a deficiency is included in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the issue 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 normally includes 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.

The fact that we have included a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — 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 2017 inspection procedures for one audit, the issuer revised its report on ICFR, and the firm modified 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 2019 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		
	2019	2018	2017
Did not perform sufficient testing related to an account or significant portion of an account or to address an identified risk	3	0	2
Did not sufficiently evaluate significant assumptions or data that the issuer used in developing an estimate	2	2	0
Did not perform substantive procedures to obtain sufficient evidence as a result of overreliance on controls (due to deficiencies in testing controls)	2	0	1

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2019	2018	2017
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	4	2	7
Did not identify and test any controls related to a significant account or relevant assertion	1	0	3

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.

2019			2018			2017		
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	47	1	Revenue and related accounts	49	6
Business combinations	14	0	Business combinations	17	0	Inventory	22	2
Goodwill and intangible assets	14	1	Inventory	16	0	Goodwill and intangible assets	21	1
Inventory	10	2	Goodwill and intangible assets	12	0	Long-lived assets	15	0
Long-lived assets	8	1	Income taxes	10	0	Business combinations	11	2

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	2019		2018		2017	
	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	1	47	6	49
Inventory	2	10	0	16	2	22
Investment securities	1	7	1	7	1	7
Goodwill and intangible assets	1	14	0	12	1	21
Insurance-related assets and liabilities, including insurance reserves	0	4	3	5	1	3

Revenue and related accounts: The deficiencies in 2019 related to substantive testing of revenue, including a chargeback accrual, and testing controls over this accrual. The deficiencies in 2018 and 2017 related to substantive testing of and/or testing controls over revenue.

Inventory: The deficiencies in 2019 related to testing controls over the existence of inventory and the resulting overreliance on controls when performing substantive testing. The deficiencies in 2017 related to substantive testing of the existence of inventory and testing cycle-count controls.

Investment securities: The deficiencies in 2019 related to substantive testing of, and testing controls over, the valuation of investment securities. The deficiencies in 2018 and 2017 primarily related to testing controls over the valuation of investment securities.

Goodwill and intangible assets: The deficiency in 2019 related to evaluating intangible assets for possible impairment. The deficiency in 2017 related to testing controls over the valuation of goodwill.

Insurance-related assets and liabilities, including insurance reserves: The deficiencies in 2018 related to substantive testing of, and testing controls over, the accuracy of claims data used by the issuer to determine the estimated liabilities. The deficiencies in 2017 related to testing controls over insurance-related liabilities.

Auditing Standards Associated with Identified Part I.A Deficiencies

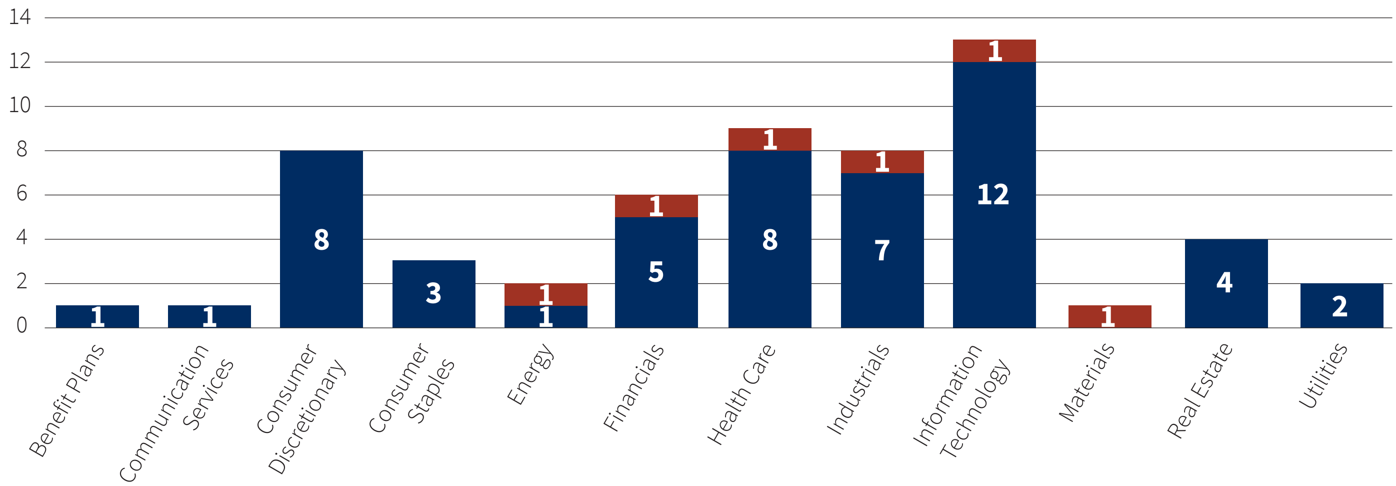
The following lists the auditing standards referenced in Part I.A of the 2019 and the previous two inspection reports and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2019	2018	2017
AS 1105, *Audit Evidence*	0	2	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	9	5	13
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	3	0	3
AS 2310, *The Confirmation Process*	0	1	0
AS 2315, *Audit Sampling*	2	0	1
AS 2501, *Auditing Accounting Estimates*	2	0	0
AS 2510, *Auditing Inventories*	1	0	1
AS 2810, *Evaluating Audit Results*	1	0	4

