

SPOTLIGHT

Staff Update on 2025 Inspections of Public Company Audits

October 2026



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OVERVIEW

The PCAOB's inspection program advances the organization's investor-protection mission by driving improvements in audit quality and strengthening confidence in public company audits. As mandated by the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), PCAOB inspections are designed to assess an audit firm's compliance with applicable laws, rules, and standards. Inspections observations also inform the PCAOB's broader efforts to improve audit quality, including standard setting and guidance, publications, resources, and forums, particularly for smaller accounting firms.

In 2025, the staff of the PCAOB's Division of Registration and Inspections ("staff," "we," or "our") inspected 143 PCAOB-registered public accounting firms ("audit firms" or "firms") and reviewed portions of 780 public company (or "issuer" – see the Appendix for certain definitions) audits. Inspections primarily related to audits of public companies with fiscal years ended in 2024 that were completed during 2025. Staff procedures were designed to be responsive to financial reporting and audit risks associated with economic conditions, particularly those that may require complex accounting or significant auditor judgment. Where appropriate, engagement selections also included an element of unpredictability. This approach helps promote coverage of a broader range of audits and audit risks.

This Spotlight presents a high-level overview of our 2025 public company audit inspections. The information in this Spotlight does not

Key takeaways: Staff observed continued improvement in audit quality across a broad range of inspected firms. Part I.A¹ deficiency rates declined across several firm categories, including the Big Four² U.S. firms, and in several audit areas that historically generated significant inspection findings. The results presented for 2025 remain estimates until the related inspections are finalized and inspection reports are published.

address the PCAOB's 2025 inspections of U.S. Securities and Exchange Commission (SEC)-registered brokers and dealers ("broker-dealers") audits, which are separately addressed in the PCAOB's "Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers." Additional information is available on the PCAOB website's [Information for Auditors of Broker-Dealers](#) page.

Each year, we publish aggregate inspection data to provide additional insight into our inspection-related activities and results. This transparency provides stakeholders with additional information about inspection results and trends over time. Our inspection reports describe deficiencies that could render the related audit report unreliable because the auditor did not obtain sufficient appropriate evidence. By promoting high-quality audits, this work supports investor protection, investor confidence, and fair and orderly markets.

¹ For purposes of this Spotlight, Part I.A deficiency rates include engagements that we have inspected that have or are expecting to have one or more comment forms that may lead to inspection findings included in Part I.A of an inspection report.

² The Big Four U.S. audit firms are commonly known to be Deloitte & Touche LLP ("DT"), Ernst & Young LLP ("EY"), KPMG LLP ("KPMG"), and PricewaterhouseCoopers LLP ("PwC").

Frequency and Categorization of Firm Inspections

Generally, audit firms that audit public companies are selected for an inspection based on the number of public company audit reports they release each year. In accordance with Sarbanes-Oxley, audit firms that issue audit reports for more than 100 issuers are inspected annually, and audit firms that issue audit reports for 100 or fewer issuers are inspected at least on a triennial basis. Refer to the Appendix for certain definitions.

We currently categorize audit firms in our inspection program as follows:

