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# 2023 Inspection PricewaterhouseCoopers Auditores Independentes Ltda.

(Headquartered in Sao Paulo, Brazil)

September 12, 2024

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



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## TABLE OF CONTENTS

2023 Inspection.....	2
Overview of the 2023 Inspection and Historical Data by Inspection Year .....	3
Part I: Inspection Observations.....	5
Part I.A: Audits with Unsupported Opinions .....	6
Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules .....	9
Part I.C: Independence.....	9
Part II: Observations Related to Quality Control .....	11
Appendix A: Firm’s Response to the Draft Inspection Report.....	A-1

## 2023 INSPECTION

In the 2023 inspection of PricewaterhouseCoopers Auditores Independientes 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 three audits of issuers with fiscal years 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.

### 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 AND HISTORICAL DATA BY INSPECTION YEAR

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

## Firm Data and Audits Selected for Review

	2023	2020
<b>Firm data</b>		
<b>Total issuer audit clients in which the firm was the principal auditor</b>	17	14
<b>Total issuer audits in which the firm was not the principal auditor</b>	52	45
<b>Total engagement partners on issuer audit work<sup>1</sup></b>	38	32
<b>Audits reviewed</b>		
<b>Total audits reviewed<sup>2</sup></b>	3	3
<b>Audits in which the firm was the principal auditor</b>	1	2
<b>Audits in which the firm was not the principal auditor</b>	2	1
<b>Integrated audits of financial statements and internal control over financial reporting (ICFR)</b>	3	3
<b>Audits with Part I.A deficiencies</b>	3	2
<b>Percentage of audits with Part I.A deficiencies</b>	100%	67%

<sup>1</sup> 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.

<sup>2</sup> 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 and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023		2020	
Audit area	Audits reviewed	Audit area	Audits reviewed
Revenue and related accounts	2	Revenue and related accounts	3
Inventory	2	Cash and cash equivalents	3
Investment securities	1	Long-lived assets	2
Allowance for credit losses	1	Business combinations	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, (1) at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

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

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

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

### Classification of Audits with Part I.A Deficiencies

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

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

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

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

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

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

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

None

## Audits with Multiple Deficiencies

### Issuer A – Financials

#### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Allowance for Credit Losses ("ACL")**, for which the firm identified a significant risk.

#### Description of the deficiencies identified

The issuer's ACL was comprised of various components, including quantitative and complementary reserve components, and the issuer used various models and assumptions to determine the individual

components of the ACL. The firm's approach for substantively testing the ACL was to test the issuer's process. The following deficiencies were identified:

- The firm selected for testing a control that consisted of management's review and approval of certain studies performed to assess the reasonableness of the assumptions used by the issuer to determine a quantitative reserve component of the ACL. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm selected for testing two controls that consisted of management's review and approval of the models used by the issuer and the issuer's calculation of a complementary reserve component of the ACL. The firm did not evaluate the specific review procedures that the control owner performed to evaluate the reasonableness of a post-model adjustment included in this component of the ACL. (AS 2201.42 and .44)
- The firm selected for testing a control that consisted of management's monitoring of customers' financial condition through the use of a color-coded monitoring system to identify economic groups that experienced a decline in credit quality. The firm did not identify and test any controls over the accuracy and completeness of the data used in the operation of this control. (AS 2201.39) In addition, the firm did not evaluate the specific review procedures that the control owner performed to identify economic groups, which experienced a decline in credit quality. (AS 2201.42 and .44)
- The firm selected for testing a control that consisted of management's review and approval of the economic risk ratings used by the issuer to determine the quantitative component of the ACL. The firm did not evaluate the specific review procedures that the control owner performed to assess the reasonableness of these economic risk ratings. (AS 2201.42 and .44)
- The firm did not identify and test any controls over the valuation of assets collateralizing certain loans. (AS 2201.39)
- The firm did not evaluate whether the method used by the issuer, in certain models, to determine a complementary reserve component of the ACL was in conformity with the requirements of IFRS. (AS 2501.10) In addition, the firm did not evaluate the reasonableness of the significant assumptions used by the issuer in these models. (AS 2501.16)
- The firm did not perform procedures to evaluate the reasonableness of certain significant assumptions used by the issuer to determine the quantitative component of the ACL beyond, for one such assumption consisting of loan risk ratings, testing the mathematical accuracy of certain inputs for a sample of the issuer's risk rating models. (AS 2501.16)



