2022 Inspection PricewaterhouseCoopers LLP

(Headquartered in New York, New York)

November 30, 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. 104-2024-036

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

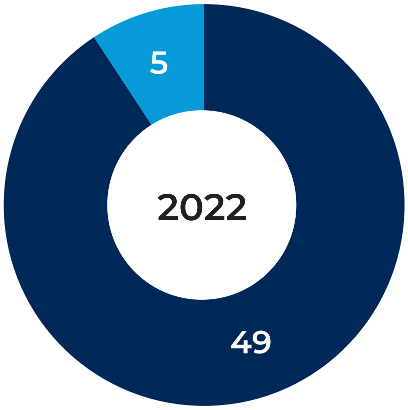
Our 2022 inspection report on PricewaterhouseCoopers LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level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

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

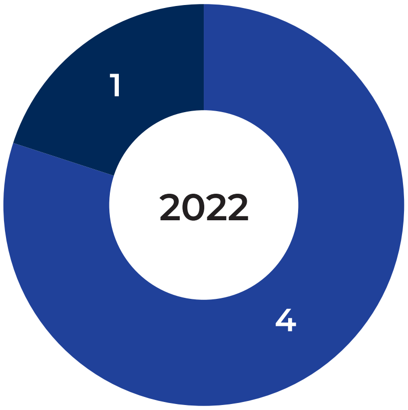
Overview of the 2022 Deficiencies Included in Part I

Five of the 54 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 business combinations and the allowance for credit losses.



9% 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 identifying controls related to a significant account or relevant assertion, performing substantive testing to address a risk of material misstatement, and testing the design or operating effectiveness of controls selected for testing.

The Part I.B deficiencies in 2022 related to audit committee communications, the firm's audit report, and Form AP.

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

TABLE OF CONTENTS

2022 INSPECTION

In the 2022 inspection of PricewaterhouseCoopers 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 54 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.

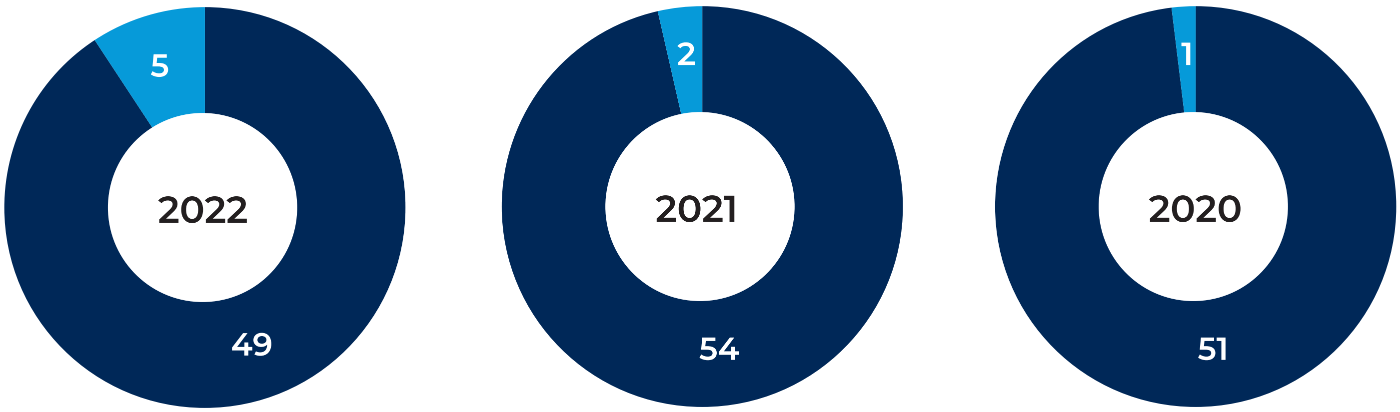
Audits Selected for Review

	2022	2021	2020
Total audits reviewed			
Total audits reviewed	54	56	52
Selection method			
Risk-based selections	37	25	37
Random selections	13	25	13
Target team selections[1]	4	6	2
Total audits reviewed	**54**	**56**	**52**
Principal auditor			
Audits in which the firm was the principal auditor	53	56	51
Audits in which the firm was not the principal auditor	1	0	1
Total audits reviewed	**54**	**56**	**52**
Audit type			
Integrated audits of financial statements and ICFR	47	47	50
Financial statement audits only	7	9	2
Total audits reviewed	**54**	**56**	**52**

[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, four of the five audits appearing in Part I.A were selected for review using risk-based criteria. In 2021 and 2020, all of the audits appearing in Part I.A were selected for review using risk-based criteria.



9% Part I.A deficiency rate

4% Part I.A deficiency rate

2% Part I.A deficiency rate

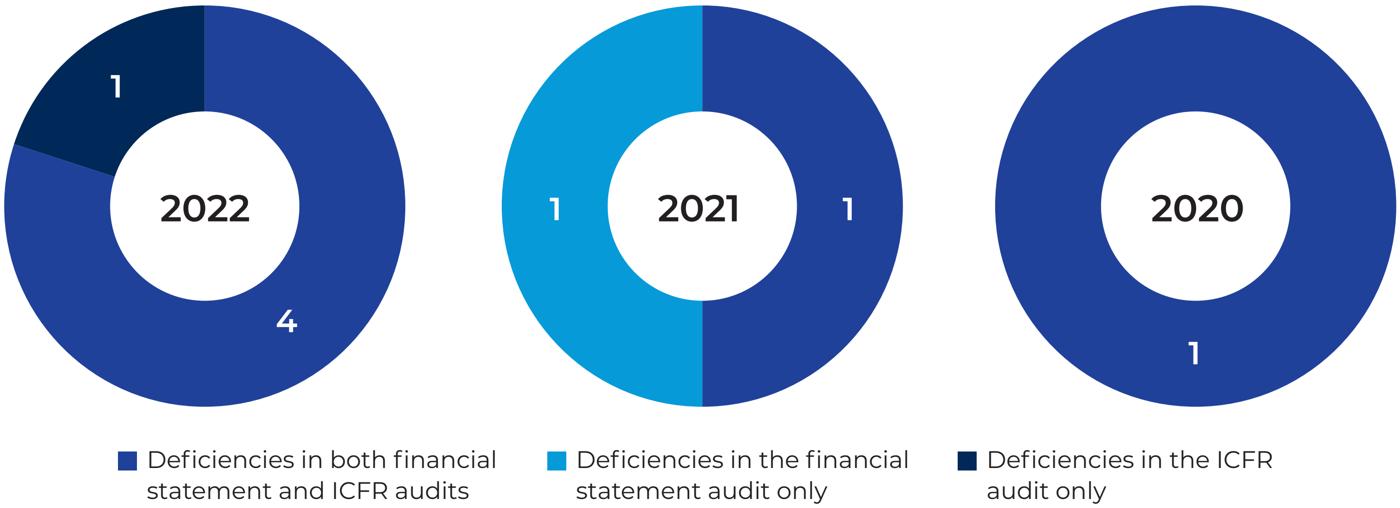
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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 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 in two instances, unrelated to our review, restated its financial statements to correct a misstatement and the firm in both instances revised and reissued its report on the financial statements. The issuer in both instances also revised its report on ICFR, and the firm initially revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report and then subsequently revised and reissued its report to include additional material weaknesses.