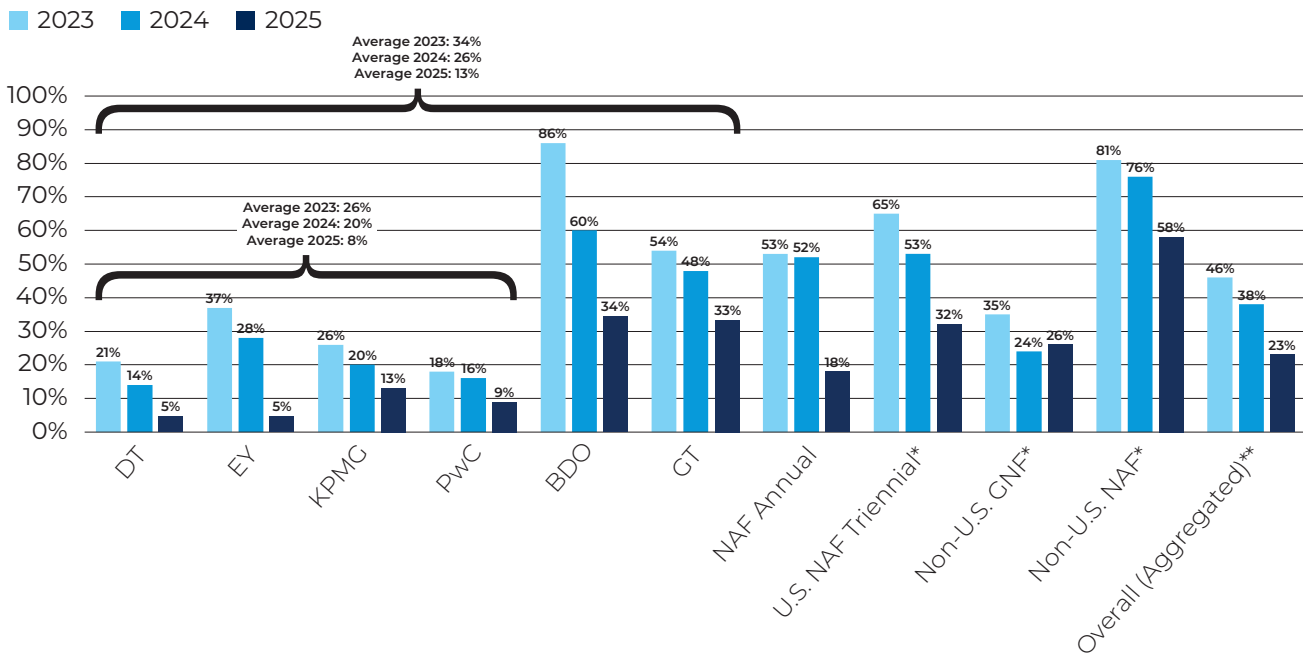
- **U.S. Global Network Firm (GNF)** – These firms are headquartered in the U.S. and are members of global networks through which they affiliate with firms in other countries for various business and client service purposes. Registered public accounting firms provide information about those affiliations in their annual reports on their PCAOB Form 2. These U.S. firms all issue audit reports for more than 100 issuers each year and are therefore inspected annually.
- **Non-U.S. GNF** – These firms are headquartered outside of the U.S. and are members of global networks. Currently, these firms are generally inspected on a triennial basis because they issue audit reports for 100 or fewer issuers per year.
- **Non-Affiliated Firm (NAF) Annual** – These firms are non-affiliated firms that are inspected annually because they issue audit reports for more than 100 issuers per year. Currently, all NAF Annual firms are headquartered in the U.S.
- **U.S. NAF Triennial** – These firms are non-affiliated firms that are headquartered in the U.S. and are generally inspected on a triennial basis because they issue audit reports for 100 or fewer issuers per year.
- **Non-U.S. NAF** – These firms are non-affiliated firms that are headquartered outside of the U.S. and are generally inspected on a triennial basis because they issue audit reports for 100 or fewer issuers per year.

Continued Improvement

Staff has observed continued improvement in audit quality across a broad range of inspected firms based on the PCAOB's 2025 inspection results. Although results vary among firms and the categories of firms in our inspection program, the overall decline in Part I.A deficiency rates suggests that measures undertaken by many firms in recent years continue to build momentum and drive an ongoing positive effect on consistent audit execution in accordance with the PCAOB standards.

Figure 1 provides a three-year summary of inspection results.

Figure 1 – Inspection Part I.A Deficiency Rates



* The overall 2025 Part I.A deficiency rates are estimates because some inspections have not been finalized and the corresponding inspection reports have not been published. Results for 2023 and 2024 that appear above may differ from those presented in previous Spotlights because the PCAOB updates the data as additional inspection reports are published.

** The 2025 overall result is an estimate, as indicated above.

Overall, the aggregate Part I.A deficiency rates among inspected firms have continued to decrease over the last three inspection cycles. This trend has been most clear for firms headquartered in the U.S.

- For the Big Four U.S. firms, the Part I.A deficiency rate declined from 26% in 2023 to 20% in 2024 and 8% in 2025. As of December 31, 2025, these firms collectively audit approximately 80% of the market capitalization of public companies listed on U.S. exchanges.

- When looking at all of the GNFs,³ Part I.A deficiency rates declined from 34% in 2023 to 26% in 2024 and 13% in 2025.
- The NAF Annual firms Part I.A deficiency rates declined from 53% in 2023 to 52% in 2024 and 18% in 2025.
- The Part I.A deficiency rate among U.S. NAF Triennial firms declined from 65% in 2023 to 53% in 2024 and 32% in 2025.

