2023 Inspection PricewaterhouseCoopers LLP

(Headquartered in New York, New York)

May 23, 2024

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PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

EXECUTIVE SUMMARY

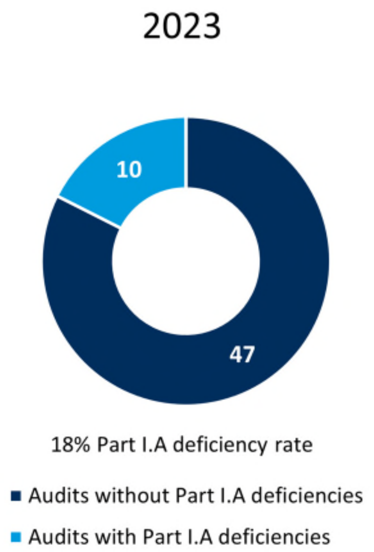
Our 2023 inspection report on PricewaterhouseCoopers LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

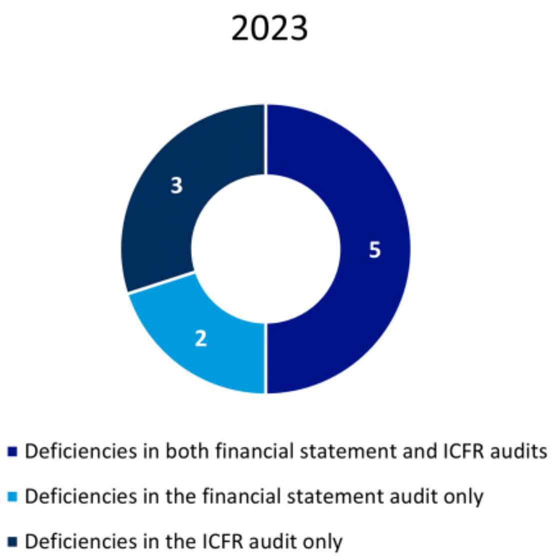
- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial 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 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 2023 Deficiencies Included in Part I

Ten of the 57 audits we reviewed in 2023 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies primarily related to the firm's testing of controls over and/or substantive testing of revenue and related accounts and goodwill and intangible assets.





In connection with our 2023 inspection procedures for one audit, the issuer revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

The most common Part I.A deficiencies in 2023 related to testing the design and operating effectiveness of controls selected for testing, testing data or reports used in substantive testing, and performing substantive testing to address a risk of material misstatement.

The Part I.B deficiencies in 2023 related to audit committee communications, audit planning, consideration of fraud, critical audit matters, the firm's annual report form, and Form AP.

The Part I.C deficiencies in 2023 related to financial relationships, employment relationships, and audit committee pre-approval.

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2023 INSPECTION

In the 2023 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 57 audits of issuers with fiscal years generally ending in 2022. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

We also selected for review one review of interim financial information ("interim review"). Our review was performed to gain a timely understanding of emerging financial reporting and auditing risks associated with issuers in the banking industry. We did not identify any instances of non-compliance with PCAOB standards related to this review.

What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2023 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.

2023 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 2023, our target team focused primarily on the planning and execution of multi-location audits, on audits of issuers engaged in distributed ledger technology activities, and on interim reviews of issuers in the banking industry.

For the interim reviews, similar to our approach for reviewing audits, our target team did not review every aspect of the interim review.

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

OVERVIEW OF THE 2023 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2023 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.