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	3	0	0
Did not sufficiently test an estimate	1	1	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	3	0	1
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	2	1	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	0	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	48	0	Revenue and related accounts	36	0	Revenue and related accounts	43	1
Business combinations	24	2	Goodwill and intangible assets	14	0	Inventory	16	1
Inventory	14	1	Long-lived assets	13	1	Goodwill and intangible assets	16	0
Accruals and other liabilities	12	1	Investment securities	13	0	Business combinations	10	0
Income taxes	10	0	Cash and cash equivalents	13	0	Going concern	10	0

Audit Areas with Frequent Part I.A Deficiencies

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

Audit area	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
Business combinations	2	24	1	5	0	10
Allowance for credit losses	2	5	0	2	0	5
Inventory	1	14	0	12	1	16
Long-lived assets	0	4	1	13	0	3
Revenue and related accounts	0	48	0	36	1	43

Business combinations: The deficiencies in 2022 related to substantive testing of, and testing controls over, the valuation of assets acquired in a business combination. The deficiency in 2021 related to evaluating the appropriateness of the issuer's accounting method for certain equity awards in connection with a business combination.

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

Inventory: The deficiency in 2022 related to testing the issuer's cycle-count control over the existence of inventory. The deficiencies in 2020 related to testing controls over inventory.

Long-lived assets: The deficiencies in 2021 related to substantive testing of, and testing controls over, the valuation of oil and gas properties.

Revenue and related accounts: The deficiencies in 2020 primarily related to testing controls over revenue.

Auditing Standards Associated with Identified Part I.A Deficiencies

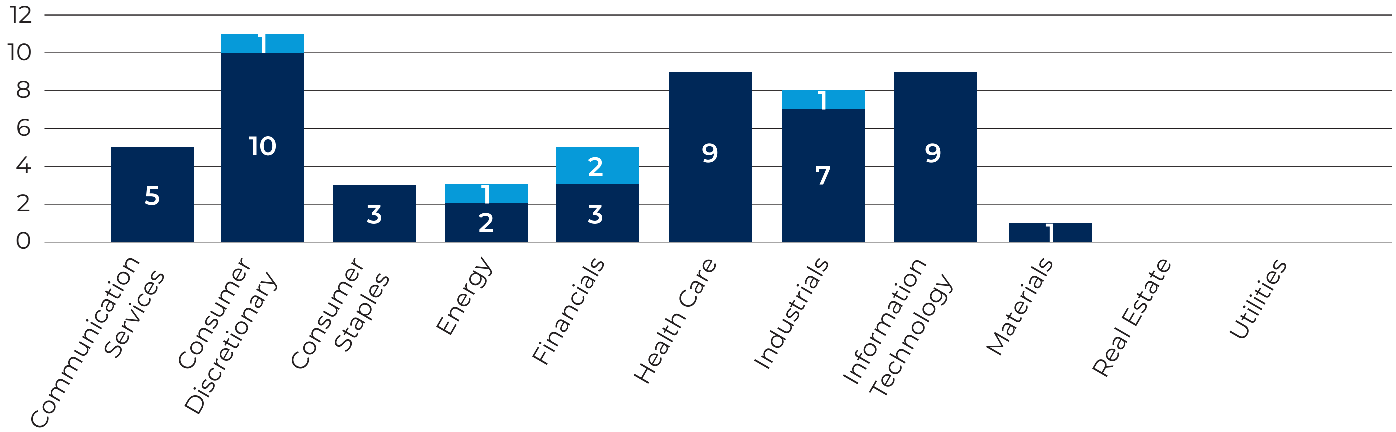
The following lists the auditing standards referenced in Part I.A of the 2022 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2022	2021	2020
AS 1105, *Audit Evidence*	1	0	0
AS 2101, *Audit Planning*	1	0	0
AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*	12	1	4
AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*	1	0	1
AS 2315, *Audit Sampling*	2	0	1
AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements* (effective for fiscal years ending on or after December 15, 2020)	2	0	-
AS 2501, *Auditing Accounting Estimates* (effective for fiscal years ending before December 15, 2020)	-	1	0
AS 2810, *Evaluating Audit Results*	0	3	0

