2022 Inspection Deloitte & Touche LLP

(Headquartered in New York, New York)

November 7, 2023

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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. 104-2024-032

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

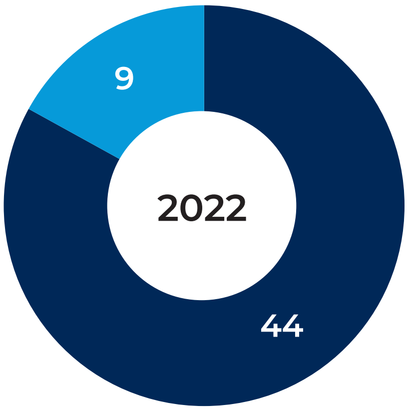
Our 2022 inspection report on Deloitte & Touche LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting (ICFR).
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.
- Part I.C of the report, which is new commencing with our 2022 inspection reports, discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB 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.

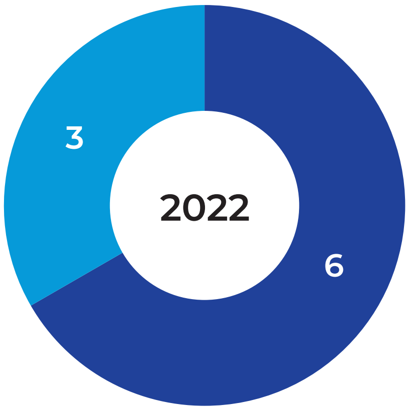
Overview of the 2022 Deficiencies Included in Part I

Nine of the 53 audits we reviewed in 2022 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 long-lived assets.



17% Part I.A deficiency rate

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



- Deficiencies in both financial statement and ICFR audits
- Deficiencies in the financial statement audit only
- Deficiencies in the ICFR audit only

The most common Part I.A deficiencies in 2022 related to performing substantive testing to address a risk of material misstatement, identifying controls related to a significant account or relevant assertion, and testing an estimate.

The Part I.B deficiencies in 2022 related to retention of audit documentation, audit committee communications, risk assessment, and critical audit matters.

The most common Part I.C deficiencies in 2022 related to financial relationships, employment relationships, non-audit services, and audit committee pre-approval.

TABLE OF CONTENTS

2022 INSPECTION

In the 2022 inspection of Deloitte & Touche LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review 53 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.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2022 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 potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

    - **Part I.C:** Instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB 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.

2022 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 2022, our target team focused primarily on audits of issuers that had recently completed initial public offerings and issuers that were recently formed by mergers between non-public operating companies and special purpose acquisition companies (SPACs).

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 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.

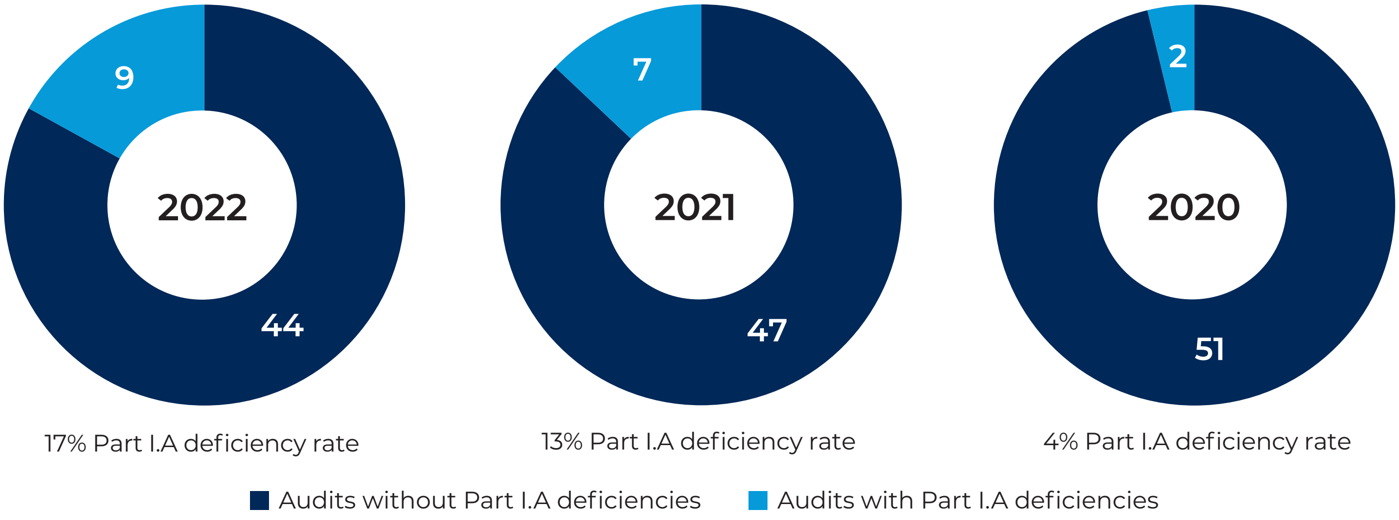
Audits Selected for Review

	2022	2021	2020
Total audits reviewed			
Total audits reviewed	53	54	53
Selection method			
Risk-based selections	37	25	37
Random selections	13	25	13
Target team selections[1]	3	4	3
Total audits reviewed	**53**	**54**	**53**
Principal auditor			
Audits in which the firm was the principal auditor	52	54	53
Audits in which the firm was not the principal auditor	1	0	0
Total audits reviewed	**53**	**54**	**53**
Audit type			
Integrated audits of financial statements and ICFR	37	43	50
Financial statement audits only	16	11	3
Total audits reviewed	**53**	**54**	**53**

[1] For further information on the target team's activities in 2021 and 2020, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2022, seven of the nine audits appearing in Part I.A were selected for review using risk-based criteria. In 2021, four of the seven audits appearing in Part I.A were selected for review using risk-based criteria. In 2020, both of the audits appearing in Part I.A were selected for review randomly.

