Inspection of
Deloitte Auditores y Consultores Limitada

Issued by the
Public Company Accounting Oversight Board

December 22, 2008

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
Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.

2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.

3. Board inspections encompass, among other things, whether the firm has failed to identify departures from U.S. Generally Accepted Accounting Principles ("GAAP") or Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning an issuer's compliance with GAAP or Commission disclosure requirements, rests with the Commission. Any description, in this report, of perceived departures from GAAP or Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.
INSPECTION OF DELOITTE AUDITORES Y CONSULTORES LIMITADA

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Deloitte Auditores y Consultores Limitada1/ ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.2/

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.3/ A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

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1/ The Firm has issued audit reports under the names of Deloitte & Touche Sociedad de Auditores y Consultores Limitada, Deloitte, and Deloitte and Touche.

2/ 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 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 at all. 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.

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection at various times from December 12, 2005 to December 16, 2005 and June 23, 2006 to June 30, 2006. These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices 4 (Antofagasta, Concepción, Santiago, and Viña del Mar, Chile)

Ownership structure Limited liability company (Sociedad de responsabilidad limitada)

Number of partners 38

Number of professional staff\[4/\] 697

Number of issuer audit clients\[5/\] 7

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\[4/\] "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

\[5/\] The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.
Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm’s quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer’s financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with GAAP. It is not the purpose of an inspection, however, to review all of a firm’s audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm’s audits, or its issuer clients’ financial statements, are free of any deficiencies not specifically described in an inspection report.

A. Review of Audit Engagements

The inspection procedures included a review of aspects of the Firm’s auditing of financial statements of two issuers. The scope of this review was determined according to the Board’s criteria, and the Firm was not allowed an opportunity to limit or influence the scope.

The inspection team identified what it considered to be audit deficiencies. The deficiencies identified in two of the audits reviewed included deficiencies of such

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6/ This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

7/ When it comes to the Board’s attention that an issuer’s financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP, the Board’s practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers’ financial statements.

8/ PCAOB standards require a firm to take appropriate actions to assess the importance of audit deficiencies identified after the date of the audit report to the firm’s
significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.9/ Those deficiencies were –

(1) the failure to sufficiently test controls prior to placing reliance on such controls;

(2) the failure to perform sufficient procedures to test revenues;

(3) the failure to perform sufficient procedures to test vendor rebates; and

(4) the failure to perform sufficient procedures to test compliance with debt covenants.

present ability to support its previously expressed opinions. See AU 390, Consideration of Omitted Procedures After the Report Date, and AU 561, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report (both included among the PCAOB’s interim auditing standards, pursuant to PCAOB Rule 3200T). Failure to comply with these PCAOB standards could be a basis for Board disciplinary sanctions.

9/ In some cases, an inspection team’s observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a firm claims to have performed the procedure. PCAOB Auditing Standard No. 3, Audit Documentation (“AS No. 3”), provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. See AS No. 3, paragraph 9; Appendix A to AS No. 3, paragraph A28. For purposes of the inspection, an observation that the Firm did not perform a procedure, obtain evidence, or reach an appropriate conclusion may be based on the absence of such documentation and the absence of persuasive other evidence.
B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific audits, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance and the following eight functional areas (1) tone at the top; (2) practices for partner evaluation, compensation, admission, assignment of responsibilities, and disciplinary actions; (3) independence implications of non-audit services; business ventures, alliances, and arrangements; personal financial interests; and commissions and contingent fees; (4) practices for client acceptance and retention; (5) practices for consultations on accounting, auditing, and SEC matters; (6) the Firm's internal inspection program; (7) practices for establishment and communication of audit policies, procedures and methodologies, including training; and (8) the supervision by the Firm's audit engagement teams of the work performed by non-Chilean affiliates on non-Chilean operations of the Firm's issuer audit clients. Any defects in, or criticisms of, the Firm's quality control system are discussed in the nonpublic portion of this report and will remain nonpublic unless the Firm fails to address them to the Board's satisfaction within 12 months of the date of this report.

