2023 Inspection Moore MSLL Lima Lucchesi Auditores e Contadores Ltda.

(Headquartered in São Paulo, Brazil)

July 25, 2024

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

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

PCAOB RELEASE NO. 104-2024-123

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2023 INSPECTION

In the 2023 inspection of Moore MSLL Lima Lucchesi Auditores e Contadores Ltda., the Public Company Accounting Oversight Board (PCAOB) assessed the firm’s compliance with laws, rules, and professional standards applicable to the audits of public companies.

We selected for review one audit of an issuer with a fiscal year ending in 2021. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm’s system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm’s issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer’s financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm’s total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm’s audit work or of all of the audit procedures performed for the audits reviewed.

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

OVERVIEW OF THE 2023 INSPECTION

The following information provides an overview of our 2023 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	0
Total issuer audits in which the firm was not the principal auditor	1
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed[2]	1
Audits in which the firm was the principal auditor	0
Audits in which the firm was not the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	1
Percentage of audits with Part I.A deficiencies	100%

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

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

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection. For the issuer audit 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	
Audit area	**Audits reviewed**
Revenue and related accounts	1
Inventory	1
Cash and cash equivalents	1

PART I: INSPECTION OBSERVATIONS

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

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

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

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

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

This classification includes 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.

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 in audit(s) in which it was not the principal auditor, to fulfill the objectives of its role in the audit.

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

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

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

None

Audits with Multiple Deficiencies

Issuer A – Materials

Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified deficiencies in connection with the firm’s role in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, **Inventory**, **Journal Entries**, and **Evaluating Control Deficiencies**.

Description of the deficiencies identified

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

The firm selected a sample of transactions to test revenue. The firm did not perform procedures to evaluate whether the issuer met its performance obligations before revenue was recognized. (AS 2301.08 and .13)

With respect to **Accounts Receivable**:

To test accounts receivable, the firm sent positive confirmation requests to certain customers as of an interim date. The firm selected accounts receivable for testing that exceeded a monetary threshold. The firm did not perform any procedures to test the remaining population of accounts receivable. (AS 1105.27; AS 2301.08)

The following deficiencies were identified with respect to the firm's confirmation procedures:

- The issuer sent the confirmation requests on behalf of the firm. The firm did not maintain control of the confirmation requests through direct communication with the intended recipients of the confirmation requests. (AS 2310.28)

- The firm received electronic responses to confirmation requests. The firm did not consider performing procedures to address the risks associated with electronic responses, such as verifying the source and contents of the confirmation responses. (AS 2310.29)

- For the confirmation requests that were not returned, the firm did not perform alternative procedures that provided sufficient appropriate audit evidence that the recorded amounts of the accounts receivable were accurate as of the confirmation date. (AS 2310.31)

- The firm did not perform procedures, beyond inquiry of management, to extend its conclusions regarding the existence of accounts receivable from the interim date in which the audit procedures were performed to year end. (AS 2301.45)

With respect to **Inventory**:

The firm observed physical inventory counts on various dates prior to year end. The firm did not perform procedures to test intervening transactions between the dates of its inventory observations and the issuer's year end beyond obtaining a reconciliation of inventory balances from the count dates to year end. (AS 2510.12)

The firm did not perform any procedures to test:

- the existence of certain inventory. (AS 2510.09)

- the valuation of inventory reserves. (AS 2501.07)

- the appropriateness of costs recorded by the issuer for certain inventory. (AS 2301.08)

With respect to **Journal Entries**, for which the firm identified a fraud risk:

The firm did not:

- identify and test any controls over journal entries and other adjustments made in the period-end financial reporting process. (AS 2201.39)

- identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

With respect to **Evaluating Control Deficiencies**:

The firm communicated certain identified control deficiencies to the principal auditor as material weaknesses; however, the firm did not evaluate the severity of each identified control deficiency to determine whether the deficiencies, individually or in combination with other deficiencies, constituted a material weakness. (AS 2201.62)

Audits with a Single Deficiency

None

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

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

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

We identified the following deficiencies:

In the audit reviewed, the firm did not (1) inquire of management and others within the company about the risks of material misstatement, including fraud risks; and (2) hold a discussion among the key engagement team members about the potential for material misstatement due to fraud. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

PART I.C: INDEPENDENCE

In the 2023 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be 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.

While the firm did not bring to our attention any 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 associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

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.

June 06, 2024

Ms. Christine Gunia
Director – Division of Registration and Inspection
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United States of America

Response to the Public Company Accounting Oversight Board Draft Report on 2023 Inspection of Moore MSLL Lima Lucchesi Auditores e Contadores Ltda.

Dear Ms. Gunia.

We are pleased to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on 2023 Inspection of Moore MSLL Lima Lucchesi Auditores e Contadores Ltda.

We are constantly seeking to perform audit services with the best practices and unrestricted adherence to the regulatory standards of the profession, so that they are of greatest value to the users of these services, as required. Consequently, we can only be grateful for the completion of the inspection process by the PCAOB team, which provided us with valuable information that contributes to improving not only the procedures we adopt in performing audit services, but also those followed in the quality control function. of these services. As we expected, the PCAOB team performed a very careful and in-depth professional inspection that proved to be of great benefit to our purpose of continuous evolution.

We have evaluated all comments and suggestions in Part I and Part II of the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on 2023 Inspection and are taking appropriate corresponding action in accordance with PCAOB standards and our professional policies. We are committed to making the quality of the audit process our top priority and being responsive to areas of improvement identified by the PCAOB inspection team.

Respectfully submitted,

Moore MSLL Lima Lucchesi
Auditores e Contadores Ltda.

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Sergio Lucchesi Filho
Managing Partner