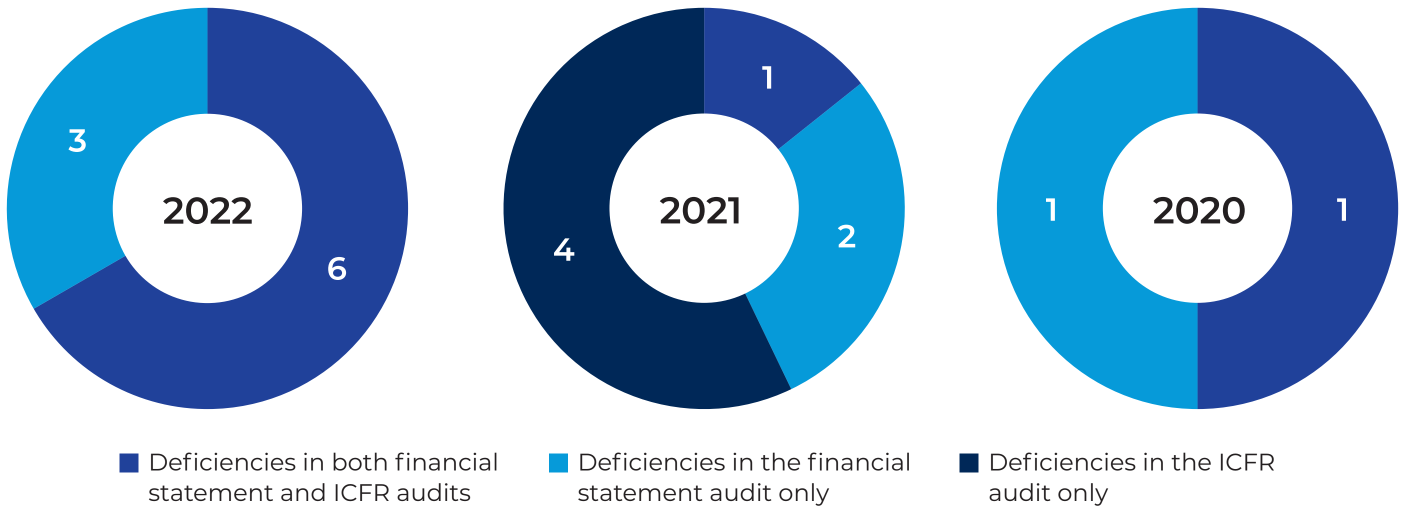


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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

Audits Affected by the Deficiencies Identified in Part I.A



Our 2022 inspection procedures involved one audit for which the issuer, unrelated to our review, revised its report on ICFR and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report. Our 2021 inspection procedures involved one audit of an issuer that was formed by a merger between a non-public operating company and a SPAC for which the issuer, unrelated to our review, restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements.

The following tables and graphs summarize inspection-related information, by inspection year, for 2022 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		
	2022	2021	2020
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	5	1	1
Did not sufficiently test an estimate	2	0	0

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2022	2021	2020
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	4	1	1
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	1	4	1
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	1	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.

2022			2021			2020		
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	44	3	Revenue and related accounts	31	1	Revenue and related accounts	41	2
Business combinations	18	0	Long-lived assets	17	0	Inventory	17	0
Inventory	14	1	Accruals and other liabilities	14	0	Goodwill and intangible assets	16	0
Goodwill and intangible assets	8	0	Goodwill and intangible assets	13	0	Going concern	14	0
Long-lived assets	6	3	Debt	12	0	Leases	12	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	2022		2021		2020	
	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	3	44	1	31	2	41
Long-lived assets	3	6	0	17	0	8
Inventory	1	14	2	6	0	17

Revenue and related accounts: The deficiencies in 2022 primarily related to substantive testing of revenue. The deficiency in 2021 related to testing controls over revenue. The deficiencies in 2020 related to substantive testing of revenue and accounts receivable and testing controls over revenue.

Long-lived assets: The deficiencies in 2022 related to substantive testing of, and testing controls over, long-lived assets.

Inventory: The deficiencies in 2022 and 2021 primarily related to substantive testing of inventory and testing controls over the existence of inventory, including cycle-count controls.

Auditing Standards Associated with Identified Part I.A Deficiencies

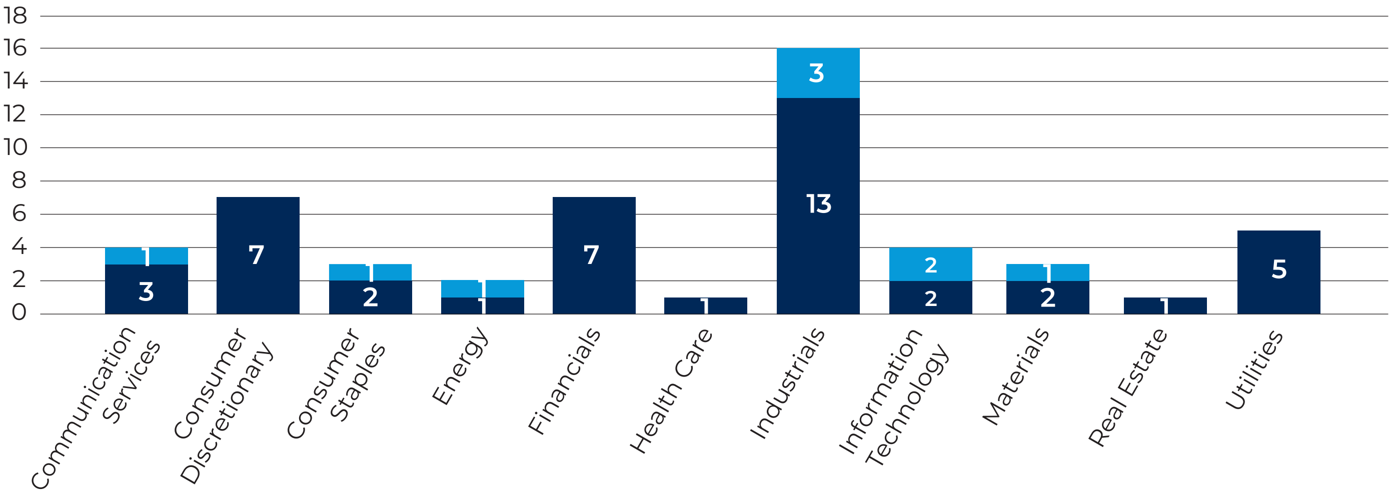
The following lists the auditing standards referenced in Part I.A of the 2022 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2022	2021	2020
AS 1105, *Audit Evidence*	1	1	0
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*	6	7	6
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	5	1	2
AS 2305, *Substantive Analytical Procedures*	1	0	1
AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*	0	1	0
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	2	0	-
AS 2510, *Auditing Inventories*	1	0	0
AS 2810, *Evaluating Audit Results*	0	1	0