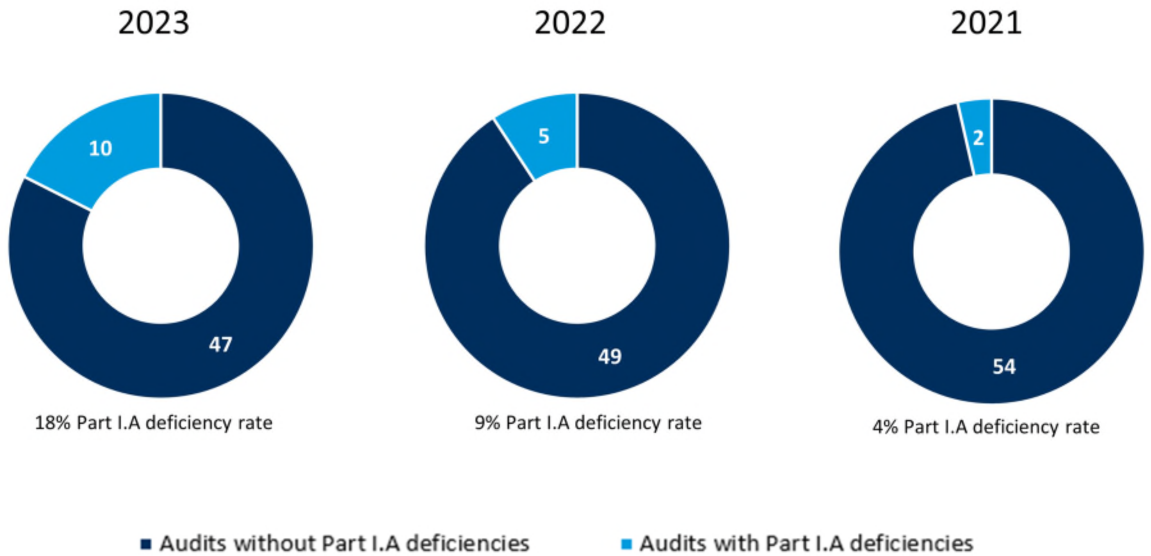
Audits Selected for Review

	2023	2022	2021
Total audits reviewed			
Total audits reviewed	57	54	56
Selection method			
Risk-based selections	43	37	25
Random selections	10	13	25
Target team selections[1]	4	4	6
Total audits reviewed	**57**	**54**	**56**
Principal auditor			
Audits in which the firm was the principal auditor	56	53	56
Audits in which the firm was not the principal auditor	1	1	0
Total audits reviewed	**57**	**54**	**56**
Audit type			
Integrated audits of financial statements and ICFR	50	47	47
Financial statement audits only	7	7	9
Total audits reviewed	**57**	**54**	**56**

[1] For further information on the target team's activities in 2022 and 2021, refer to those inspection reports.

Part I.A Deficiencies in Audits Reviewed

In 2023, eight of the 10 audits appearing in Part I.A were selected for review using risk-based criteria. In 2022, four of the five audits appearing in Part I.A were selected for review using risk-based criteria. In 2021, both of the of the audits appearing in Part I.A were selected for review using risk-based criteria.

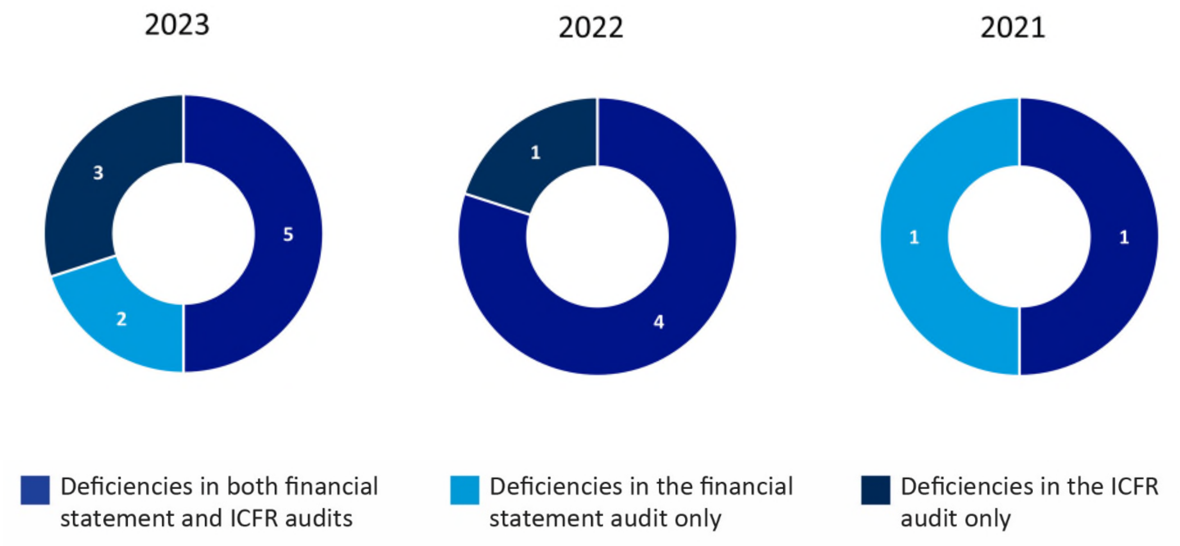


If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional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



In connection with our 2023 inspection procedures for one audit, the issuer revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report.

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 2023 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		
	2023	2022	2021
Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk	3	3	0
Did not perform sufficient testing of data or reports used in the firm's substantive testing	3	1	0
Did not sufficiently test an estimate	2	1	1

Deficiencies in ICFR audits	Audits with Part I.A deficiencies		
	2023	2022	2021
Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing	6	2	1
Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion	2	3	0
Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls	2	1	0

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.

2023			2022			2021		
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	39	3	**Revenue and related accounts**	48	0	**Revenue and related accounts**	36	0
Inventory	17	1	**Business combinations**	24	2	**Goodwill and intangible assets**	14	0
Goodwill and intangible assets	13	3	**Inventory**	14	1	**Long-lived assets**	13	1
Investment securities	12	1	**Accruals and other liabilities**	12	1	**Investment securities**	13	0
Business combinations	6	1	**Income taxes**	10	0	**Cash and cash equivalents**	13	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	2023		2022		2021	
	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	39	0	48	0	36
Goodwill and intangible assets	3	13	0	5	0	14
Business combinations	1	6	2	24	1	5
Inventory	1	17	1	14	0	12
Long-lived assets	1	4	0	4	1	13

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

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

Business combinations: The deficiencies in 2023 and 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.

Inventory: The deficiencies in 2023 related to substantive testing of, and testing controls over, inventory, including cycle-count controls. The deficiency in 2022 related to testing the issuer's cycle-count control over the existence of inventory.