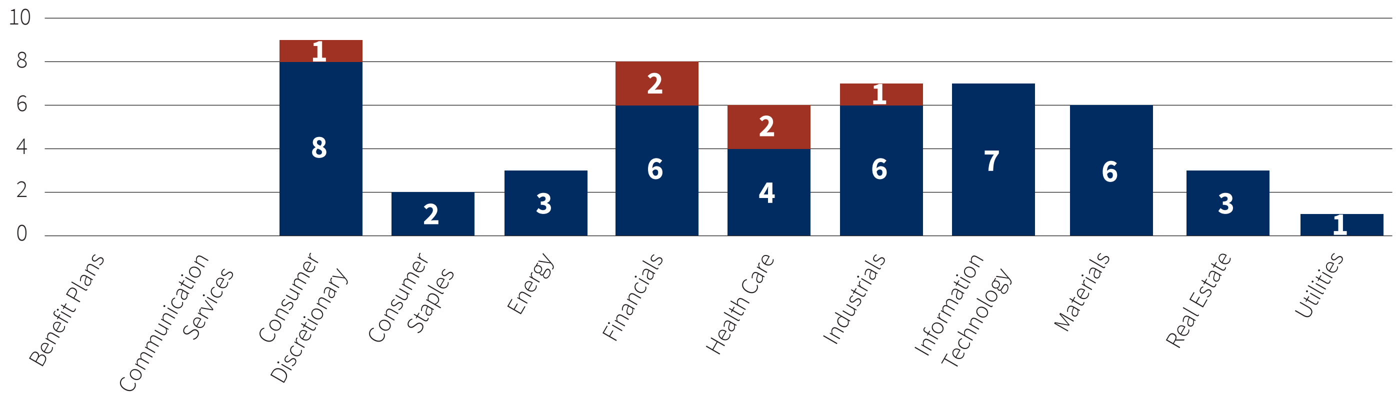
Inspection Results by Issuer Industry Sector

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.