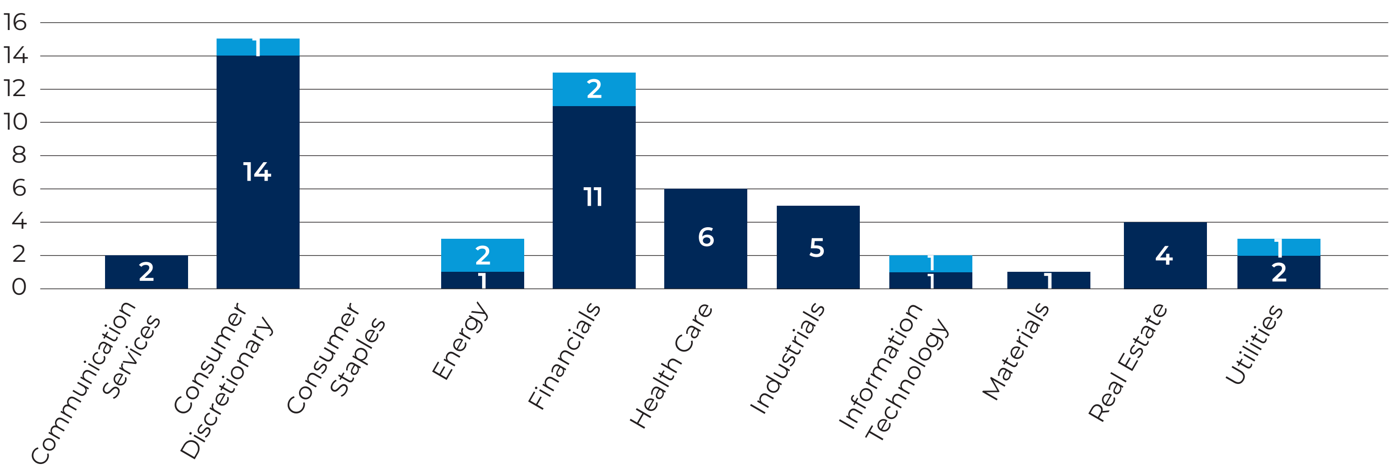
Inspection Results by Issuer Industry Sector

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.