Long-lived assets: The deficiencies in 2023 related to substantive testing of, and testing controls over, depletion expense for acquired oil and gas properties. The deficiencies in 2021 related to substantive testing of, and testing controls over, the valuation of oil and gas properties.

Auditing Standards Associated with Identified Part I.A Deficiencies

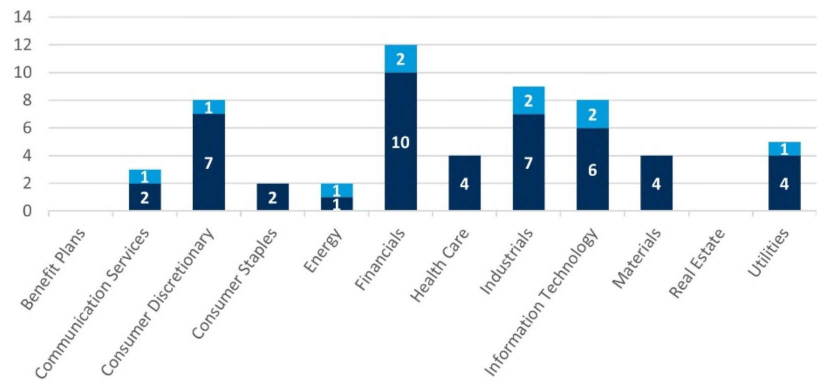
The following lists the auditing standards referenced in Part I.A of the 2023 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

PCAOB Auditing Standards	2023	2022	2021
AS 1105, ***Audit Evidence***	9	1	0
AS 2101, ***Audit Planning***	0	1	0
AS 2201, ***An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements***	13	12	1
AS 2301, ***The Auditor's Responses to the Risks of Material Misstatement***	5	1	0
AS 2315, ***Audit Sampling***	0	2	0
AS 2501, ***Auditing Accounting Estimates, Including Fair Value Measurements*** **(effective for fiscal years ending on or after December 15, 2020)**	4	2	0
AS 2501, ***Auditing Accounting Estimates*** **(effective for fiscal years ending before December 15, 2020)**	-	-	1
AS 2510, ***Auditing Inventories***	1	0	0
AS 2810, ***Evaluating Audit Results***	1	0	3

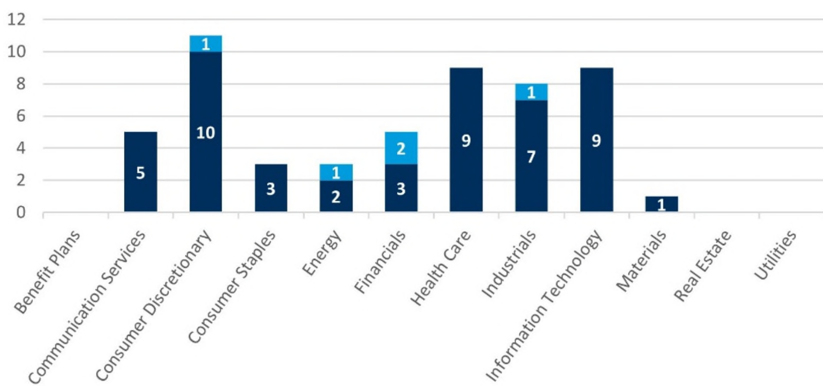
Inspection Results by Issuer Industry Sector

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.