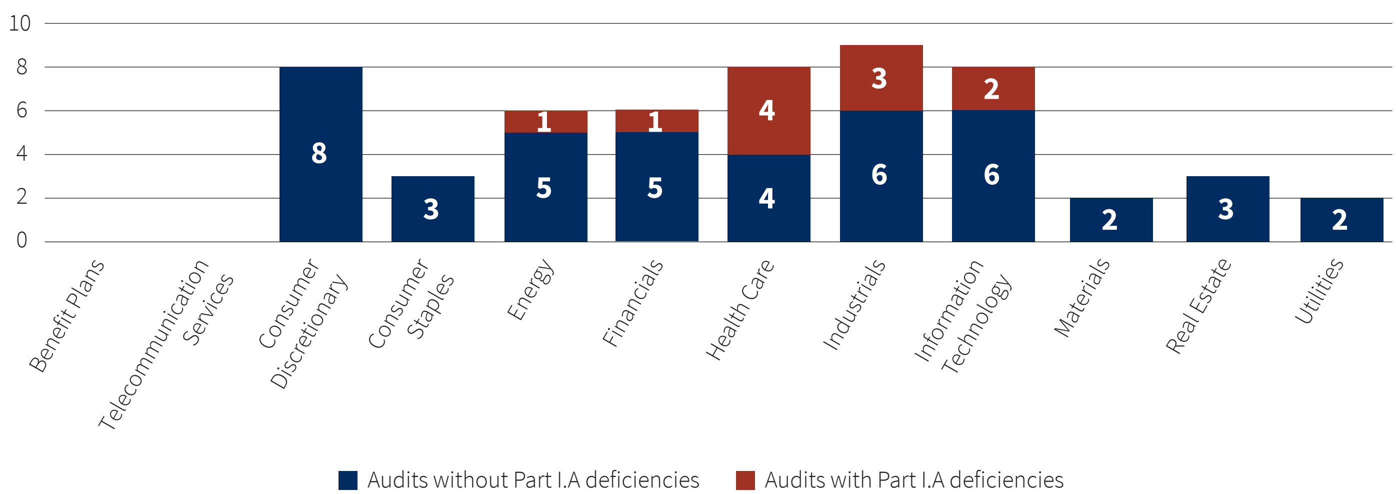
2019



2018

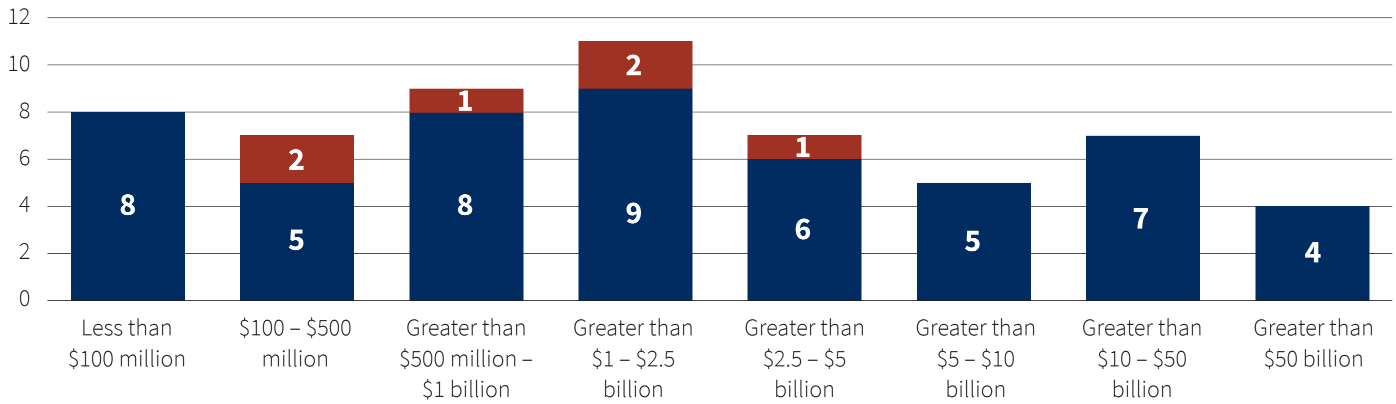


2017

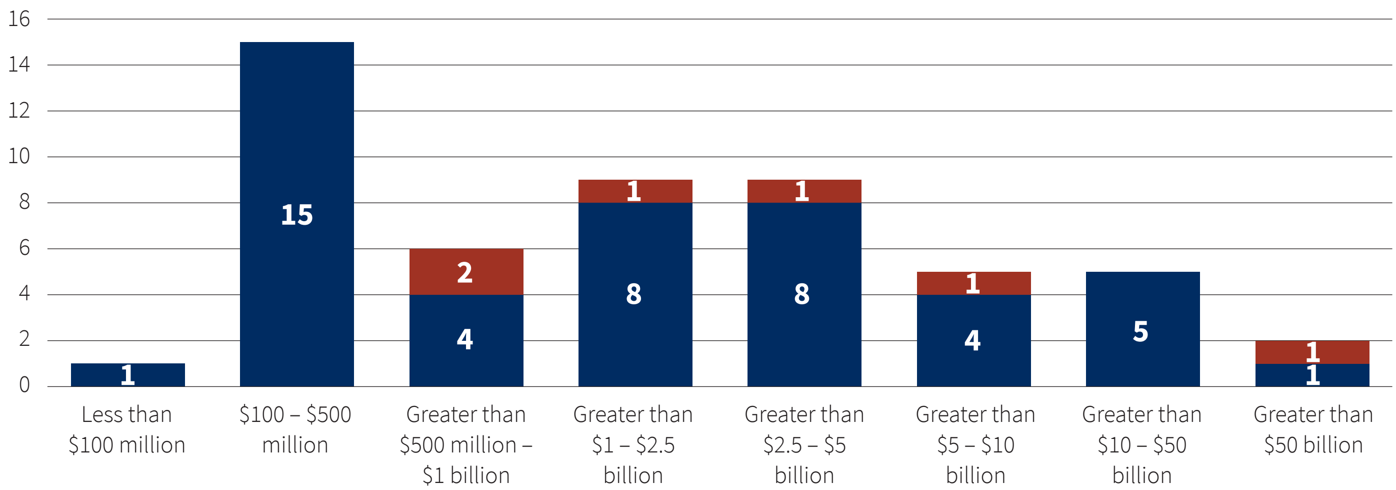


Inspection Results by Issuer Revenue Range

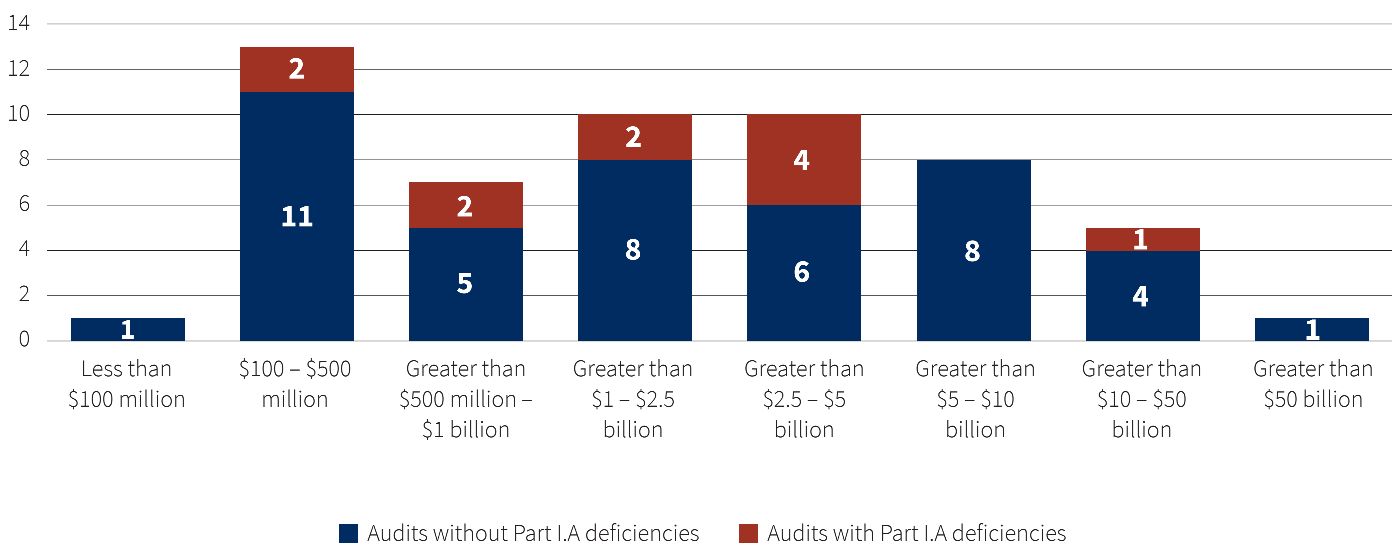
2019



2018



2017



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 sole 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 modified 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. Any deficiencies identified in connection with our reviews of these audits would be included in the audits with multiple deficiencies or audits with a single deficiency classification below.