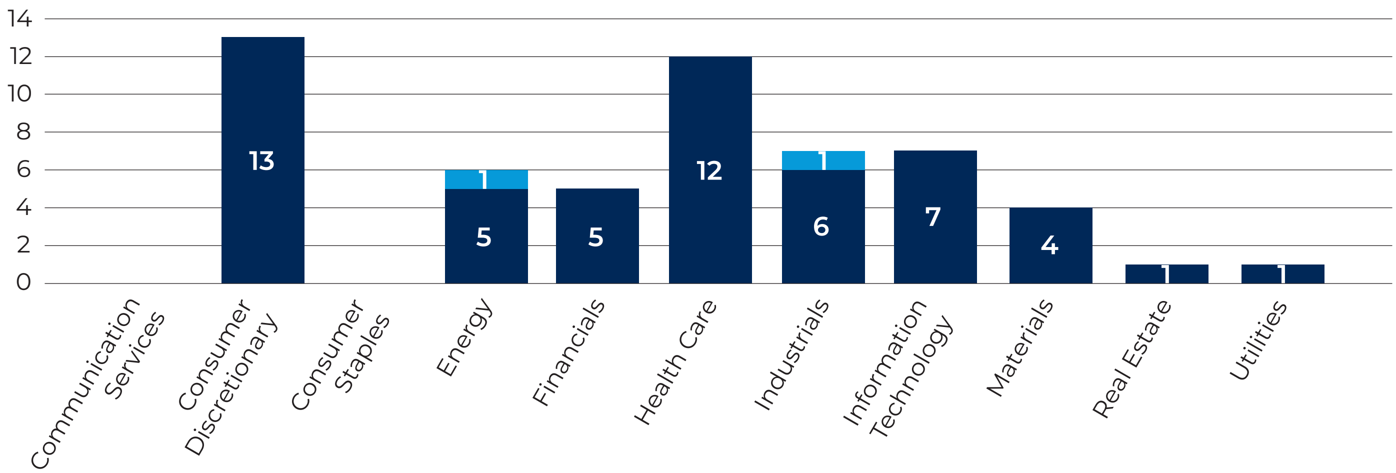
Inspection Results by Issuer Industry Sector

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.