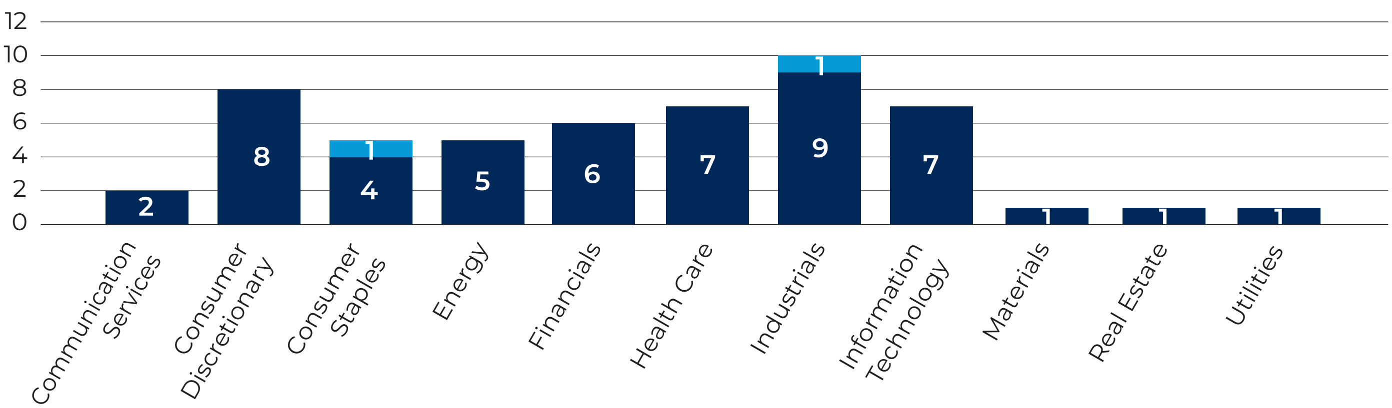
2022



2021



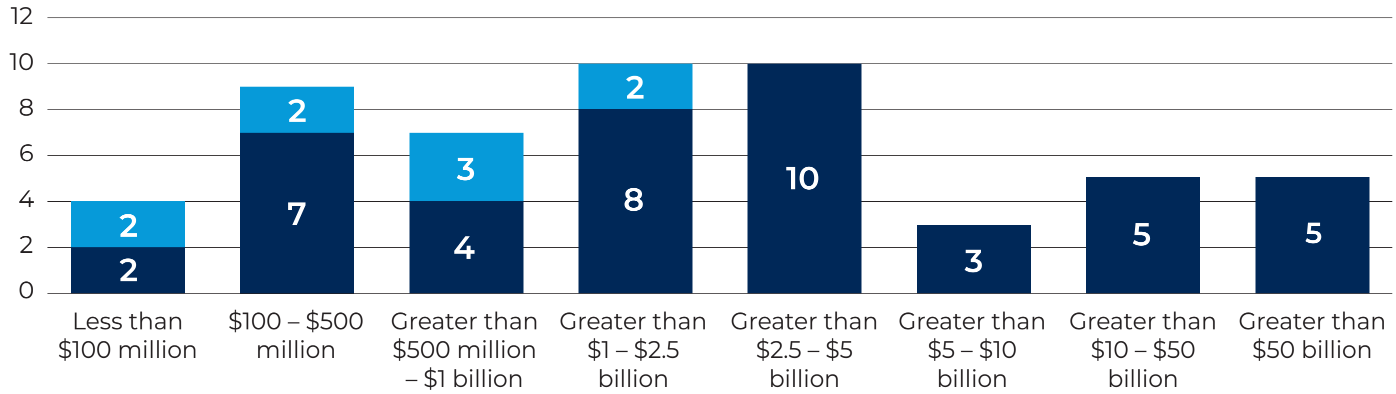
2020



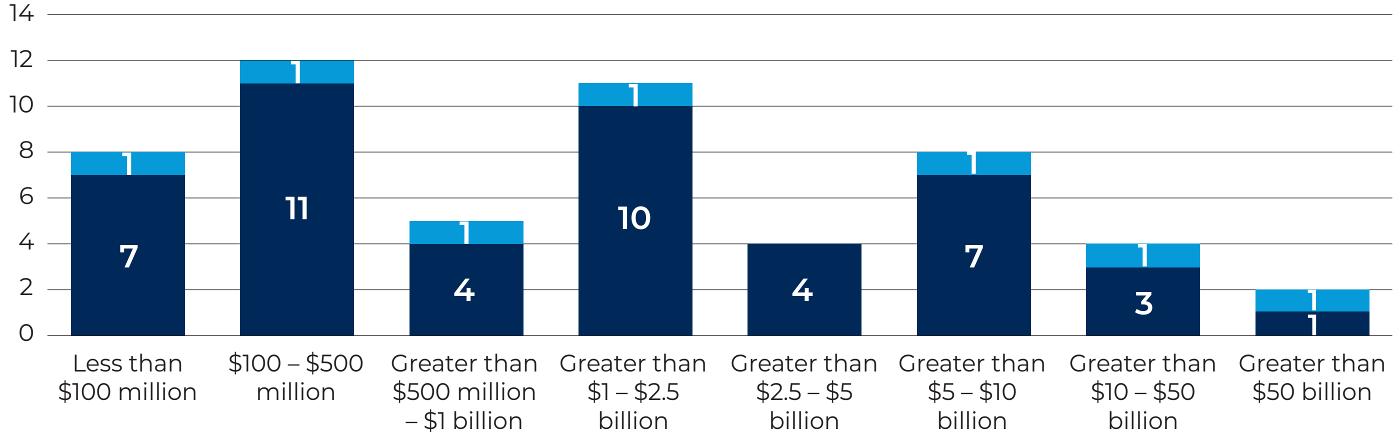
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