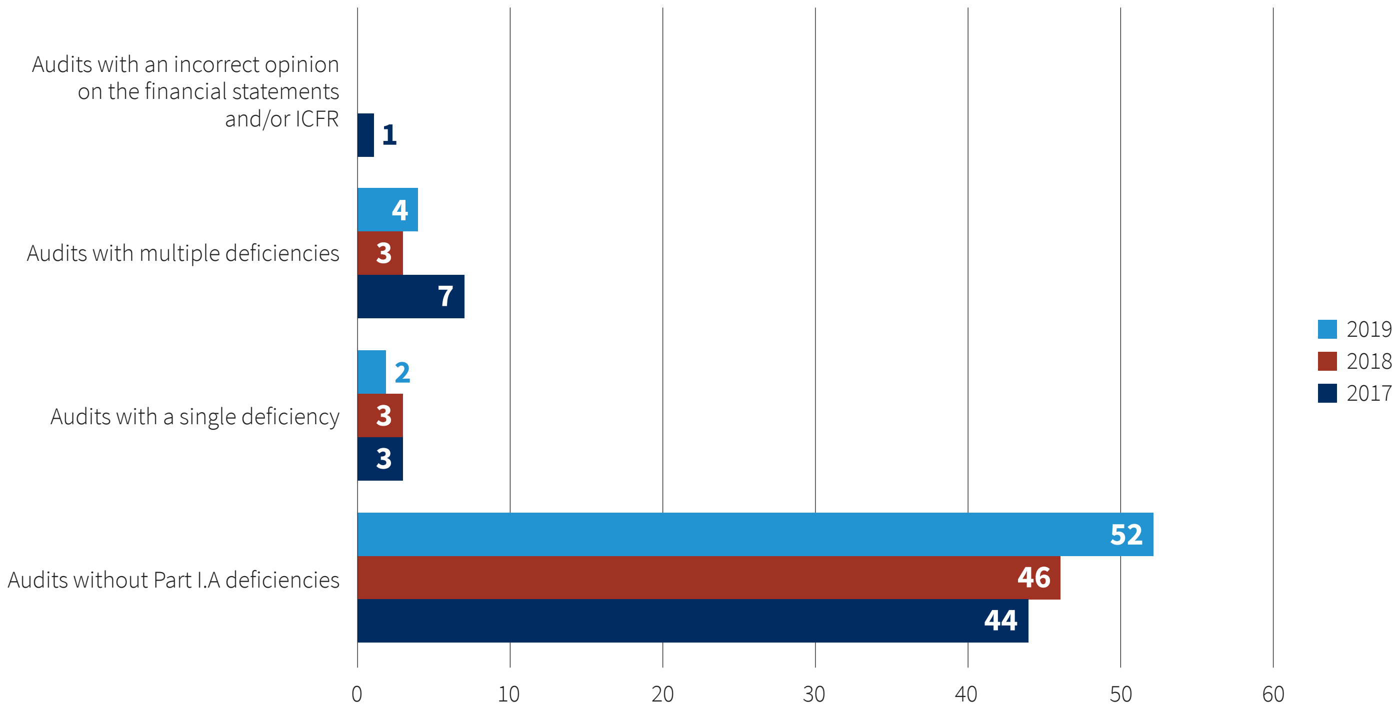
Audits with Multiple Deficiencies

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 on the issuer's financial statements and/or ICFR. Part I.B discusses deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. 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. Any such criticisms or potential defects are discussed in Part II. Further, you should not infer from any Part I deficiency or combination of deficiencies that a quality control finding is identified 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 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.