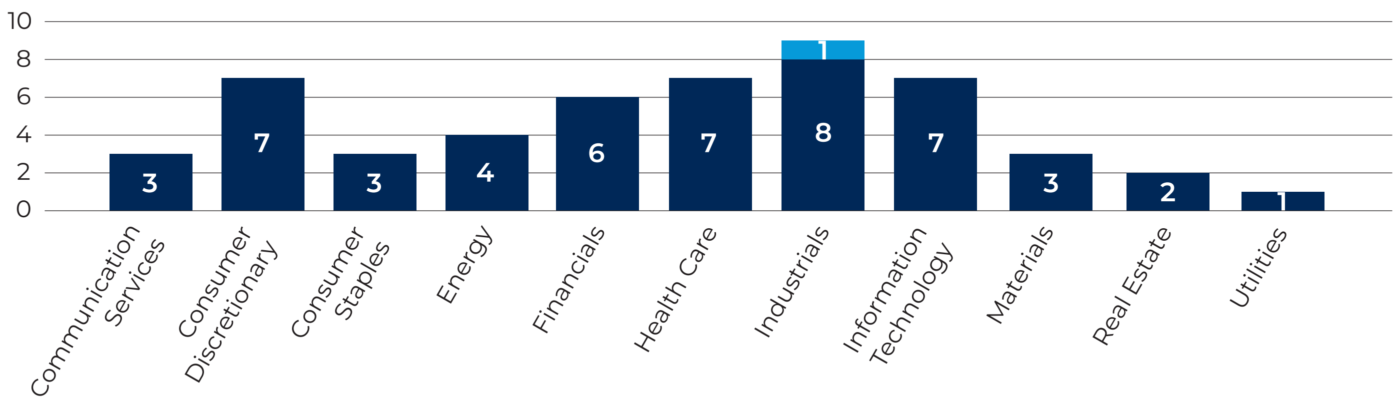
2022



2021



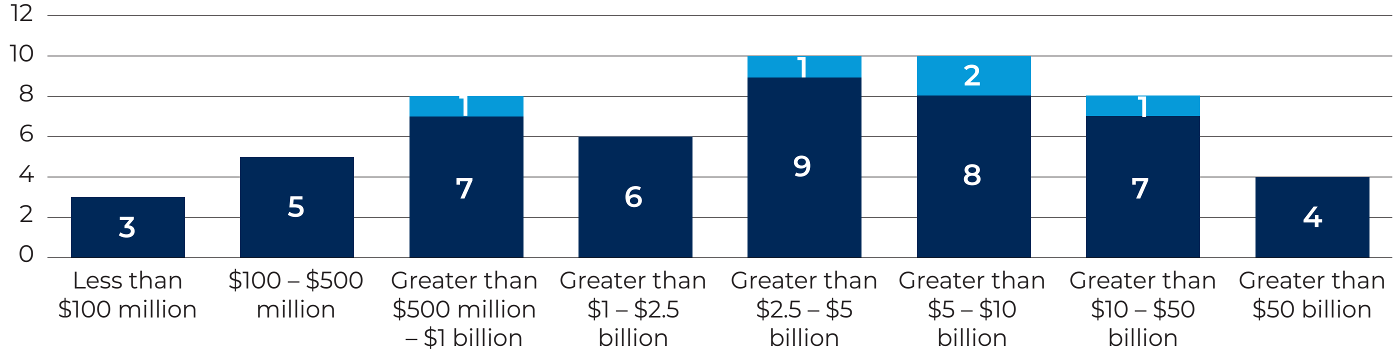
2020



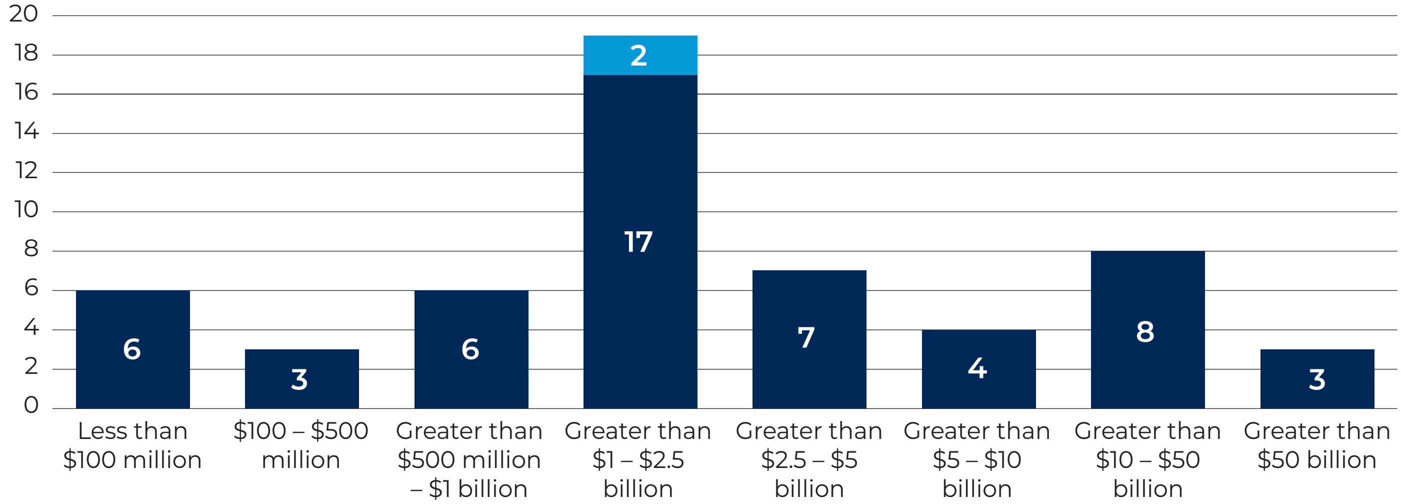
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by Issuer Revenue Range

