2022 Inspection PricewaterhouseCoopers LLP

(Headquartered in Toronto, Canada)

June 26, 2023

PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2022 INSPECTION

In the 2022 inspection of PricewaterhouseCoopers LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the Canadian Public Accountability Board.

We selected for review eight audits of issuers with fiscal years generally ending in 2021. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2022 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make 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. In certain situations, we may select all of the firm's issuer audits for review.

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 necessarily 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 or of all of the audit procedures performed for the audits reviewed.

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

OVERVIEW OF THE 2022 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2022 inspection as well as data from the previous inspection. We use a risk-based method 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 inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2022	2020
Firm data		
Total issuer audit clients in which the firm was the principal auditor	71	56
Total issuer audits in which the firm was not the principal auditor	27	35
Total engagement partners on issuer audit work[1]	58	58
Audits reviewed		
Total audits reviewed[2]	8	7
Audits in which the firm was the principal auditor	7	6
Audits in which the firm was not the principal auditor	1	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	6	6
Audits with Part I.A deficiencies	5	0
Percentage of audits with Part I.A deficiencies	63%	0%

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

[2] The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

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 many cases, the firm has 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 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.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2022 inspection and the previous inspection. 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.

2022		2020	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	5	**Use of other auditors**	6
Business combinations	4	**Revenue and related accounts**	3
Long-lived assets	2	**Long-lived assets**	2
Goodwill and intangible assets	2	**Business combinations**	2
Inventory	1	**Inventory**	2

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, (1) 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 or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

Part I.B discusses certain deficiencies, if any, 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) or fulfill the objectives of its role in the audit(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.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, 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. 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.

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

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 (1) supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR and (2) in audit(s) in which it was not the principal auditor, to fulfill the objectives of its role in the audit.

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 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 – Energy

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Long-Lived Assets**, for which the firm identified a significant risk:

The firm selected for testing a control that consisted of management's review of the impairment analysis of long-lived assets. The firm did not identify and test any controls over the accuracy and completeness of a report, which included discounted cash flows, used in the operation of this control. (AS 2201.39)

With respect to **Long-Lived Assets** and **Business Combinations**, for which the firm identified a significant risk:

The issuer engaged an independent qualified reserve engineer ("company's specialist") to estimate its oil and gas reserves ("reserve estimates"), which were then used in the (1) calculation of depreciation, depletion, and amortization; (2) impairment analysis of long-lived assets; and (3) valuation of a business combination.

The reserve estimates were also used in the operation of certain controls over the above activities that the firm selected for testing. The firm did not identify and test any controls over the (1) accuracy and completeness of information prepared by the issuer, (2) relevance and reliability of data from external sources, and (3) methods and assumptions; all of which were used by the company's specialist to develop the reserve estimates. (AS 2201.39)

The firm's approach for substantively testing the reserve estimates was to test the issuer's process. The firm did not perform sufficient procedures to test the reserve estimates because the firm did not:

- Test the accuracy and completeness of information prepared by the issuer and used by the company's specialist to develop the reserve estimates; (AS 1105.A8a)

- Evaluate the relevance and reliability of external data used by the company's specialist to develop the reserve estimates; (AS 1105.A8a)

- Evaluate the reasonableness of the assumptions developed by the company's specialist and used to develop the reserve estimates; (AS 1105.A8b) and

- Evaluate whether the methods used by the company's specialist to develop the reserve estimates were appropriate under the circumstances, taking into account the requirements of the applicable financial reporting framework, beyond inquiry of the methods used with the company's specialist. (AS 1105.A8c)

Issuer B – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a significant risk:

To test certain revenue, the firm selected contracts for testing that met specific criteria to evaluate whether the revenue was appropriately recognized based on the terms of those contracts. The firm did not perform any substantive procedures to test the remaining population of revenue transactions from this revenue source. (AS 1105.27; AS 2301.08 and .11)

With respect to **Unbilled Receivables** and **Deferred Revenue**:

To test certain unbilled receivables and deferred revenue, the firm selected for testing unbilled receivables and deferred revenue that met specific criteria to evaluate whether the balances tested were properly recorded. The firm did not perform any substantive procedures to test the remaining population of unbilled receivables and deferred revenue from this revenue source. (AS 1105.27; AS 2301.08)

Issuer C – Information Technology

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

The firm did not perform sufficient procedures to test certain revenue because the firm did not perform any test of details to address the fraud risk related to the occurrence of revenue. (AS 2301.08 and .13) In addition, the firm did not perform any substantive procedures to test the occurrence of certain other revenue. (AS 2301.08)

Issuer D – Materials

Type of audit and related area affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified deficiencies in connection with the firm's role in the financial statement and ICFR audits related to **Inventory**.