Issuer audits are presented 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 – Health Care

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue, including Allowances**; a **Contingent Liability**; and **Inventory**.

Description of the deficiencies identified

With respect to **Revenue, including Allowances**:

The issuer recorded a chargeback accrual and used a one-month settlement-period assumption to estimate a portion of this accrual. The firm selected for testing a control that consisted of the review of the chargeback accrual, including the reasonableness of the settlement-period assumption. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

The firm's approach for substantively testing the chargeback accrual was to review and test management's process. The firm did not perform procedures, beyond inquiry, to assess the reasonableness of the settlement-period assumption that the issuer used to estimate a portion of the chargeback accrual. (AS 2501.11)

With respect to a **Contingent Liability**:

The issuer determined the fair value of a contingent liability using forecasted EBITDA and other assumptions. The firm selected for testing a control that consisted of the review of the issuer's annual forecast, including the forecasted EBITDA assumption. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the forecasted EBITDA assumption. (AS 2201.42 and .44)

With respect to **Inventory**:

The firm did not identify and test any controls over the existence of inventory at certain of the issuer's locations. (AS 2201.39)

Issuer B – Financials

Type of audit and related areas affected

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

Description of the deficiencies identified

The firm selected for testing a control that consisted of reviews of the appropriateness of the models the issuer used to determine the fair values of investments and derivatives. The firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

The firm selected for testing a control over the valuation of the issuer's investments and derivatives that consisted of reviews of the recorded fair values. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of certain assumptions used to determine these fair values. (AS 2201.42 and .44)

The sample sizes the firm used in certain of its substantive procedures to test these investments and derivatives were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to deficiencies in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

The firm did not perform any substantive procedures to test investments and derivatives at certain of the issuer's business units. (AS 2301.08)

Issuer C – Energy

Type of audit and related area affected

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

Description of the deficiencies identified

The firm selected for testing a control that included the assessment of the issuer's properties that had no assigned oil and gas reserves ("unevaluated properties") for possible impairment. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the assumptions management used to conclude that there was no impairment for these properties. (AS 2201.42 and .44)

The issuer concluded at year end that its unevaluated properties were not impaired primarily based on management's plans to drill or otherwise extend the expiring leases on certain of these properties. The firm concluded that the issuer's assessment was reasonable without performing procedures, beyond inquiry, to evaluate management's intent to extend these expiring leases. Further, the firm did not evaluate information that it obtained that appeared to be inconsistent with management's intent, including that the issuer's budget for the following year did not include any capital expenditures for these properties. (AS 2501.11; AS 2810.03)

Issuer D – Industrials

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 inventory at certain of the issuer's locations. The firm selected for testing controls that consisted of the issuer's cycle-count procedures and reviews of reports to monitor the frequency and accuracy of the counts. The following deficiencies were identified:

- The issuer designed its cycle-count procedures to exclude up to half of the inventory at each location from the cycle counts. In evaluating the design of these controls, the firm did not assess the effect of the issuer excluding this portion of inventory on the controls' ability to effectively prevent or detect a material misstatement. (AS 2201.42)
- The firm did not evaluate whether these controls were appropriately designed to monitor the accuracy of the cycle counts and address whether sufficient inventory items were counted with sufficient frequency because the firm did not identify that the reports the control owners reviewed did not include information related to the frequency with which each item was counted and the accuracy of the cycle counts for each of these items. (AS 2201.42)
- The issuer's cycle-count procedures were designed to have the same person responsible for generating count sheets, performing the cycle counts, entering the results into the system, following up on identified differences, and posting certain adjustments. The firm did not identify and evaluate whether this resulted in a lack of segregation of duties. (AS 2201.42)

Due to the deficiencies 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)

Audits with a Single Deficiency

Issuer E – Materials

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Intangible Assets**.