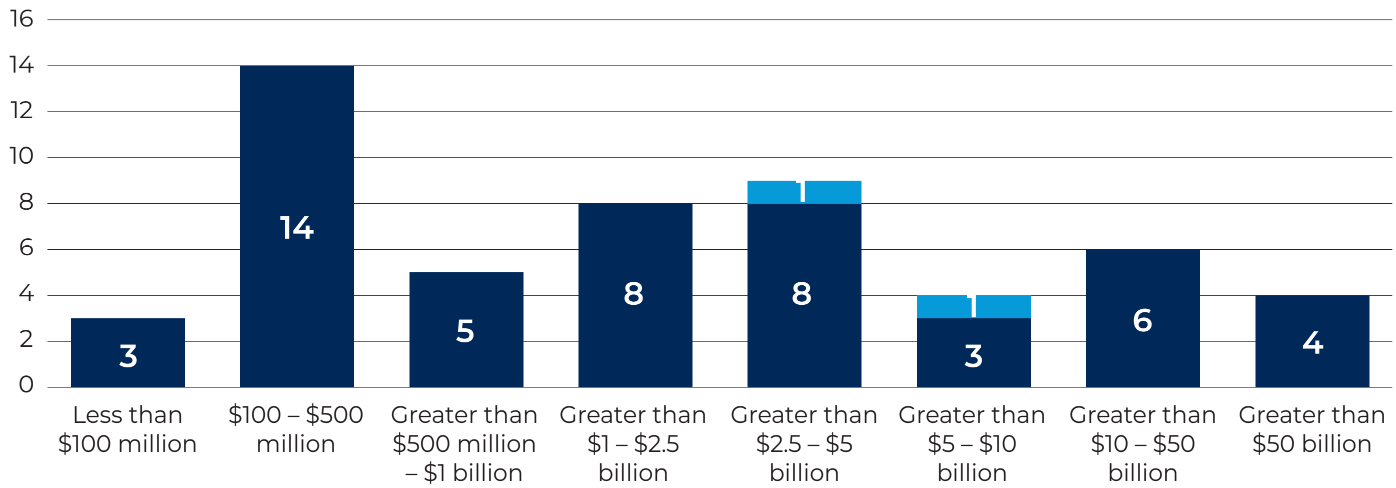
2022



2021



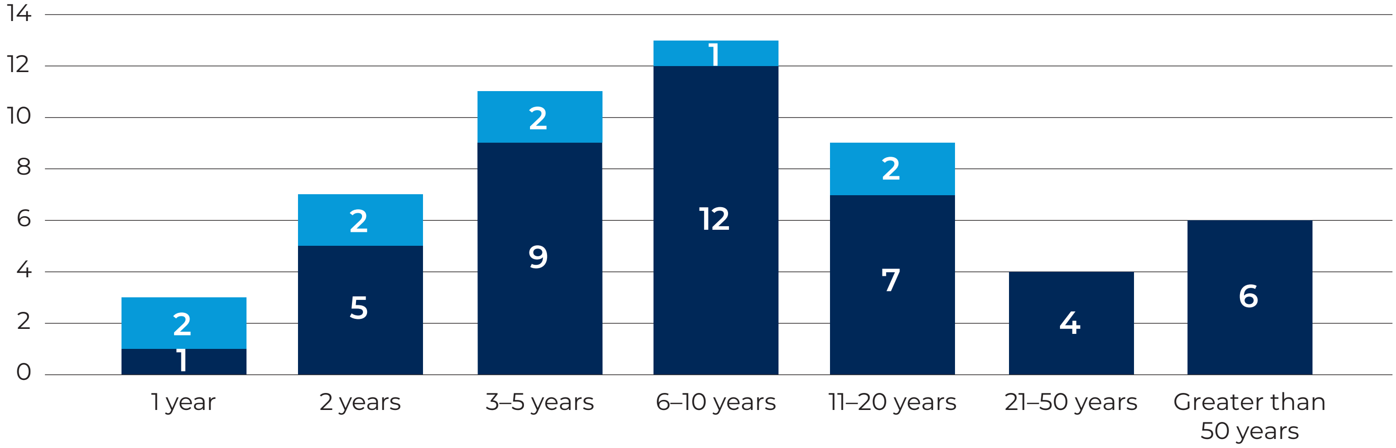
2020



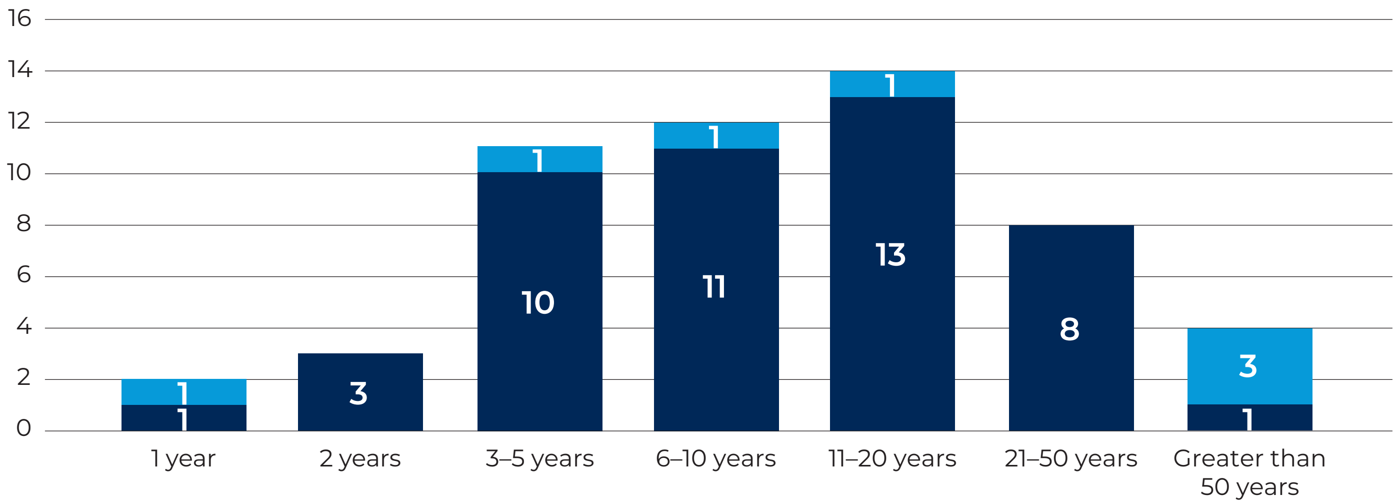
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Firm's Tenure on the Issuer