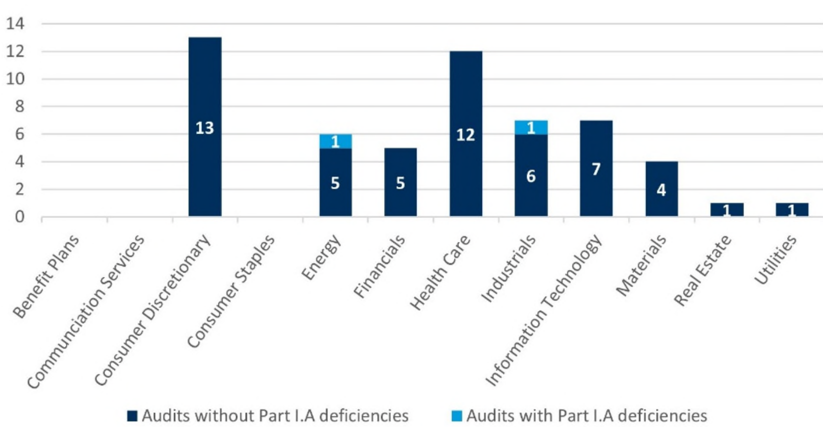
2023



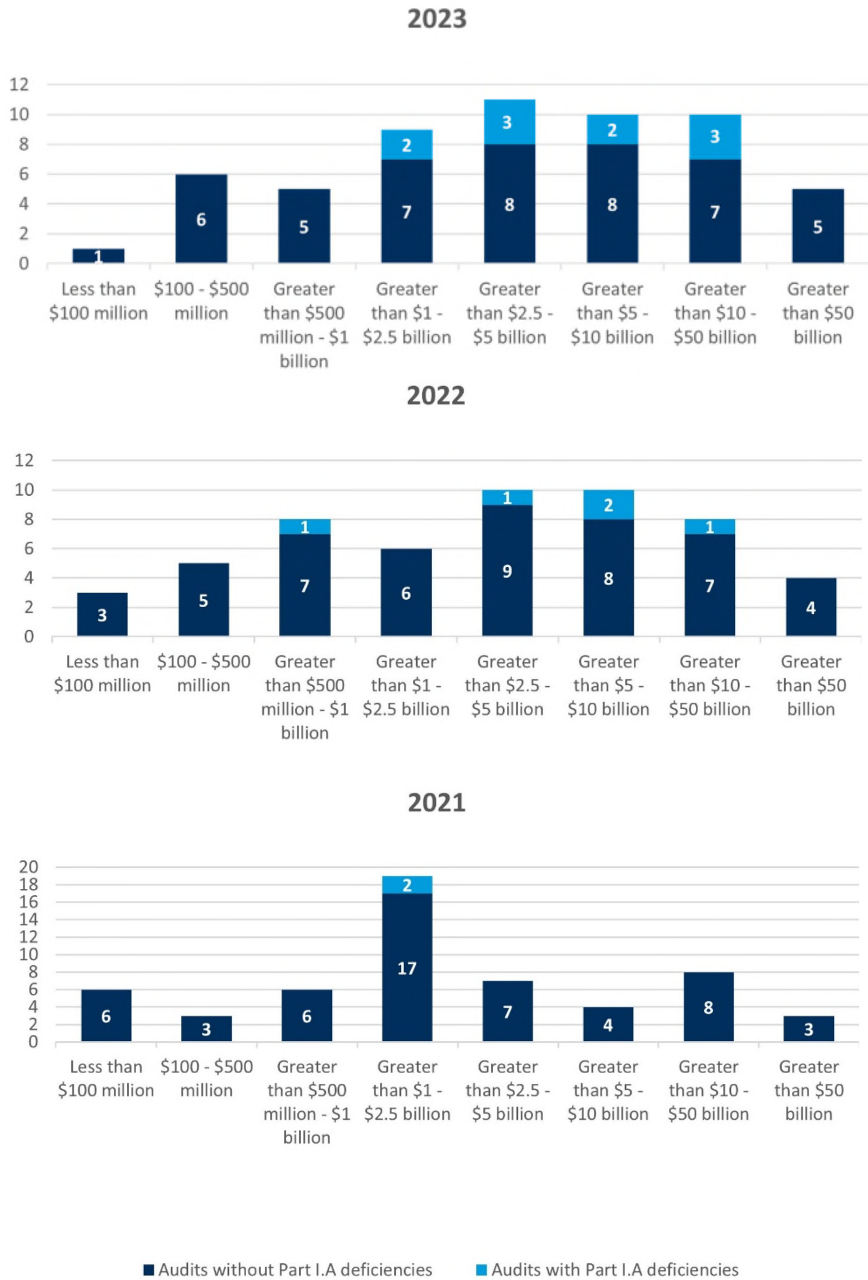
2022



