
2019 Inspection

PricewaterhouseCoopers

(Headquartered in Dublin, Ireland)

June 16, 2021

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2019 Inspection

During the Public Company Accounting Oversight Board (“PCAOB”)’s 2019 inspection of PricewaterhouseCoopers, we assessed the firm’s compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the Irish Auditing and Accounting Supervisory Authority.

We selected for review three audits of issuers with fiscal years ending in 2018. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm’s system of quality control.

2019 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 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.

View the details on the [scope of our inspections and our inspections procedures](#).

Overview of the 2019 Inspection and Historical Data by Inspection Year

The following information provides an overview of our inspection in 2019 of the firm’s issuer audits. 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 Reviewed

	2019
Firm Data	
Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures	3
Total issuer audits in which the firm was not the principal auditor	46
Total engagement partners on issuer audit work¹	28
Audits Reviewed	
Total audits reviewed²	3
Audits in which the firm was the principal auditor	1
Audits in which the firm was not the principal auditor	2
Integrated audits of financial statements and internal control over financial reporting (“ICFR”)	3
Audits with Part I.A deficiencies	3

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) 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. The population of issuer audits from which audits are selected for review may differ from the issuer audits at the outset of the inspection procedures due to variations such as new issuer audit clients for which the firm has not yet issued an opinion or issuer audit clients lost prior to the outset of the inspection.

If a deficiency is included 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 issue 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.

The fact that we have included a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — 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 2019 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.

2019	
Audit area	Audits reviewed
Inventory	2
Revenue and related accounts	2
Cash and cash equivalents	1
Goodwill and intangible assets	1
Other audit area	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 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 deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) or fulfill the objectives of its role in the audit(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules. Consistent with the Sarbanes-Oxley Act ("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. Any such criticisms or potential defects are discussed in Part II. Further, you should not infer from any Part I deficiency or combination of deficiencies that a quality control finding is identified 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 sole 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 modified 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. Any deficiencies identified in connection with our reviews of these audits would be included 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 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). 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.

Issuer audits are presented 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 – Industrials

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**:

The component reported revenue from multiple revenue types and, for purposes of the audit, the firm grouped revenue into three categories. The following deficiencies were identified:

- For one category of revenue that was generally earned upon product shipment, the firm did not perform any procedures to evaluate differences identified, for certain revenue transactions selected for testing, between the shipping dates and dates in which revenue was recognized to determine whether revenue was recognized in the proper period. (AS 2301.08; AS 2810.03)
- For another category of revenue, the firm did not perform sufficient substantive procedures to test a portion of revenue because it did not select its sample in a manner that was representative of the entire population and, as such, the results of testing performed could not be projected to the entire population. (AS 2315.24) In addition, for certain sales transactions selected for testing related to sales arrangements in which the firm concluded had a single performance obligation, the firm did not perform any procedures to evaluate the appropriateness of the component's recognition of revenue in different periods for the respective arrangements. (AS 2301.08; AS 2810.03)

- The firm did not evaluate the effect of the (1) differences identified between the shipping dates and dates in which revenue was recognized and (2) inconsistencies in the component's revenue recognition practices for sales arrangements with a single performance obligation, both as described above, on the effectiveness of the component's ICFR, or report such matters to the principal auditor for its evaluation. (AS 2201.B8)

With respect to **Inventory**:

The component held inventory at multiple locations. For one location, the firm selected for testing two controls over inventory that consisted of periodic cycle counts and management's review and approval of adjustments to the perpetual inventory records resulting from those counts. The firm did not identify and test any controls over the accuracy and completeness of the data derived from the component's inventory system that was used in the operation of these controls. (AS 2201.39)

The firm's substantive procedures to test inventory at this location utilized certain data from the component's inventory system. The firm did not test, or in the alternative, identify and test controls over, the accuracy and completeness of these data, as discussed above. (AS 1105.10)

Issuer B

Type of audit and related area affected

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

Description of the deficiencies identified

The firm selected for testing a control consisting of a review of forecasts used in the issuer's impairment analysis, including an evaluation of the revenue growth and earnings assumptions underlying these forecasts. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow up. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of a reporting package used in the operation of this control. (AS 2201.39)

The firm's approach for testing the fair value measurement of goodwill was to review and test management's process. The following deficiencies were identified:

- The firm did not perform any procedures to test the accuracy of a report that was used to support certain assumptions. (AS 2502.26, .28, and .39)
- The firm did not evaluate the reasonableness of the earnings assumptions beyond inquiring of management as to certain cost saving initiatives underlying those assumptions. (AS 2502.26 and .28)
- The firm did not evaluate historical differences between earnings declines experienced by the issuer and those included in an industry market report that was used to support certain assumptions. (AS 2502.26, .28, .31, and .36)

Issuer C – Health Care

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 deficiencies in connection with the firm's role in the financial statement and ICFR audits related to **Revenue**.

Description of the deficiencies identified

The firm selected for testing a control that consisted of a review of all changes made to customer data, including sales prices, within the subsidiary's system. The firm did not identify and test any controls over the completeness of customer data included in a report used in the operation of this control. (AS 2201.39)

The sample size the firm used in certain of its substantive procedures to test revenue was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiency in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

Audits with a Single Deficiency

None

Part I.B: Other Instances of Non-Compliance with PCAOB Standards or Rules

In the 2019 inspection, we did not identify any deficiencies related to other instances of non-compliance with PCAOB standards or rules.

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.

Deficiencies are included 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.

Any changes or improvements to its system of quality control that the firm may have brought to the Board's attention may not be reflected in this report, but are taken into account during the Board's assessment of whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

Criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified, are nonpublic when the reports are issued. 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, any such deficiency will be made public.

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.



1 March 2021

Mr. George Botić, Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006

Re: Public Response to Draft Report on the 2019 Inspection of PricewaterhouseCoopers, Ireland

Dear Mr. Botić

On behalf of PricewaterhouseCoopers, Ireland, we are pleased to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Report on the 2019 Inspection of our Firm's 2018 audits.

The Firm's leadership and its partners have a strong commitment to maintaining and delivering high quality audits. We actively use feedback from both internal and external review processes to continuously improve audit quality. The PCAOB inspection and Report provides valuable insight that assists us in further improving the quality of our audits. Bringing value to the capital markets by consistently performing high-quality audits remains our top priority, and we will address the matters raised in the Report in a thorough and thoughtful way.

We have evaluated each of the observations set forth in Part I.A of the Report and we have taken appropriate actions under both PCAOB standards and our policies. Our evaluation included those steps we considered necessary to comply with AS 2901, Consideration of Omitted Procedures After the Report Date, and where applicable, AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated With An Audit of Financial Statements. Our evaluation did not result in changes to the issuer's financial statements or to our report thereon or in changes to our reports to principal auditors.

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

Yours sincerely,

Feargal O'Rourke
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Located at Dublin, Cork, Galway, Kilkenny, Limerick, Waterford and Wexford

Chartered Accountants

PricewaterhouseCoopers is authorised by Chartered Accountants Ireland to carry on investment business.