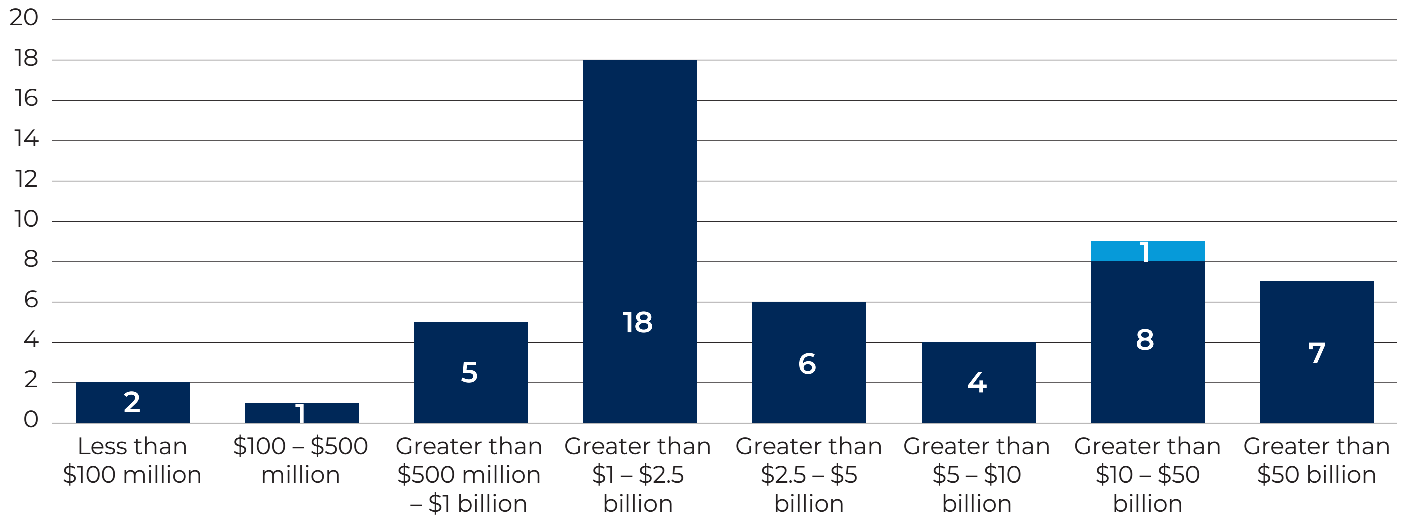
2022



2021



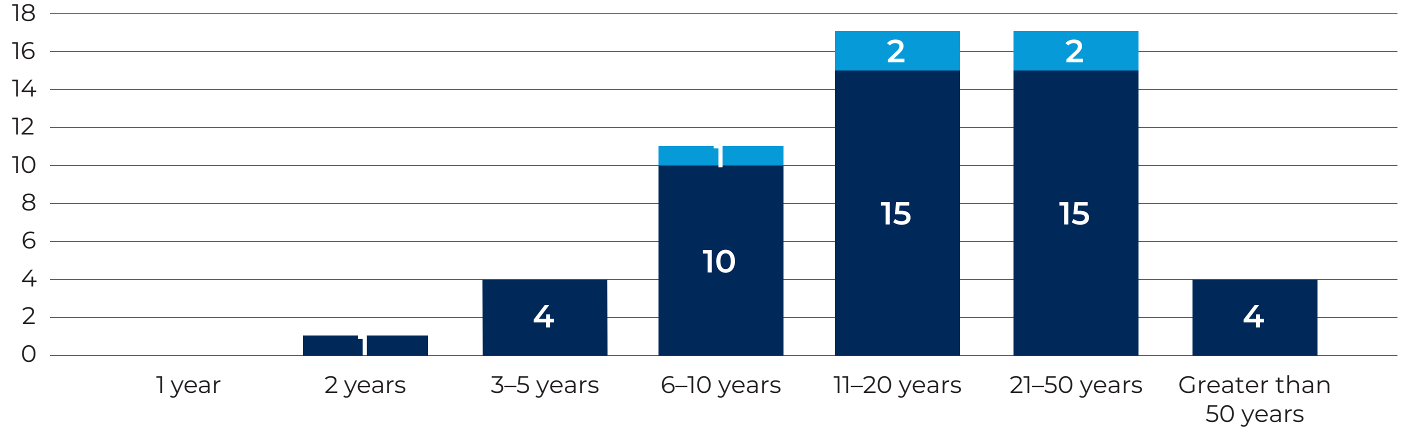
2020



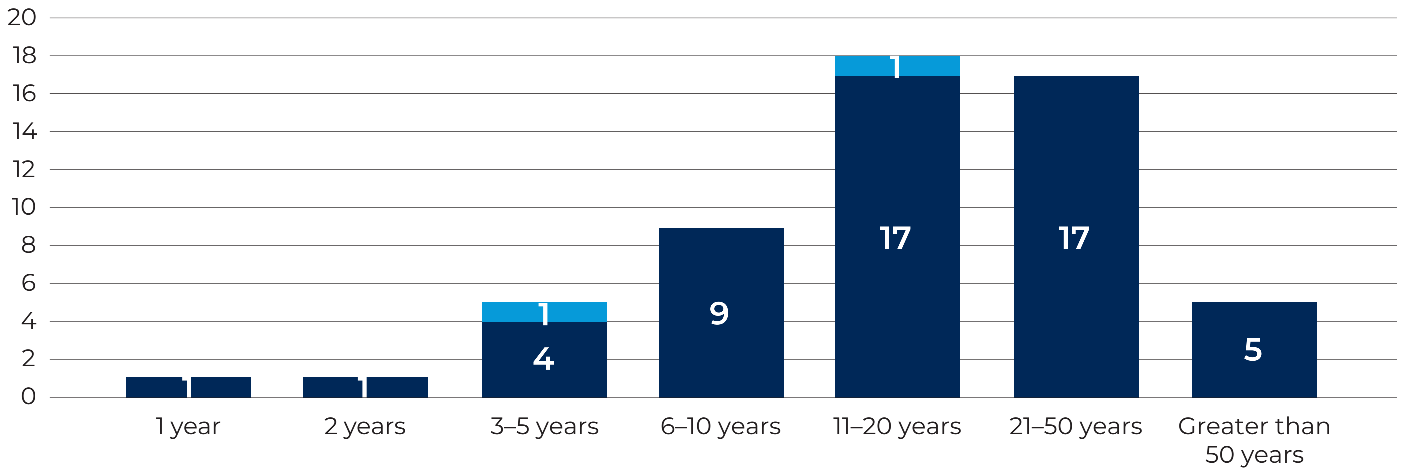
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