Results for non-U.S. firms were mixed. The Part I.A deficiency rate for Non-U.S. GNFs increased

³ The Big Four, BDO USA, P.C. ("BDO"), and Grant Thornton LLP ("GT").

slightly from 24% in 2024 to an estimated 26% for the 2025 inspection cycle, while results for Non-U.S. NAFs also varied across the firms inspected. These results may reflect differences in the mix of firms and audits reviewed from year to year. In addition, Part I.A deficiencies may be concentrated at a relatively small number of firms, and improvements in some geographic regions may be offset by weaker results in others. The 2025 non-U.S. inspection population also included a number of firms inspected for the first time. Because these firms have no prior inspection results for comparison, their inclusion can affect year-to-year aggregate deficiency rates and further limits the conclusions that can be drawn from the aggregate annual changes.

Staff Observations of Improvement

Although staff has not studied the causes of the overall improvements, staff observations and interactions with the firms suggest that several developments may be relevant when evaluating annual inspection results alongside recent multi-year trends, recognizing that firm actions can take years to affect audit execution. The PCAOB's Spotlight – "Staff Update and Preview of 2024 Inspection Activities" – also highlighted potential drivers of improvement, including more in-person work, more focused training, additional resources, and improved supervision and review. These drivers continued to impact audit quality in the 2025 inspection cycle. We observed sustained focus on quality control, accountability, and use of technology, among other factors, which seemed to contribute to the continued improvement reflected in the 2025 inspection results. More specifically, staff has observed the following:

- Firms appear to be strengthening leadership accountability for audit quality, including potentially in preparation for

the effective date of QC 1000, *A Firm's System of Quality Control*, by setting clearer expectations, focusing on areas that have historically generated inspection findings, and aligning partner responsibilities and issuer portfolios with audit quality objectives.

- Some firms also described using workload metrics or thresholds to assess whether partners have capacity for new and existing issuer audit engagements.
- Firms also appear to be continuing to strengthen quality control practices at the audit engagement level including in areas such as supervision, engagement quality reviews, and monitoring activities. These have increasingly included (1) targeted pre-issuance review programs in areas with recent recurring engagement review deficiencies and (2) revised templates, standardized audit procedures, and smart forms to specifically address recurring deficiencies.
- Firms have developed more focused training in needed improvement areas such as internal control over financial reporting (ICFR), revenue recognition, estimates, and fraud considerations. In addition, certain firms implemented training targeted to inspection findings that address root causes to prevent repeat deficiencies.
- In client acceptance and continuance processes, some firms performed portfolio reviews, used templates to support consistent decisions, and more critically assessed whether they had the industry or subject matter expertise and resources needed to conduct the audit.
- Certain firms are leveraging greater standardization of firm methodologies and audit procedures, centralized resources, coaching, and other tools to support engagement teams and prevent or get

ahead of issues earlier in the audit process. Staff observed examples of firms tailoring risk assessments, involving specialists throughout the audit or as needed, and encouraging voluntary consultations in complex areas.

- Technology may also play a role in helping firms improve consistency in execution, although its impact on audit quality continues to evolve. Firms described using technology-enabled prompts, standardized templates, and workpaper enhancements to promote more consistent and complete audit documentation. Across a number of firms and audit engagements reviewed, inspection staff observed clearer and more complete audit documentation supporting significant judgments and audit procedures than in prior years.

Separate from the firm-driven factors described above, the PCAOB conducts outreach to communicate inspection observations and other relevant information to firms. Through publications, forums, workshops, web-based resources, and other engagement, staff seek to make information available that firms may use to strengthen audit methodologies, training, supervision, and quality control systems. Because these activities have been conducted during periods with both higher and lower deficiency rates, staff cannot isolate their effect on the observed changes in Part I.A deficiency rates or identify them as a cause of the recent improvements. Nevertheless, staff believe outreach is an important mechanism for sharing information that may support improvements in audit quality.

Examples of PCAOB outreach to make inspection-related information and implementation resources more useful and accessible include:

- Publishing a new [online resource page for smaller firms](#).

Inspection Data on the PCAOB Website

To improve transparency, we periodically update our website with charts presenting inspection-report data for the PCAOB's U.S. GNF and U.S. NAF annual inspection categories. The charts help stakeholders understand and compare inspection results across firms and over time.

The charts are available on our website at **[Inspection Data for U.S. Global Network Firms and Inspection Data for Non-Affiliate Annual Firms](#)**.