## Issuer B – Consumer Staples

### 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** and **Inventory**.

### Description of the deficiencies identified

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

The firm selected for testing two controls over revenue that consisted of (1) management's review of information related to order entry, shipping, invoicing, and accounts receivable and (2) the issuer's performance of a gross to net revenue analysis. The firm did not identify and test any controls over the accuracy and completeness of certain reports used in the operation of these controls. (AS 2201.39) In addition, the firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

With respect to **Inventory**:

The firm selected for testing a control over inventory that consisted of management's review of standard versus actual costs used by the issuer to record inventory. The firm did not identify and test any controls over the accuracy and completeness of a report used in the operation of this control. (AS 2201.39)

## Audits with a Single Deficiency

## Issuer C – Consumer Staples

### Type of audit and related area affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified a deficiency in connection with the firm's role in the ICFR audit related to **Allowance for Doubtful Accounts**. The firm's internal inspection program had inspected this audit and reviewed this area but did not identify the deficiency below.

### Description of the deficiency identified

The firm selected for testing a control over accounts receivable that consisted of management's review and approval of the allowance for doubtful accounts. The firm did not identify and test any controls over the accuracy and completeness of certain system-generated data used in the operation of this control. (AS 2201.39)

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

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

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

We identified the following deficiencies:

In one audit reviewed and in 16 other audits, the firm's report on Form AP included inaccurate information and/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, 16 instances across 15 issuers,<sup>3</sup> in which the firm or its personnel appeared to have

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

impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X related to maintaining independence.

While we have not evaluated the underlying reasons for the instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including any associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to financial relationships and business relationships:

- The firm reported five instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, which occurred at the firm or involved its personnel. Of these instances, two related to investments in audit clients and three related to other financial relationships with audit clients. Three of these instances related to a member of an engagement team.
- The firm reported 11 instances of potential non-compliance with Rule 2-01(c)(3) of Regulation S-X regarding business relationships with companies that (1) were subsidiaries or affiliates of issuers or (2) appear to have been otherwise restricted under SEC rules due to their relationships with issuers.

The firm has reported to us that it has evaluated the instances of potential non-compliance for issuer audit clients in which the firm was the principal auditor and determined in all instances that its objectivity and impartiality were not impaired. In addition, the firm reported to us that it has communicated the remaining instances of potential non-compliance to the respective principal auditor for the principal auditor to evaluate its objectivity and impartiality. The firm also reported to us that, where applicable, it has communicated all of these instances to the issuers' audit committees in accordance with 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.

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

**Re: Firm ID Number 1351 Public Response to Draft Report on 2023 Inspection of PricewaterhouseCoopers Auditores Independentes Ltda.**

July 22, 2024

Dear Ms. Gunia:

We are pleased to provide our public response to the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") Draft Report on the Board's 2023 Inspection of our Firm's 2022 audits (the "Report").

We continue to support the PCAOB'S mission and value the insights provided by the PCAOB's inspection process. We also appreciate the professionalism of the PCAOB inspection team. The Firm's leadership and its partners maintain a strong commitment to audit quality, and we will continue to make investments to enhance audit quality, with a deep focus on the continuous enhancement of our system of quality controls.

We have evaluated each of the observations set forth in Part I – Inspection Observations of the Report and taken appropriate actions under both PCAOB standards and our policies. Our evaluation included those steps that we considered necessary to comply with AS No. 2901, Consideration of Omitted Procedures After the Report Date, and where applicable, AS No. 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements.

We look forward to continuing our dialogue with the PCAOB with respect to the objective of enhancing audit quality, which we believe is paramount to fulfill our responsibility to provide trust to all stakeholders, also aligned with the PCAOB objective. We would be pleased to discuss any aspect of our response or any further questions you may have.

Sincerely,

DocuSigned by  
  
DC79594942A240E...  
Fabio Cajazeira  
PwC Brazil Assurance Leader

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