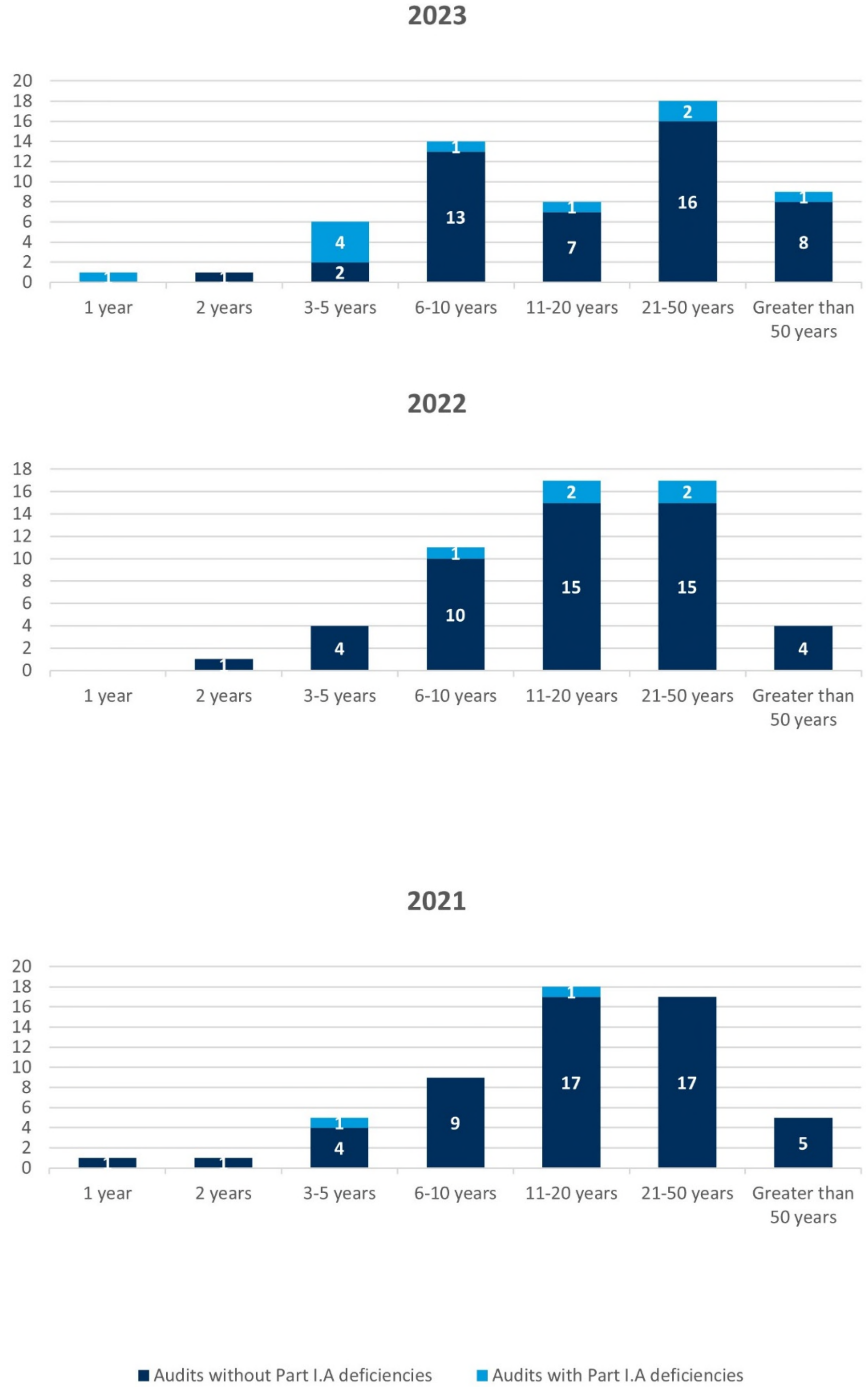
2021



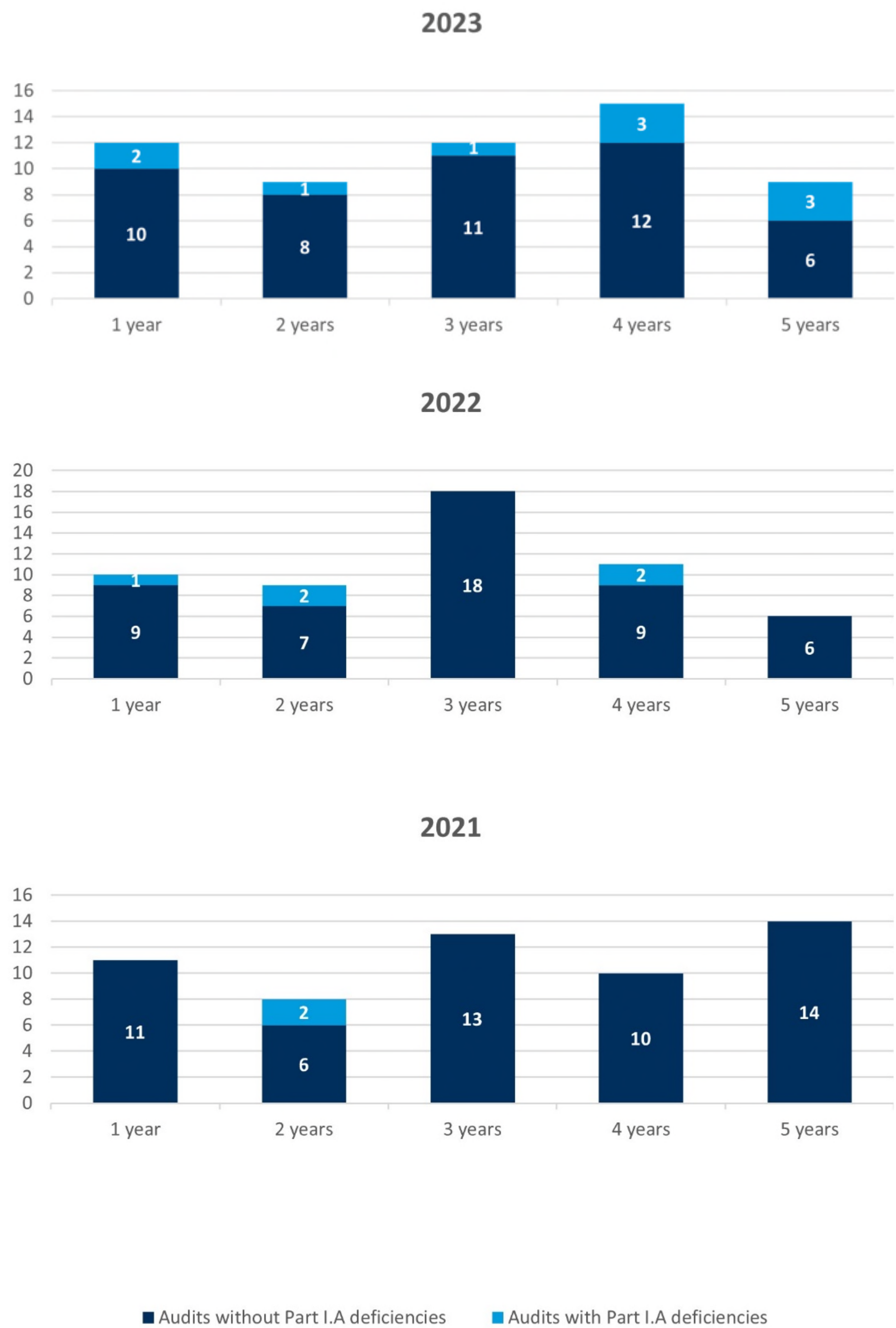
Inspection Results by Issuer Revenue Range