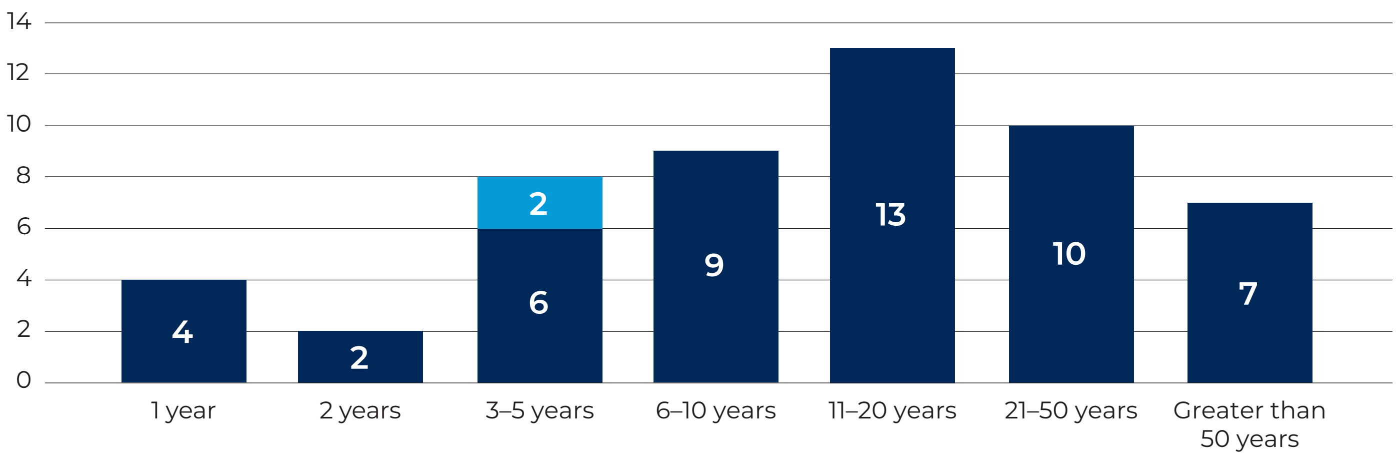
2022



2021



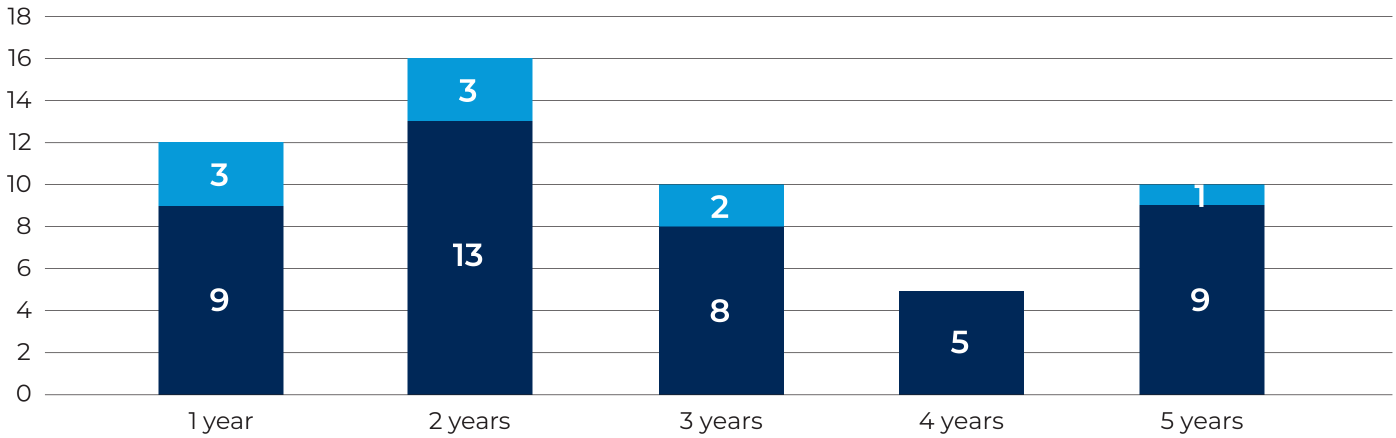
2020



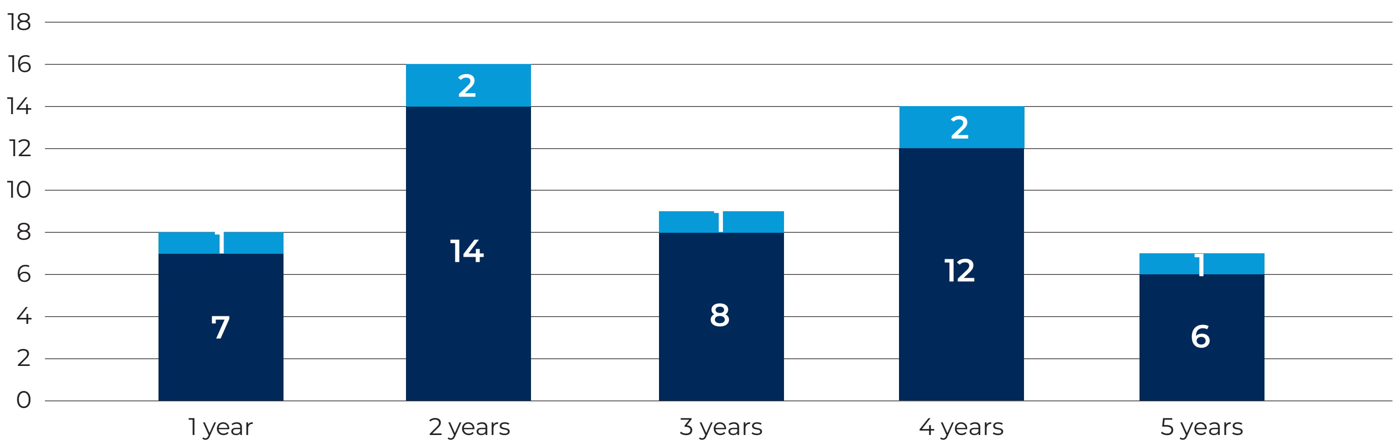
Audits without Part I.A deficiencies   Audits with Part I.A deficiencies