Description of the deficiency identified

The firm did not perform any procedures to evaluate certain intangible assets for possible impairment, despite the issuer's deteriorating financial results and the issuer recording an impairment of other intangible assets during the year. (AS 2301.08)

Issuer F – Information Technology

Type of audit and related area affected

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

Description of the deficiency identified

The firm's sample for testing certain revenue was too small to provide sufficient appropriate audit evidence because, in determining its sample size, the firm inappropriately used a risk of material misstatement that was lower than its assessed risk of material misstatement for this revenue. (AS 2315.23 and .23A)

Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. 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 otherwise selected for review and may include 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 three of 14 audits reviewed, the firm was the principal auditor but did not obtain, and review and retain, letters of representation from management that its foreign affiliates had obtained for certain of the issuer's non-U.S. components. In these instances, the firm was non-compliant with AS 1205, *Part of the Audit Performed by Other Independent Auditors*.
- In seven of 55 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.

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.

Deficiencies are included 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.

Any changes or improvements to its system of quality control that the firm may have brought to the Board's attention may not be reflected in this report, but are taken into account during the Board's assessment of whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

Criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified, are nonpublic when the reports are issued. 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, any such deficiency will be made public.

* * * *

Policies for Financial Holdings Disclosures

The inspection results indicate that the firm's system of quality control does not provide reasonable assurance that the firm and its personnel will comply with the firm's policies and procedures with respect to independence-related regulatory requirements. (QC 20.04, .09, and .10)

The firm conducts periodic audits of a sample of its personnel to monitor compliance with certain of its independence policies. In the audits conducted during the twelve-month period ended August 31, 2019, the firm identified that 34 percent of the partners and principals and 29 percent of the managing directors and managers who were audited had not reported financial relationships that were required to be reported in accordance with the firm's policies. These high rates of non-compliance with the firm's policies, which are designed to provide compliance with applicable independence regulatory requirements, provide cause for concern, especially considering that these individuals are required to certify on a semi-annual basis that that they have complied with the firm's independence policies and procedures.

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.

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November 19, 2020

Mr. George Botic
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 2019 Inspection (PUBLIC)

Dear Mr. Botic:

Deloitte & Touche LLP is pleased to submit this response to the draft Report on the 2019 Inspection of Deloitte & Touche LLP (the Draft Report) of the Public Company Accounting Oversight Board (the PCAOB or the Board). We believe that the PCAOB's inspection process serves an important role in the achievement of our shared objectives of improving audit quality and serving investors and the public interest. We are committed to continuing to work with the PCAOB to further strengthen trust in the integrity of the independent audit.

We have evaluated the matters identified by the Board'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.*

Executing high quality audits is our number one priority. In order to drive continuous improvements in quality, we are transforming the audit to leverage innovative technologies, along with enhancing the skillsets of our talent to prepare them for a digitally driven future. We are confident that our ongoing digital transformation, along with the investments we continue to make in our audit processes, policies, and quality controls, are resulting in significant enhancements to our audit quality.

Sincerely,

Lara Abrash
Chair and Chief Executive Officer
Deloitte & Touche LLP

Joseph B. Ucuzoglu
Chief Executive Officer
Deloitte

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USA

November 19, 2020

Mr. George Botic
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 II of Draft Report on 2019 Inspection (NON-PUBLIC)

Dear Mr. Botic:

Deloitte & Touche LLP is pleased to submit this response to Part II of the draft Report on the 2019 Inspection of Deloitte & Touche LLP (the Draft Report) of the Public Company Accounting Oversight Board (the PCAOB or the Board). We believe that the PCAOB's inspection process serves an important role in the achievement of our shared objectives of improving audit quality and serving investors and the public interest. We are committed to continuing to work with the PCAOB to further strengthen trust in the integrity of the independent audit.

We appreciate the professionalism exhibited by the inspection staff throughout the inspection and hope the inspection staff found our support and responsiveness to be consistent with our commitment to continuous improvement.

We will continue, in good faith, to design and execute actions that address and remediate the deficiencies cited by the Board. We welcome the opportunity to advise the inspection staff and the Board of our progress during the remediation period.

Sincerely,

Lara Abrash
Chair and Chief Executive Officer
Deloitte & Touche LLP

Joseph B. Ucuzoglu
Chief Executive Officer
Deloitte