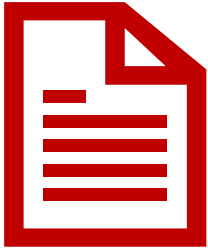


The PCAOB Inspection Report

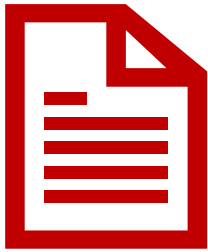
Division of Registration and Inspections
PCAOB SEIAG Meeting
May 6, 2026

INSPECTION REPORT COMPONENTS



- Executive Summary.
- Overview of the current year inspection and historical data by inspection year.
 - Scope of the current inspection and the results of the inspections for the current and prior two inspections, as applicable.

INSPECTION REPORT COMPONENTS (CONTINUED)



- Part I – Inspection Observations: This section of the inspection report includes a general discussion of the type of matters that are included in Part I.A, I.B, and I.C of the inspection report.
 - Part I.A – Audits with unsupported opinions.
 - Audits with an Incorrect Opinion on the Financial Statements and/or ICFR
 - Audits with Multiple Deficiencies
 - Audits with a Single Deficiency

INSPECTION REPORT COMPONENTS (CONTINUED)

- Part I.A – Audits with unsupported opinions.

Example of Part I.A audits with a Single Deficiency:

Issuer H – Financials

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to Investment Securities.

Description of the deficiency identified

The issuer recorded available-for-sale securities at fair value. The firm selected for testing a control that included comparing recorded prices from an external service provider to prices determined by the control owner. The firm did not evaluate the specific review procedures that the control owner performed to (1) determine the comparative prices and (2) to identify items for follow-up. (AS 2201.42 and .44)

INSPECTION REPORT COMPONENTS (CONTINUED)

- Part I.B – Other instances of non-compliance with PCAOB standards or rules.

Examples of Part I.B deficiency:

- In one of 57 audits reviewed, the firm did not make a required communication to the audit committee related to corrected misstatements. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of 52 audits reviewed, the firm's communication of a critical audit matter in the auditor's report did not accurately refer to the relevant financial statement accounts or disclosures related to the critical audit matter. 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*.

INSPECTION REPORT COMPONENTS (CONTINUED)

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

Example of Part I.C deficiency:

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of noncompliance with PCAOB rules related to maintaining independence: Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it does not obtain audit committee pre-approval for audit and non-audit services. In one audit reviewed, we identified one instance for one issuer in which this circumstance appears to have occurred related to audit services, including quarterly reviews.

Firm-Identified

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.

INSPECTION REPORT COMPONENTS (CONTINUED)

- Part II – Observations related to quality control.

Excerpt from Sarbanes-Oxley Act of 2002

“... no portions of the inspection report that deal with criticisms of or potential defects in the quality control systems of the firm under inspection shall be made public if those criticisms or defects are addressed by the firm, to the satisfaction of the Board, not later than 12 months after the date of the inspection report.”

Example of Part II observations (from a report that includes public quality control criticisms)

Testing Revenue

The inspection results indicate that the firm’s system of quality control does not provide reasonable assurance that the work performed by the firm’s personnel with respect to testing revenue will meet the requirements of AS 1105 and AS 2301. (QC 20.03 and .17) In one audit, which is included in Part I.A, the inspection team identified deficiencies related to the firm’s testing of revenue.

VIEWS ON INSPECTION REPORT

- **Level of Details of Public Findings**

- What category(ies) of findings (i.e., Part I.A, Part I.B, Part I.C, and Part II portions made public) and other information (e.g., tables and graphs) currently included in the public inspection report is most meaningful to you as a stakeholder?
 - Is there any information currently included in the public portions of the inspection report that is of least or no use to you?
 - What additional information not currently included in the public portions of the inspection report would you find beneficial to include, and why?
- What level of detail for publicly reported findings and other information in the public inspection report (e.g., issuer engagement level, financial statement line items level) is useful to you?
- Recognizing the level of detail may influence timeliness of inspection reporting, what is your view on the tradeoff between value of providing detailed information with the timeliness of it?



- **Part I Section: Public Findings**
 - What factors should we consider to inform how inspection findings are described and which categories of findings are made public?

VIEWS ON INSPECTION REPORT (CONTINUED)



- **Other**
 - Are there any other views that you might have about the inspection process and reporting?