Inspection Results by the Firm's Tenure on the Issuer

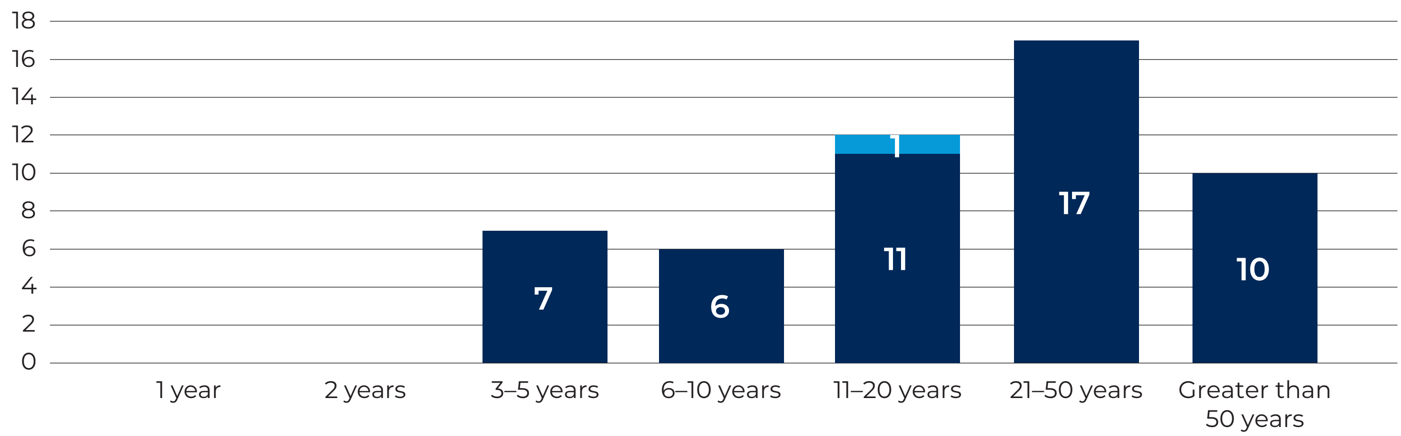
2022



2021



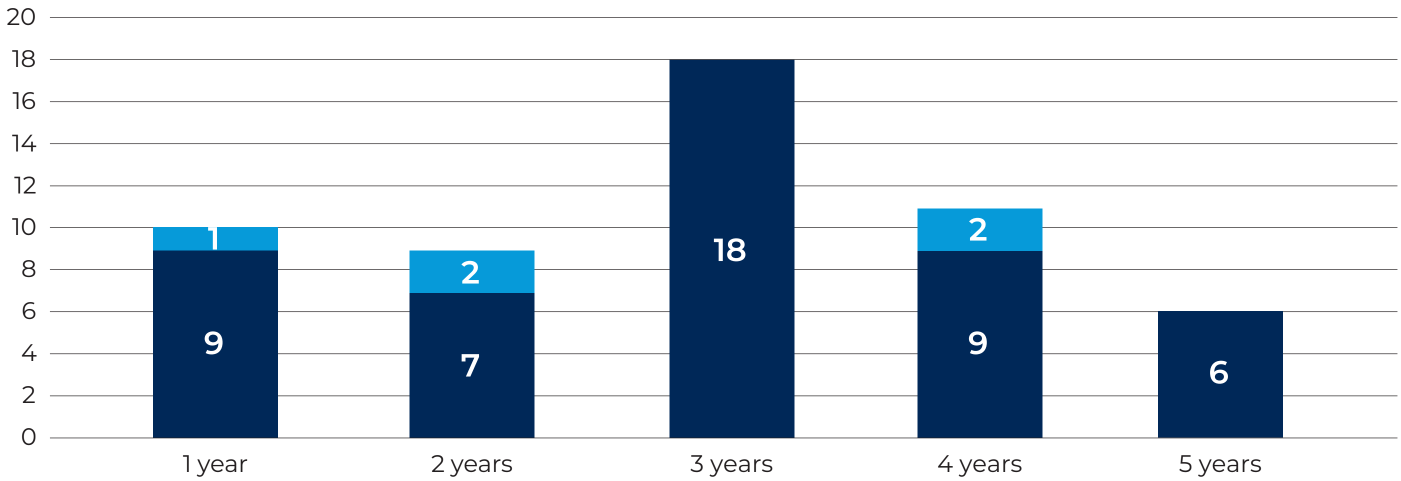
2020



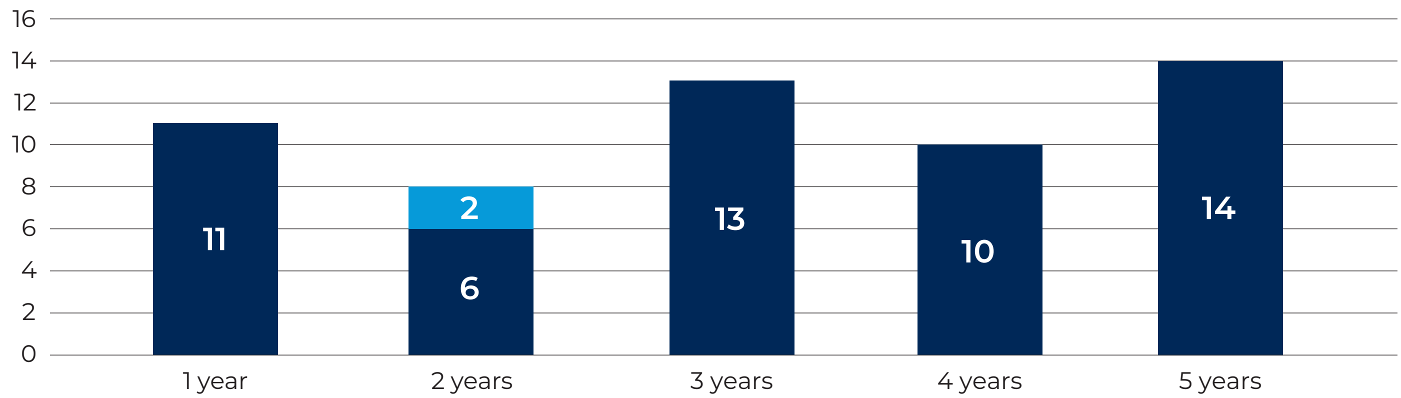
■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

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

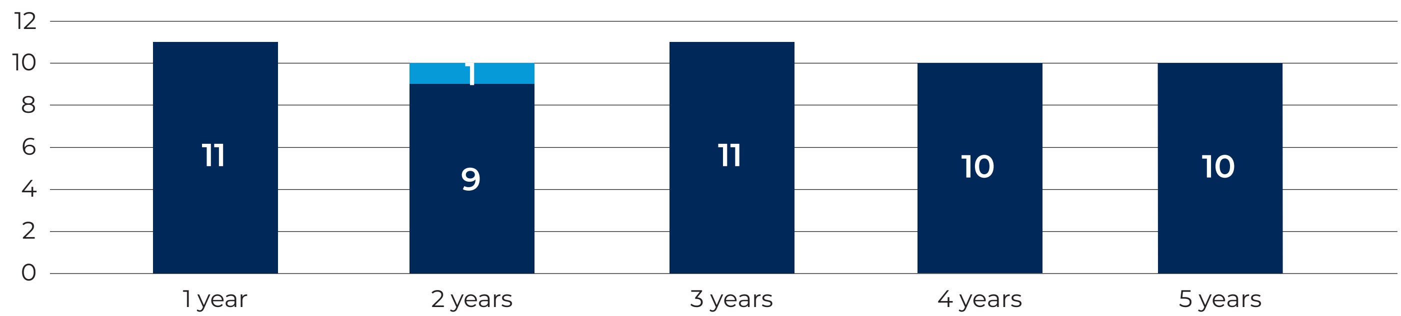
2022



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.