- Publishing the "Audit Focus" publication series for smaller firms, which has covered topics such as journal entries, auditing estimates, and engagement acceptance.
- Creating [a web page with videos and other resources tailored to non-U.S. firms to help these firms](#) understand and comply with PCAOB standards and rules.
- Increasing the number of the PCAOB's forums for auditors of smaller businesses and broker-dealers, many of which are livestreamed and available to view on the PCAOB's website after the forum is held.
- Holding in-person and virtual workshops to help smaller audit firms implement the new QC 1000 standard.
- Creating a [Smaller Firm Resource Group](#), which holds several meetings each year to enable the staff to get a better understanding of topics relevant to smaller firms.

INSPECTION INFORMATION

Figures 2 and 3 summarize our inspection activities by audit firm category for the period from 2023 to 2025. The number of NAF Annual firms may change from year to year because annual-inspection status depends on the number of issuers for which each firm provides an audit report.

Figure 2 – Number of Firms Inspected in Our Programs by Audit Firm Category

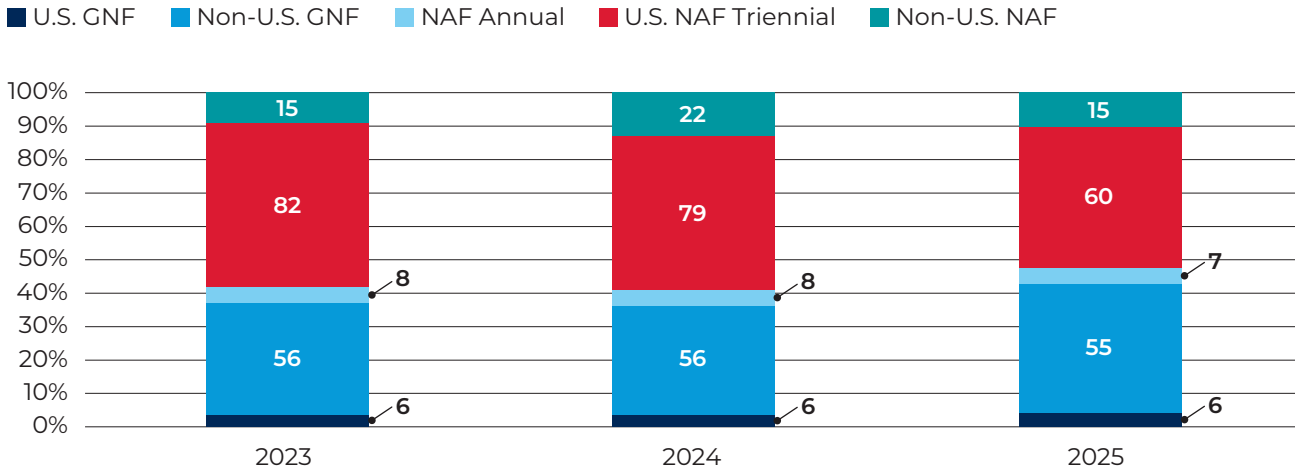
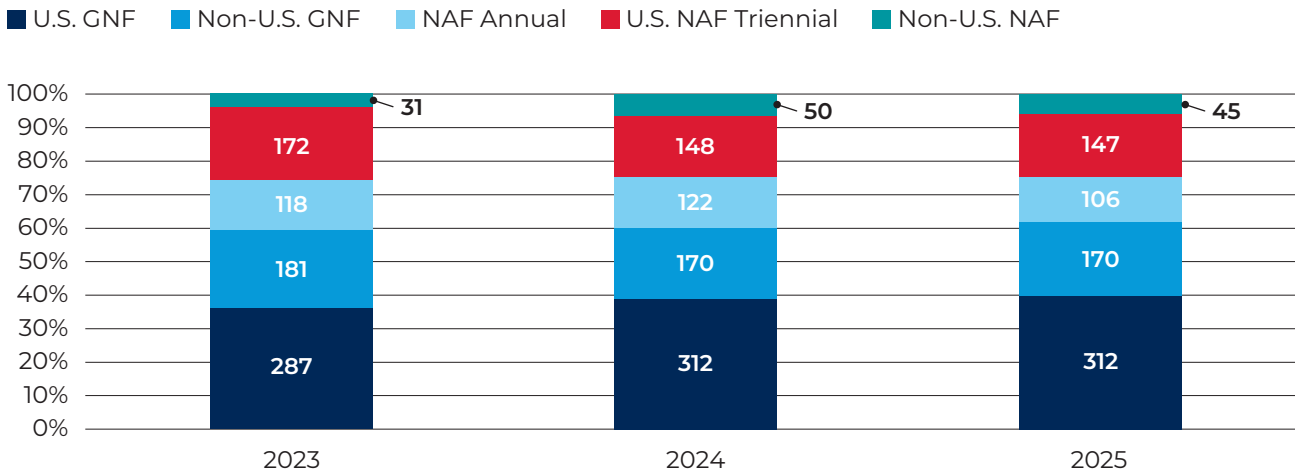