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

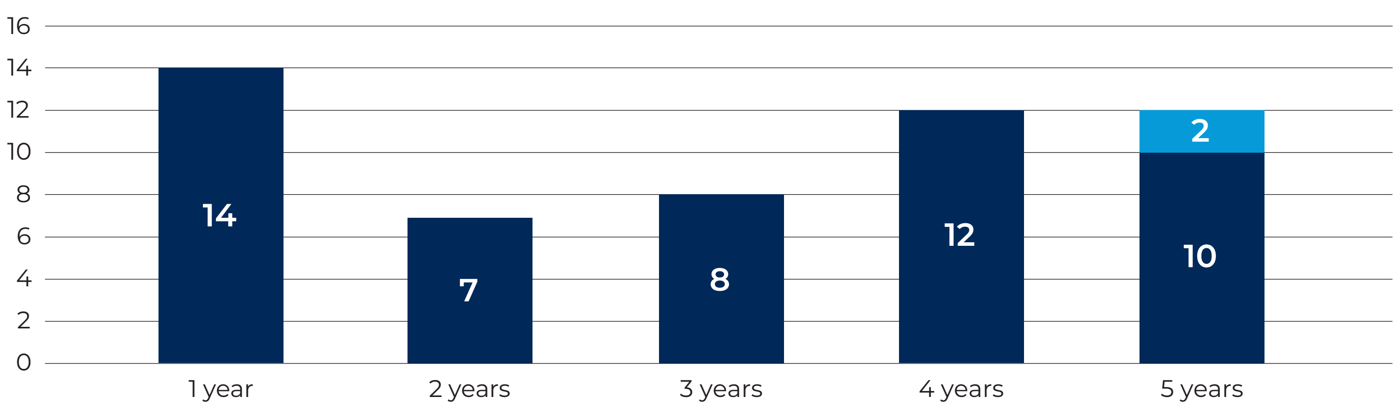
2022



2021



2020



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.

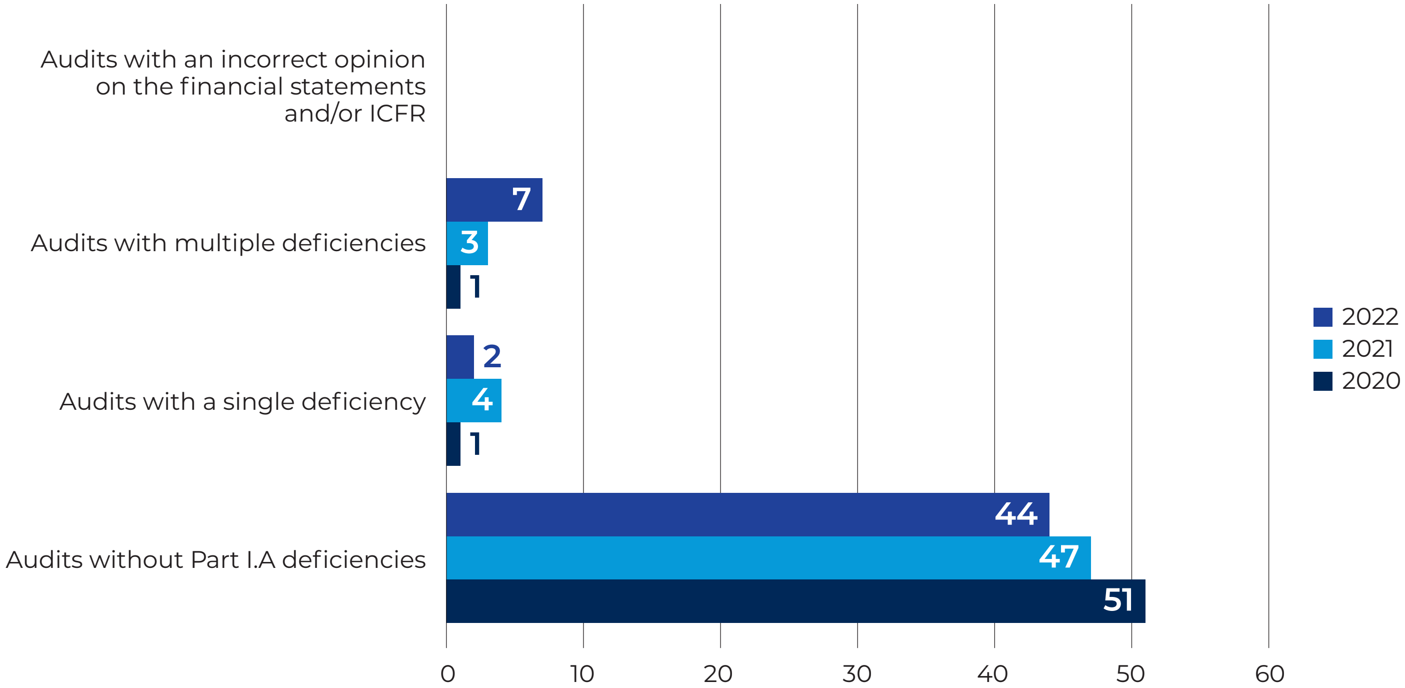
Audits with Multiple Deficiencies

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 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 related to maintaining independence.

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

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

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

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

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

None

Audits with Multiple Deficiencies

Issuer A – Information Technology

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer recognized revenue from a customer contract over time based on costs incurred to date relative to total estimated costs to complete the contract. The issuer used forecasted labor hours in determining the estimated costs to complete the contract. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's reviews of the forecasted labor hours. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of the total forecasted labor hours. (AS 2201.42 and .44)
- The firm did not sufficiently test the estimated costs to complete the contract because it did not perform any substantive procedures, beyond inquiring of issuer personnel, to test the total forecasted labor hours. (AS 2501.07)

Issuer B – Energy

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer performed cycle counts of certain inventory held at various locations. The firm selected for testing a control that included the issuer's reviews of the cycle-count results. The firm did not identify and test any controls over the accuracy and completeness of certain reports that the control owners used in the operation of this control. (AS 2201.39)

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

Issuer C – Communication Services

Type of audit and related area affected

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

Description of the deficiencies identified

The firm did not identify and test any controls over the capitalization of interest costs associated with the construction of certain long-lived assets. (AS 2201.39)

Unrelated to our review, the issuer reevaluated its controls over the capitalization of these interest costs and concluded that a material weakness existed that had not been previously identified. The issuer subsequently revised its report on ICFR to reflect this material weakness, and the firm modified its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The firm did not perform any substantive procedures to test the capitalization of interest costs associated with the construction of certain long-lived assets. (AS 2301.08)