Inspection Results by the Firm’s Tenure on the Issuer



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



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.

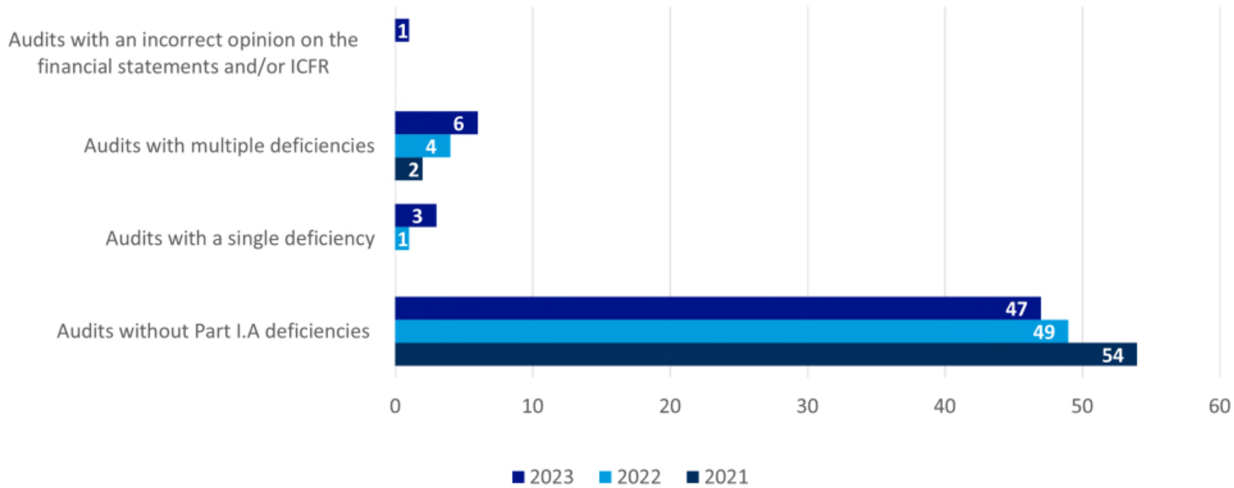
Audits with Multiple Deficiencies

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.

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

Issuer A – Industrials

Type of audit and related areas affected

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

Description of the deficiencies identified

The firm selected for testing a control that included the issuer's review of its disclosures related to revenue, intangible assets, and segment reporting. The firm did not identify and test any controls over the accuracy and completeness of the data and reports that the control owner used in the operation of this control for these disclosures. (AS 2201.39)

The firm used certain of these data and reports in its substantive testing of these disclosures but did not perform any procedures to test, or (as discussed above) test any controls over, the accuracy and completeness of these data and reports. (AS 1105.10)

In connection with our review, the issuer reevaluated its controls over its disclosures 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.

Audits with Multiple Deficiencies

Issuer B – Energy

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** and **Oil and Gas Properties**. The firm's internal inspection program had inspected this audit and reviewed these areas but did not identify the deficiencies below.

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. The issuer used company-employed specialists to estimate the issuer's oil and gas reserves that were used in the (1) valuation of the acquired oil and gas properties and (2) calculation of depletion expense for these acquired oil and gas properties.

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

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. The company's specialists used financial and non-financial data produced by the issuer and assumptions developed by the issuer or the company's specialists to estimate the oil and gas reserves underlying the future production volumes. The following deficiencies were identified:

- The firm selected for testing a control that included the issuer's review of the future production volume assumptions. In evaluating the design of this control, the firm did not identify that the control owner did not evaluate the methods, assess the accuracy and completeness of the non-financial data, and evaluate the reasonableness of the non-financial assumptions used by the company's specialists. (AS 2201.42)

- The firm did not perform procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of the non-financial data used by the company's specialists. (AS 1105.A8a)

- The firm did not evaluate the reasonableness of the significant future production volume assumptions beyond comparing these assumptions to historical production volume information from the acquired business. (AS 1105.A8b) In addition, the firm did not evaluate the reasonableness of the significant non-financial assumptions that were developed by the company's specialists or the issuer and used by the company's specialists to develop the future production volumes. (AS 1105.A8b; AS 2501.16)

- The firm did not perform any procedures, beyond inquiry, to evaluate whether the methods used by the company's specialists were appropriate under the circumstances. (AS 1105.A8c)

With respect to **Oil and Gas Properties**:

The issuer recorded depletion expense for the acquired oil and gas properties using the oil and gas reserves that the company's specialists estimated using financial and non-financial data produced by the issuer and assumptions developed by the issuer or the company's specialists. The following deficiencies were identified:

- The firm did not perform procedures to test, or test any controls over, the accuracy and completeness of the financial and non-financial data used by the company's specialists. (AS 1105.A8a)
- The firm did not evaluate the reasonableness of the significant financial and non-financial assumptions that were developed by the company's specialists or the issuer and used by the company's specialists to develop the future production volumes. (AS 1105.A8b; AS 2501.16)
- The firm did not evaluate whether the methods used by the company's specialists were appropriate under the circumstances. (AS 1105.A8c)

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 **Revenue**.