Figure 3 – Engagements Reviewed in Our Programs by Audit Firm Category



Targeted Reviews in 2025

The PCAOB's U.S. GNF inspections in 2025 included targeted reviews of areas related to emerging audit risks and issues. Targeted reviews consisted of inspecting portions of public company audits related to the following areas:

- Audit work completed at shared service centers.
- U.S. firm participation as an other auditor, when another member firm is the lead auditor.
- Technology-based tools (e.g., software audit tools) used to analyze information in electronic form.
- Cash flow statements, segment reporting, and disclosures related to supplier finance programs.

During 2025, instead of using a dedicated target team across all topics selected for a targeted review as in prior years, we began shifting to an approach that leverages multiple teams comprised of inspectors highly specialized in a particular targeted review topic.

Inspection Profile Information

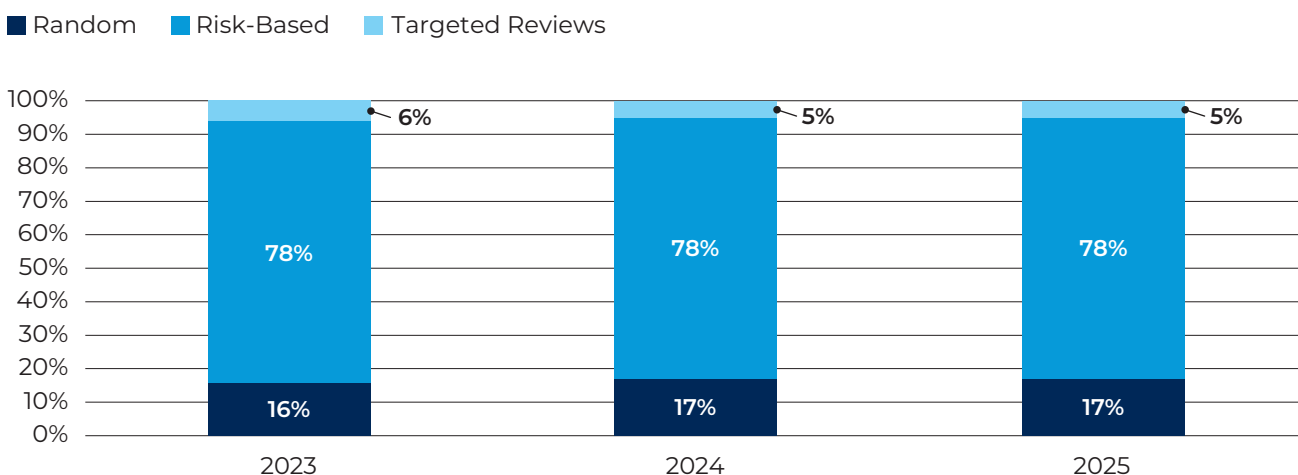
Figures 4 and 5 present profile information related to the audits inspected at annually inspected firms.

Annually inspected firms have a larger pool of engagements subject to inspection. For these firms, we select engagements to review using both a risk-based and random selection methods.

Among randomly selected engagements, we expect approximately 19% and 7% will be included in Part I.A of the inspection reports for 2024 and 2025, respectively.