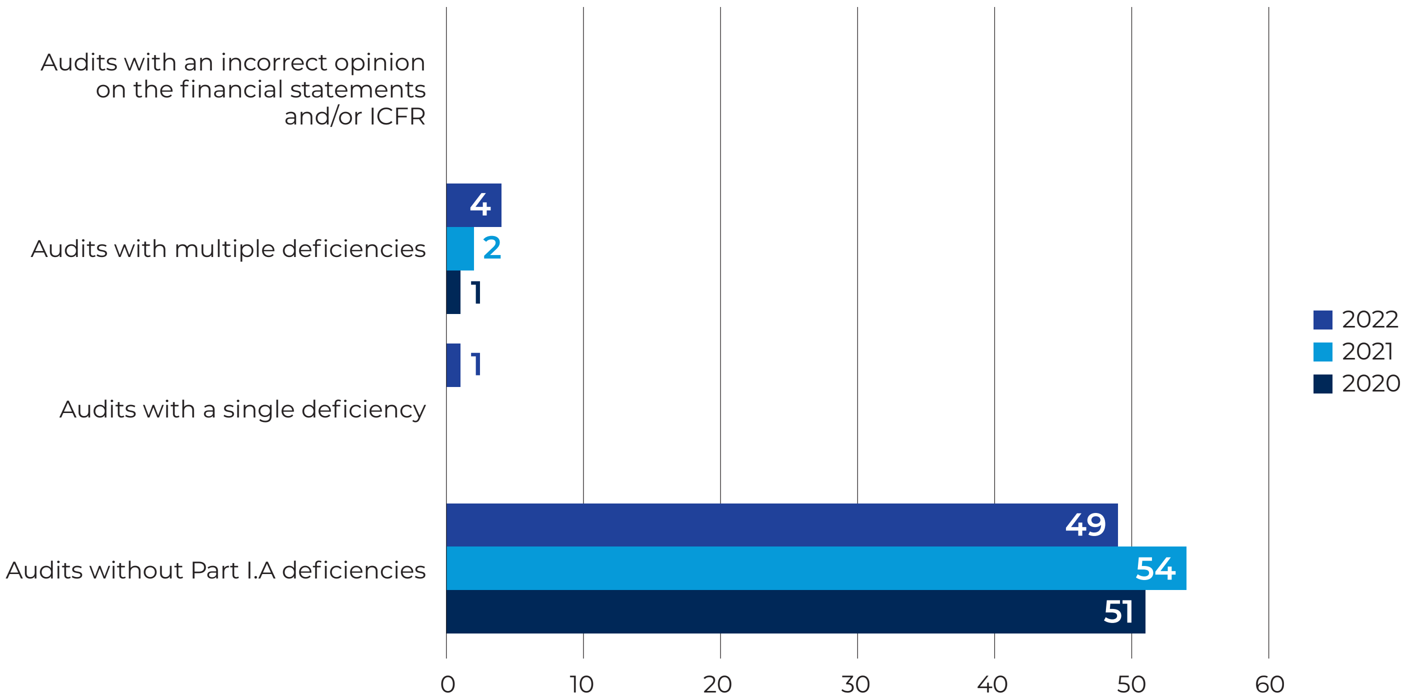
Audits with Multiple Deficiencies

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 – Financials

Type of audit and related areas affected

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

Description of the deficiencies identified

With respect to a **Business Combination**:

During the year, the issuer acquired a business and engaged a specialist to determine the fair value of the acquired loans. The company's specialist determined this fair value based on discounted cash flows it developed using various inputs and assumptions, including expected credit losses, loan risk ratings, certain loan attributes, and whether certain loans should be designated as purchased with credit deterioration. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of the expected credit loss assumptions used to value the acquired loans but did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these assumptions. (AS 2201.42 and .44)
- The firm did not identify and test any controls over the accuracy and completeness of the acquired loan information that the issuer provided to the company's specialist that the specialist used to determine the fair value of the acquired loans. (AS 2201.39)
- The firm selected for testing a control that consisted of the issuer's review, for a sample of loans, of the loan risk ratings assigned to certain acquired commercial loans. The firm did not evaluate whether the sample of loans that were reviewed was sufficient to address the risks of material misstatement presented by the different risk characteristics inherent in the population of these acquired commercial loans. (AS 2201.42) In addition, the firm did not identify and test any controls that addressed the reasonableness of the loan risk ratings assigned to certain other acquired commercial loans that were not subject to the loan risk rating review control. (AS 2201.39)
- The firm selected for testing controls that consisted of the issuer's review of the accuracy and completeness of certain data related to the acquired loans but did not test the aspects of these controls that addressed the accuracy of certain loan attributes that the company's specialist used. (AS 2201.42 and .44)
- The firm selected for testing a control that consisted of the issuer's review of acquired loans that were designated as purchased with credit deterioration. The firm did not identify and test any controls over the accuracy and completeness of the loan information that the control owner used in the operation of this control. (AS 2201.39)

With respect to the **ACL** and **Investment Securities**:

The issuer assigned a risk rating to each commercial loan. The loan risk rating was an important input (1) in estimating the ACL for commercial loans collectively assessed for impairment and (2) in determining the fair value of a certain type of commercial loans that the issuer reclassifies to available-for-sale (AFS) securities for financial reporting purposes. The firm's sample to test the reasonableness of the risk ratings for commercial loans, including loans reclassified to AFS securities, was too small because, in determining its sample, the firm did not consider certain characteristics of the loan population, including whether the population of loans reclassified to AFS securities should have been tested separately. (AS 2315.16, .23, and .23A)

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 a **Business Combination**, for which the firm identified a significant risk.

Description of the deficiencies identified

During the year, the issuer acquired a business. The acquired assets primarily consisted of oil and gas properties that had oil and gas reserves assigned ("proved properties") and properties that had no oil and gas reserves assigned ("unproved properties"). The issuer determined the fair value of the acquired oil and gas properties based on discounted cash flows it developed using various assumptions, including future production volumes and certain adjustment factors. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of the future production volume assumptions used for unproved properties but did not evaluate the specific review procedures the control owner performed to assess the reasonableness of these assumptions. (AS 2201.42 and .44)
- The firm did not sufficiently evaluate the reasonableness of the significant future production volume assumptions the issuer used to determine the fair value for unproved properties because the firm's procedures were limited to comparing the future production volumes to the issuer's estimated future development costs, by year, and concluding that they were highly correlated. (AS 2501.16)
- The firm selected for testing a control that included the issuer's review of the adjustment factor assumptions used but did not evaluate whether the thresholds the control owner used to identify items for investigation were sufficiently precise to detect material misstatements. (AS 2201.42)
- The firm did not evaluate whether the issuer had a reasonable basis for certain of the significant adjustment factor assumptions it used. (AS 2501.16)
- The firm did not identify and test any controls that addressed whether all of the acquired leases that were associated with oil and gas properties were recognized. (AS 2201.39)
- The firm did not perform any substantive procedures to test whether all of the acquired leases that were associated with unproved properties were recognized. (AS 2301.08)
- To test the acquired leases that were associated with unproved properties, the firm made its selections from a report but did not test, or test controls over, the completeness of this report. (AS 1105.10)

Issuer C – Financials

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer assigned a risk rating to each commercial loan. The loan risk rating was an important input in estimating the ACL for commercial loans collectively assessed for impairment. The following deficiencies were identified:

- The firm identified a deficiency related to a control that consisted of the issuer's periodic review of loan risk ratings assigned to certain commercial loans. The firm tested various controls that it believed would compensate for this deficiency but did not identify that these controls did not address whether the risk ratings were reviewed and updated timely. (AS 2201.68)
- The firm's sample to test the reasonableness of the risk ratings for certain commercial loans was too small because, in determining its sample, the firm did not consider certain characteristics of the loan population. (AS 2315.16, .23, and .23A)