Description of the deficiencies identified

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

- The firm did not identify and test any controls over the issuer's determination of the standalone selling prices. (AS 2201.39)
- The firm did not perform any substantive procedures to evaluate the reasonableness of the standalone selling prices that the issuer used to record revenue. (AS 2301.08)
- The firm did not perform any substantive procedures to evaluate certain contractual terms and conditions that could affect the issuer's determination of the duration of certain contracts and the related revenue recognition. (AS 2301.08)

Issuer D – 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 fraud risk.

Description of the deficiencies identified

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

- The firm selected for testing a control that included the issuer's review of certain contracts under these types of arrangements for appropriate revenue recognition. The firm did not identify that the control was not designed to address whether the issuer considered all reasonably available information when estimating the standalone selling prices. (AS 2201.42)
- The firm did not evaluate whether the methods that the issuer used to estimate the standalone selling prices maximized the use of observable inputs in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2501.10)
- The firm did not evaluate whether the methods that the issuer used to determine the effect of changes in the transaction price after contract inception were in conformity with FASB ASC Topic 606, beyond observing that certain changes were approved. (AS 2501.10)

Issuer E – Information Technology

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 used an information-technology (IT) system to initiate, process, and record transactions related to inventory at one business unit. In its testing of controls over this inventory, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by this IT system. As a result of the following deficiencies in the firm's testing of IT general controls (ITGCs), the firm's testing of these automated and IT-dependent controls was not sufficient. (AS 2201.46)

- With respect to change management, the firm selected for testing a control over the issuer's review of changes to the production environment for this IT system. The firm did not test the aspects of this control that addressed whether unauthorized changes could be made directly to the production environment. (AS 2201.42 and .44)
- With respect to user access, the firm selected for testing a control that consisted of the issuer's periodic review of user access to this IT system. The firm did not evaluate the specific review

procedures that the control owners performed to determine whether previously granted privileged access continued to be appropriate. (AS 2201.42 and .44)

The issuer performed cycle counts of this inventory and used its IT system to determine the frequency with which the items should be counted by assigning a count designation to each inventory item. The following additional deficiencies were identified:

- The firm selected for testing a control over the issuer's review of whether a count designation was assigned to each inventory item. The firm identified a deviation in the operation of this control but did not evaluate the effect of this deviation on the operating effectiveness of the control. (AS 2201.48)
- The firm selected for testing an automated control over the assignment of the count designations but did not test whether the issuer's IT system was properly configured to assign the appropriate count designation to each inventory item. (AS 2201.42 and .44)
- The firm selected for testing a control that included the issuer's review of the overall cycle-count results. The firm did not test the aspect of this control that addressed whether inventory counts were performed in accordance with the designated count frequency. (AS 2201.42 and .44)
- Due to the deficiencies discussed above, the firm did not obtain sufficient appropriate audit evidence that the cycle-count procedures the issuer used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items each year. (AS 2510.11)

Issuer F – Consumer Discretionary

Type of audit and related area affected

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

Description of the deficiencies identified

The issuer disclosed that it had certain leases that had been executed by year end but had not yet commenced. The firm did not perform any procedures to evaluate whether any of these leases should have been recorded as right-of-use assets and lease liabilities at year end. (AS 2301.08)

To evaluate the issuer's classification of leases as operating or financing, the firm tested a sample of current-year lease additions but did not perform any procedures to test the fair values of the underlying assets that the issuer used in determining the leases' classification. (AS 2301.08)

The firm used issuer-prepared schedules in its substantive testing of certain of the issuer's lease disclosures but did not perform any procedures to test, or test any controls over, the accuracy and completeness of these schedules. (AS 1105.10)

Issuer G – Financials

Type of audit and related areas affected

In our review of this audit in which the firm played a role but was not the principal auditor, we identified a deficiency in connection with the firm's role in the ICFR audit related to **Investment Securities** and **Derivatives**.

Description of the deficiencies identified

The firm selected for testing a control that consisted of the issuer's validation of the models that the issuer used in the valuation of certain of its investment securities and derivatives. The firm did not evaluate the specific review procedures that the control owners performed to assess the results of the testing of these models. (AS 2201.42 and .44)

Audits with a Single Deficiency

Issuer H – Industrials

Type of audit and related area affected

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

Description of the deficiency identified

The firm selected for testing a control that consisted of the issuer's quarterly assessment of qualitative and quantitative factors to determine whether indicators of potential impairment of certain intangible assets existed. The firm did not identify that this control was not designed to identify and evaluate certain quantitative indicators of potential impairment. (AS 2201.42)

Issuer I – Utilities

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Asset Retirement Obligations (ARO)**.