Description of the deficiencies identified

The firm used the work of internal audit to evaluate the operating effectiveness of certain inventory controls but did not evaluate the quality and effectiveness of the work performed by internal audit to test these controls. (AS 2605.24)

To test the existence of raw materials inventory, the firm observed the issuer's physical inventory counts at select locations. The firm did not perform sufficient procedures to test the existence of this inventory at year end because the firm's observation procedures were not suitable, as the locations it selected for testing had no quantities of raw materials inventory on hand at the time of the observations. Therefore, these observations did not provide any evidence of the quantity and physical condition of any raw materials inventory. (AS 2510.09) In addition, the firm did not perform any substantive procedures to test the existence of the remaining population of raw materials inventory. (AS 2301.08)

The firm did not perform any substantive procedures to test the existence of work-in-progress inventory. (AS 2510.09)

Audits with a Single Deficiency

Issuer E – Information Technology

Type of audit and related area affected

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

Description of the deficiency identified

To test the existence of deferred revenue, the firm selected a sample of items for testing. The sample size the firm used in its substantive test of details was too small to provide sufficient appropriate audit evidence because the firm did not take into account the characteristics of the population in determining its sample size. (AS 2315.16, .23, and .23A)

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) or fulfill the objectives of its role in the audit(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 area below was 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.

We identified the following deficiency:

In one of seven audits reviewed, the firm’s report on Form AP omitted information related to the participation in the audit by an other accounting firm. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules 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 potential non-compliance that we identified and the firm brought to our attention, there may be other instances of non-compliance with SEC or PCAOB 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 potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

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) of Regulation S-X and impairs the accountant's independence with respect to an audit client. We identified one instance for one issuer in eight audits reviewed 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, 17 instances across nine issuers[3] 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(b) or Rule 2-01(c) of Regulation S-X or PCAOB Rule 3500T related to maintaining independence. Approximately 24% of these instances of potential non-compliance involved associated firms.

While we have not evaluated the underlying reasons for the instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including any associated firms; 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 those issuers. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The most common instances of potential non-compliance related to financial relationships:

The firm reported 13 instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, which occurred at the firm or involved its personnel. Of these instances, four related to investments in audit clients and nine related to other financial relationships with audit clients. Five of these 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. Five of these

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

instances related to a member of an engagement team. Of the total four instances related to investments in audit clients, one instance related to an investment in a broad-based fund.

The firm has reported to us that it has evaluated the instances of potential 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 for the principal auditor to evaluate its objectivity and impartiality.

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.

May 18, 2023

Mr. George R. Botic, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, D.C. 20006-2803
U.S.A.

Dear Mr. Botic:

Response to the Draft Report on the 2022 Inspection of PricewaterhouseCoopers LLP Canada

On behalf of PricewaterhouseCoopers LLP (the firm), we are pleased to provide our response to the Public Company Accounting Oversight Board's (the PCAOB) Draft Report dated April 18, 2023 on the 2022 Inspection of our Firm's 2021 audits (the report).

Consistently performing high-quality audits remains the top priority of the Firm and our partners, in order to continue to serve the investing community and bring value to the capital markets. We recognize the inspection process provides a valuable opportunity to further enhance the quality of our audits. We have evaluated and taken into account the PCAOB's observations set out in the report in formulating our various actions to continuously improve audit quality and have taken appropriate actions under both PCAOB standards and our own policies and procedures.

We continue to support the PCAOB in its mission and are committed to furthering the public interest through the preparation of informative, accurate and independent audit reports. We look forward to continuing our dialogue with the PCAOB and would be pleased to discuss any aspect of this response or any other questions you may have.

Sincerely,

Nicolas Marcoux
Chief Executive Officer and Senior Partner

Anita McOuat
Canadian National Assurance Leader

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