Issuer D – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

The firm did not identify and test any controls over long-lived assets and depreciation expense. (AS 2201.39)

The firm did not perform any substantive procedures to test long-lived assets and depreciation expense. (AS 2301.08)

Issuer E – Industrials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer held investments in multiple entities and determined that certain of these were variable interest entities (VIEs). The following deficiencies were identified:

- The firm did not identify and test any controls related to the issuer's evaluation of whether these VIEs should be consolidated. (AS 2201.39)
- The firm did not perform any substantive procedures, beyond reading certain agreements and inquiring of management, to evaluate whether these VIEs should be consolidated. (AS 2301.08)

Issuer F – Consumer Staples

Type of audit and related area affected

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

Description of the deficiencies identified

During the year, the issuer identified events indicating that the carrying value of its long-lived assets may not be recoverable and performed an impairment analysis. The following deficiencies were identified:

- The firm did not identify and test any controls related to the issuer's evaluation of long-lived assets for possible impairment. (AS 2201.39)
- The firm did not perform any substantive procedures to test long-lived assets for possible impairment. (AS 2301.08)

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**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

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

The firm's substantive procedures to test certain other revenue consisted of performing substantive analytical procedures. The firm did not accurately calculate its expected revenue and the recorded revenue amounts used in these analytical procedures. Further, the threshold that the firm established to investigate differences was too high to identify misstatements that could be material, either individually or in the aggregate. (AS 2305.16 and .20)

Audits with a Single Deficiency

Issuer H – Materials

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Revenue**. The firm's internal inspection program inspected this audit and reviewed this area but did not identify the deficiency below.

Description of the deficiency identified

The firm's approach for substantively testing revenue consisted primarily of performing a software-assisted analysis to test the relationships among revenue, accounts receivable, and cash receipts. The reliability of the audit evidence obtained from this analysis was dependent upon the firm's testing of the underlying data. The firm did not sufficiently test the accuracy of the underlying data because the firm did not (1) identify and test any controls or (2) inspect any supporting documentation, or perform other procedures, to evaluate the appropriateness of the data. (AS 1105.10)

Issuer I – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

During the year, the issuer entered into a significant transaction. In connection with this transaction, the issuer terminated a previous arrangement and, as a result, recognized a loss. The firm did not evaluate the reasonableness of a significant assumption the issuer used to estimate the loss that it recognized. (AS 2501.16)

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 three of 53 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*.
- In one of 52 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to uncorrected misstatements. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 53 audits reviewed, the firm did not identify and assess the risks of material misstatement related to a significant account. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In three of 53 audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to 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 53 audits reviewed, the firm did not evaluate changes to certain factors from its initial risk assessment when assessing the risks of material misstatement throughout the audit related to a significant account. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In 16 of 47 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 issuer's 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.

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 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 did not identify any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, 129 instances across 78 issuers,[2] representing approximately 3% of the firm's total reported issuer audits, in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X or PCAOB Rules 3523 or 3500T related to maintaining independence. Approximately 23% of these instances of potential non-compliance involved non-U.S. 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 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 potential non-compliance across firms.

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

- The firm reported 78 instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, 14 of which involved non-U.S. associated firms. Of these 78 instances, 70 related to investments in audit clients, 38 of which involved a member of an engagement team. Of the 70 instances related to investments in audit clients, 37 instances related to investments in broad-based funds.
- The firm reported 18 instances of potential non-compliance with Rule 2-01(c)(2) of Regulation S-X regarding employment relationships. Of these instances, nine related to a former employee of the firm who was employed at an audit client in an accounting or financial reporting oversight role, and eight related to a staff-level employee of the firm who was also employed by an audit client. Of these 18 instances, two involved an engagement team member who became employed at the audit client.
- The firm reported nine instances of potential non-compliance with Rule 2-01(c)(4) of Regulation S-X regarding non-audit services. All but one of these instances related to services provided by non-

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

U.S. associated firms that the firm determined to be prohibited, such as performing management functions for a company that was an affiliate of an issuer.

- The firm reported nine instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval, two of which related to services provided by non-U.S. associated firms. These instances primarily related to tax services provided without the firm obtaining audit committee pre-approval.

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.

Deloitte.

30 Rockefeller Plaza
New York, NY 10112
USA

October 26, 2023

Ms. Christine Gunia
Acting 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 2022 Inspection (PUBLIC)

Dear Ms. Gunia:

Deloitte & Touche LLP is pleased to submit this response to Part I of the Public Company Accounting Oversight Board's (the PCAOB) draft report on the 2022 Inspection of Deloitte & Touche LLP (the Draft Report). We believe that the PCAOB's inspection process serves an important role in improving audit quality and serving investors and the public interest. We are committed to our shared objective to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

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

Our ability to protect investors and enable the capital markets is based in large measure on our steadfast commitment to integrity and ethical behavior. As described in our US Audit Quality Report, quality informs every aspect of our Audit & Assurance business and is the bedrock of our strategy. Our pursuit of audit quality is at the center of our culture of continuous improvement. In order to drive continuous improvements, we are digitizing the audit, transforming the way we work, and fostering the development of our people, to fulfill our role of providing high-quality audit and assurance services to the capital markets. Our quality is underpinned by a strong system of quality control that has been even further enhanced by the implementation of International Standard on Quality Management (ISQM) 1. We are confident that our ongoing transformation, inclusive of the investments we are making in our audit and assurance processes, our people, and our technology, is resulting in significant, sustainable enhancements to our audit quality.

Sincerely,

Dipti S Gulati

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

Jason M. Girzadas

Jason M. Girzadas
Chief Executive Officer
Deloitte