Description of the deficiency identified

The issuer used an IT system to develop certain cost estimates related to its ARO. The firm selected for testing an automated control over changes to the configuration of this IT system. The firm identified a deviation in the operation of this control but did not evaluate the effect of this deviation on the operating effectiveness of the control. (AS 2201.48)

Issuer J – Financials

Type of audit and related area affected

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

Description of the deficiency identified

The issuer performed its annual analysis of goodwill for potential impairment as of an interim date. The firm did not evaluate an indicator of potential impairment that existed at year end. (AS 2301.08; AS 2810.03)

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 52 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 persons not employed by the firm that performed audit procedures in the audit in a timely manner. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In five of 44 audits reviewed, the firm did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In these instances, the firm was non-compliant with AS 2101, *Audit Planning*.
- In one of 57 audits reviewed, the firm did not perform a retrospective review of certain accounting estimates in a significant account and disclosure to determine whether management's judgments and assumptions related to these estimates indicated possible bias on the part of management. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In two of 40 audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include one or more matters that were communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.
- In one of 40 audits reviewed, the firm's communication of a critical audit matter in the audit report included language that was inconsistent with information in the firm's audit documentation. In this instance, 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.*

- The firm's report on Form 2 omitted information related to certain arrangements, whether by contract or otherwise, with other entities through or from which the firm employed or leased personnel to perform audit services. In this instance, the firm was non-compliant with PCAOB Rule 2200, *Annual Report*.
- In three of 56 audits reviewed and in one other audit, the firm's report on Form AP either included inaccurate information or omitted information related to the participation in the audit by certain other accounting firms. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

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, for a nine-month period, 75 instances across 51 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 Rules 2-01(b) and/or 2-01(c) of Regulation S-X or PCAOB Rules 3523 or 3500T related to maintaining independence. Approximately 28% 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, and audit committee pre-approval requirements:

- The firm reported 54 instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, all but four of which occurred at the firm or involved its personnel. Of these 54 instances, 42 related to investments in audit clients and 12 related to other financial relationships with audit clients. Twenty-one of these financial relationships were instances related to a member of the audit engagement team, and 20 were related to a partner, principal, or managerial employee who provided 10 or more hours of non-audit services to an issuer. Of the total 42 instances related to investments in audit clients, 32 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 nine instances of potential non-compliance with Rule 2-01(c)(2) of Regulation S-X regarding employment relationships. All of these instances related to an employee of the firm who was also employed by an audit client, the majority of whom were staff-level employees of a non-U.S. associated firm.
- The firm reported five instances of potential non-compliance with Rule 2-01(c)(7) of Regulation S-X regarding audit committee pre-approval, four of which related to services performed by non-U.S. associated firms. All of these instances related to 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. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

April 11, 2024

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 2023 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 2023 Inspection of our Firm's 2022 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*.

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 have evaluated the instances of potential non-compliance with SEC or PCAOB rules related to independence included within the Report, all of which were self-identified. When a potential independence policy exception is identified, the matter is analyzed carefully with the Firm's independence specialists as described on page 13 of our 2023 Audit Quality Report (2023 AQR) to determine whether an exception to independence rules or standards has occurred. In all instances, the Firm and the relevant audit committee determined that the Firm's objectivity and impartiality were not impaired. We discuss our conclusions regarding objectivity and impartiality with the relevant audit committee of our audit client.

We appreciate that many of our stakeholders will review the PCAOB's report and this response. We wanted to therefore provide a link to our 2023 AQR to encourage our stakeholders to learn more about our system of quality management and how we delivered on our audit quality objectives over the past year. Our 2023 AQR describes the training, tools, and guidance we provide to our people to support

PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, www.pwc.com/us

them in maintaining independence, upholding our values, and executing a quality audit. In it, we describe the significant investments of both time and resources we have made to maintain and continually enhance audit quality and address potential risks to our independence. In addition, our January 2024 update to our 2023 AQR provides further insights into developments impacting our audits and the results of our audit quality monitoring.

In closing, we are fortunate to have capital markets that are aided by a strong and mature ecosystem and a strong regulatory environment that includes the PCAOB. At PwC, we are proud to be a part of the ecosystem, helping to facilitate transparency and instill confidence in the capital markets. While we recognize it is important to acknowledge and address the matters raised in the Draft Report in a thorough and thoughtful way, it is equally important to advance a holistic, forward-thinking approach to collectively enhance audit quality overall, continually advance the relevance of the profession, and help to safeguard our capital markets. With that objective in mind, as described in our 2023 AQR and January 2024 update, we committed to and have made considerable progress related to a series of bold, voluntary actions over several years to further enhance the quality of, and confidence in, the information that drives the capital markets. By addressing individual year inspection results and focusing on long-term improvements, we continually evolve our audit processes to adapt to changing circumstances and expectations.

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