END OF PART I
PARTS II AND III OF THIS REPORT ARE NONPUBLIC
AND ARE OMITTED FROM THIS PUBLIC DOCUMENT
PART IV

RESPONSE OF THE FIRM TO 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, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.10

10/ In any version of this report that the Board makes publicly available, any portions of the Firm's response that address nonpublic portions of the report are omitted unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.
October 20, 2008

Mr. George Diacont
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006
USA


Dear Mr. Diacont:

Deloitte Auditores y Consultores Limitada (“Deloitte” or the “Firm”) is pleased to submit its response to the Public Company Accounting Oversight Board’s (the “Board”) September 29, 2008 draft of its Report on the Inspection of the Firm (the “Draft Report”). We are supportive of the inspection process and believe the Board’s comments and observations enhance the ability to achieve our shared objective of improving audit quality.

Deloitte is committed to the highest standards of audit quality. We continually monitor the systems and processes for our audit practice, including quality control, and, among other things, make changes to methodologies, policies, and procedures when we identify improvements that could enhance audit quality. We will thoroughly consider the Board’s comments and concerns addressed in the Draft Report, assess whether we have already initiated actions that address those concerns, and consider whether additional actions are necessary.

We have evaluated the matters identified by the Board’s inspection team for each of the four asserted audit deficiencies described in Part I of the Draft Report, and as discussed in more detail in our response to Part II of the Board’s report, while we respectfully disagree with several aspects of the conclusions related to the asserted audit deficiencies, we believe we
have taken appropriate actions in response to these matters. In evaluating the matters identified, we have considered whether it was necessary to perform additional auditing procedures in accordance with AU 390, Consideration of Omitted Procedures after the Report Date. For each matter, we have supplemented our documentation to add clarity or we have performed certain additional procedures in response to the inspection findings. In all instances where we performed and/or documented additional auditing procedures, none of our conclusions or our reports on the Issuers’ financial statements were affected.

We believe that the observations included in the Draft Report reflect the fact that professional judgments are involved both in auditing an Issuer’s financial statements as well as in subsequently inspecting any such audits. Professional judgments of reasonable and highly competent people may differ as to the nature and extent of necessary auditing procedures, conclusions reached and required documentation. We believe that reasonable judgments should not be second guessed and therefore disagree with a number of comments as indicated below.

Part 1 of the Draft Report states “The inspection team identified what it considered to be audit deficiencies. The deficiencies identified in both of the audits reviewed included deficiencies of such significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer’s financial statements.” We disagree with this assertion with respect to the two audits reviewed, for the reasons discussed below.

1. Failure to sufficiently test controls prior to placing reliance on such controls. This comment relates to one of the audits reviewed and the deficiencies in the segregation of duties identified through the application of a software program. As we discussed with the Board’s inspection team, most of the matters noted were not internal control weaknesses. In addition, we identified and tested an alternative control that had been effective since May 2001, as well as non-automatic controls that achieved the internal control objectives and mitigated the few identified weaknesses. We believe the audit procedures performed, conclusions reached and related documentation were appropriate in the circumstances and, accordingly, we believe such observation should not be included in the final report.

2. Failure to perform sufficient procedures to test revenues. This comment relates to one of the audits reviewed and the level of disaggregation to test revenues through substantive analytical procedures. The statistical tool we used performed a regression analysis based on a logical business relationship between a reliable predicting variable (cost of sales) and the test variable (sales) and used audited data for the previous seven years, disaggregated on a monthly basis. We believe the audit procedures performed, conclusions reached and related documentation were appropriate in the circumstances and, accordingly, we believe such observation should not be included in the final report.
3. **Failure to perform sufficient procedures to test vendor rebates.** This comment relates to one of the audits reviewed. As we explained to the Board’s inspection team, we confirmed the net balances due to vendors and the confirmations received from the vendors clearly detail the vendor rebates, which were compared to the Company’s accounting records without exception. We believe that the procedures performed, the conclusions reached and the related documentation were appropriate in the circumstances and, accordingly, we believe this observation should not be included in the final report.

4. **Failure to perform sufficient procedures to test compliance with debt covenants.** This comment relates to one of the audits reviewed. As we explained to the Board’s inspection team, the compliance with debt covenants was reviewed but not documented. In accordance with PCAOB Auditing Standard No.3, the additional documentation needed has been added to the work papers.

We are available to the Board and its staff to discuss our response in further detail. Please contact Ricardo Briggs at +56-2-7297152.

Sincerely,

[Signature]

Deloitte Auditores y Consultores Limitada