Issuer D – Consumer Discretionary

Type of audit and related area affected

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

Description of the deficiencies identified

The firm excluded from the scope of its audits certain accounts payable at certain of the issuer's business units. The firm did not evaluate whether the risks of material misstatement that the firm associated with accounts payable subject to audit procedures also applied to the excluded accounts payable. (AS 2101.11 and .12; AS 2201.B10)

Audits with a Single Deficiency

Issuer E – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

Certain of the issuer's inventory was subject to cycle counts, and the issuer used its inventory systems to determine the frequency with which the items should be counted by assigning a designation to each inventory item. The firm selected for testing a control that consisted of the issuer's cycle-count procedures. The firm did not test the aspects of this control that addressed whether each system assigned the appropriate designation to each inventory item, the systems were properly configured to ensure that each inventory item was counted with sufficient frequency in accordance with the assigned designation, and inventory counts were performed in accordance with the designated count frequency. (AS 2201.42 and .44)

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

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

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

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

- In one of 49 audits reviewed, the firm did not make certain required communications to the issuer's audit committee related to the names, locations, and planned responsibilities of other accounting firms or other persons not employed by the firm that performed audit procedures in the audit. In one additional audit reviewed, the firm did not make these required communications in a timely manner. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of 49 audits reviewed, the firm did not include in its report on ICFR a disclosure regarding the exclusion of an acquired business from the scope of both management's assessment and the firm's audit of ICFR. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In one of 49 audits reviewed, the firm's audit report did not include an explanatory paragraph related to a material change in accounting principle resulting from the adoption of an accounting standards update. In this instance, the firm was non-compliant with AS 2820, *Evaluating Consistency of Financial Statements*.

- In one of nine audits reviewed, the firm's report on Form AP included inaccurate information regarding the financial statement date included in the audit report. In one additional audit reviewed, the firm's report on Form AP included inaccurate information related to the participation in the audit by certain other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

- In one of 11 audits reviewed, the firm did not document the substance of its discussion with the audit committee about the potential effects of the permissible tax services on the independence of the firm. In this instance, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.

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:

Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit and non-audit services. We identified one instance for one issuer in 11 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, 129 instances across 74 issuers,[2] representing approximately 4% of the firm's total reported issuer audits, in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X or PCAOB Rules 3523 or 3500T related to maintaining independence. Approximately 22% 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, audit committee pre-approval requirements, and non-audit services:

- The firm reported 96 instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, 10 of which involved non-U.S. associated firms. Of these 96 instances, 57 related to investments in audit clients and 39 related to other financial relationships with audit clients. The majority of the financial relationships were instances where either a partner in the same office as the engagement partner for an issuer or an individual who provided 10 or more hours of non-audit services to an issuer had a financial relationship with that issuer. Thirty-three of the financial relationships involved a member of an engagement team. Of the total 57 instances related to investments in audit clients, 46 instances related to investments in broad-based funds.

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

- The firm reported 12 instances of potential non-compliance with Rule 2-01(c)(4) of Regulation S-X regarding non-audit services. All but three of these instances related to services provided by non-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 six instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval, three of which related to services provided by non-U.S. associated firms. All of these instances related to non-audit services provided without the firm obtaining audit committee pre-approval.

The firm has reported to us that it has evaluated these instances of potential non-compliance and determined in all instances that its objectivity and impartiality were not impaired.

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.

November 13, 2023

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

Re: Response to Draft Report on the 2022 Inspection of PricewaterhouseCoopers LLP

Dear Ms. Gunia:

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

We recognize the inspection process provides a valuable opportunity to further enhance the quality of our audits. 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.

Bringing value to the capital markets by consistently performing quality audits remains our top priority, including addressing the matters raised in the Report in a thorough and thoughtful way. We have evaluated the observations set forth in *Part I: Inspection Observations* and have taken appropriate responsive actions. Our response included those steps we considered necessary to comply with AS 2901, *Consideration of Omitted Procedures After the Report Date,* and where applicable, AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* and AS No. 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

We appreciate that many of our stakeholders will review the PCAOB's report and this response. We wanted to therefore take the opportunity to provide a link to our 2023 Audit Quality Report to encourage our stakeholders to learn more about our system of quality management and how we delivered on our audit quality objectives over the past year (http://www.pwc.com/us/auditquality). Our 2023 Audit Quality Report describes the training, tools and guidance we provide to our people to support them in maintaining independence, upholding our values, and executing a quality audit. In it, we describe the significant investments of both time and resources we have made to maintain and continually enhance quality and address potential risks to our independence.

Independence and objectivity are hallmarks of our profession; delivering objectivity and impartiality is a source of value to our stakeholders. Accordingly, as a firm and group of professionals, we understand the value of demonstrating objectivity across our services. We applaud the PCAOB's reporting of data (identified through our compliance procedures and the PCAOB's

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inspections) regarding individual instances of non-compliance in Part I.C of the PCAOB's report. We have evaluated the instances of potential non-compliance with SEC or PCAOB rules related to independence included within that section. In all instances, the firm and the relevant audit committee determined that the firm's objectivity and impartiality were not impaired. In reaching conclusions about our independence, we follow the processes described on page 13 of our 2023 Audit Quality Report to analyze potential independence policy exceptions to determine whether an exception to independence rules or standards has occurred and, if so, whether the firm remains objective and impartial. We discuss our conclusions regarding objectivity and impartiality with the relevant audit committee of our audit client.

In closing, we are fortunate in the US to have a robust ecosystem to help protect the capital markets, aided by a strong regulatory environment that includes the PCAOB. At PwC, we're proud to be a part of that ecosystem, helping enhance the quality and confidence in the information that drives the capital markets. We recently announced that we are committing to a series of bold, voluntary actions over the next several years to further enhance the quality and confidence in the information that drives the capital markets, as described on page 44 of our 2023 Audit Quality Report.

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

Sincerely,

Tim Ryan
PwC US Senior Partner

Wes Bricker
PricewaterhouseCoopers LLP Co-CEO
PwC US Vice Chair - Trust Solutions Co-Leader

Kathryn Kaminsky
PricewaterhouseCoopers LLP Co-CEO
PwC US Vice Chair - Trust Solutions Co-Leader