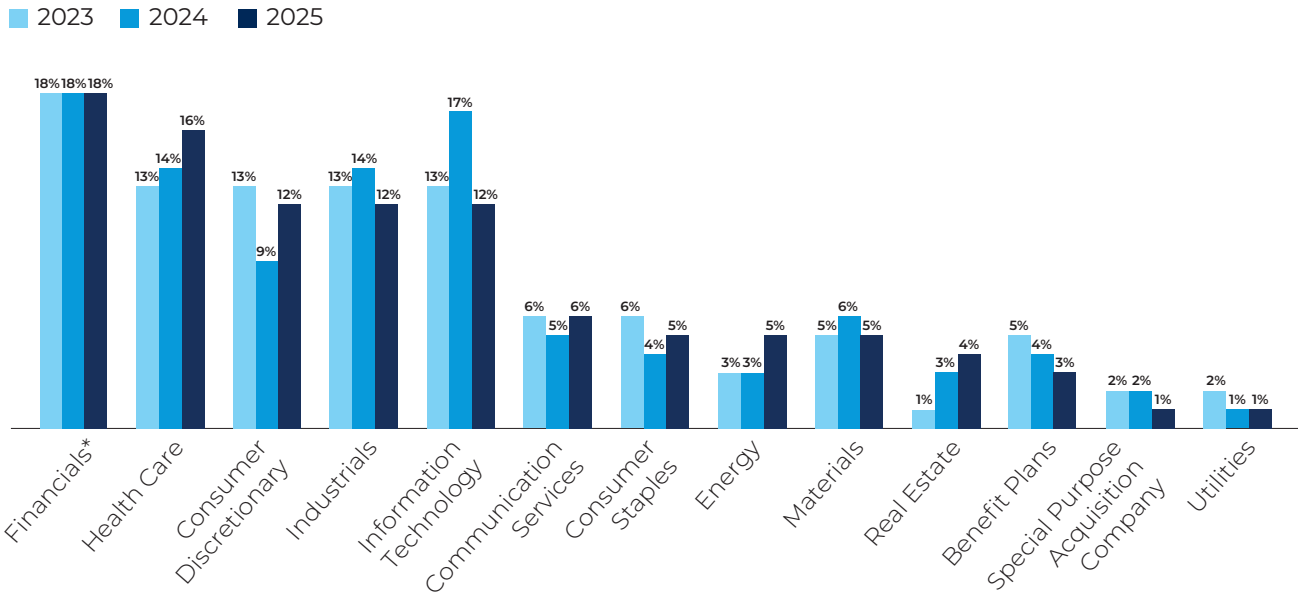
Among risk-based selected engagements, we expect approximately 36% and 16% to be included in Part I.A of the inspection reports for 2024 and 2025, respectively.

Figure 4 – Selection Method for Audit Engagements (Annual Firms Only)



We follow the Global Industry Classification Standards (GICS), as reported by S&P Global Ratings, to categorize our inspection reporting by industry.

Figure 5 – Audit Engagements Inspected by Industry Sector



* The Financials GICS sector includes industry classifications for companies engaged in Banking, Financial Services, Consumer Finance, Capital Markets, and Insurance activities. It also includes Financial Exchanges & Data and Mortgage Real Estate Investment Trusts. Within this GICS category, we consider public companies that account for loan losses and take deposits from customers to be a bank for purposes of our inspection reporting. Certain public companies also account for loan losses because they finance purchases, however, we do not count these as banks.

For the engagements we reviewed in 2023, 2024, and 2025, integrated audits accounted for 59%, 59%, and 60% of all audit engagements, respectively. Integrated audits include an audit of ICFR; non-integrated audits do not. Audits of public companies subject to ICFR audit

procedures are primarily performed by firms in the U.S. GNF and non-U.S. GNF inspection categories. Only accelerated filers that are not emerging growth companies and large accelerated filers (as defined by the SEC) must provide an auditor's report on ICFR.

International Financial Reporting Standards

Most inspections are performed on audits of public companies that prepare their financial statements in accordance with U.S. Generally Accepted Accounting Principles. The PCAOB also conducts many non-U.S. inspections, where the public company is domiciled outside the U.S. and may use International Financial Reporting Standards (IFRS) to prepare its financial statements. For inspections of these audits, we assign staff members with experience in IFRS. For inspection cycles 2023, 2024, and 2025, inspections where the basis of accounting was IFRS constituted 14%, 15%, and 14% of total engagements inspected, respectively.

COMMON PART I.A DEFICIENCIES

Staff observed improvement in several frequently inspected audit areas and fewer deficiencies in many areas that historically contributed significantly to inspection findings.

Among the integrated audits reviewed, the percentage with at least one ICFR deficiency declined from 30% in 2023 to 27% in 2024 and 14% in 2025. Figure 6 highlights the areas of ICFR audits that generated the most comment forms since 2023 and shows where those deficiencies are concentrated. Although the overall incidence of ICFR deficiencies has declined, the areas of concentration remained relatively consistent over the three-year period. Percentages are calculated using the number of ICFR comment forms issued each year. Because a single comment form may identify deficiencies in multiple areas, the percentages may total more than 100%. Presentations in prior Spotlight documents calculated percentages using the aggregate number of deficiencies across the areas presented and, therefore, totaled 100%. Prior-year data has been recalculated using the current methodology to provide a consistent basis for comparison. The revised presentation does not affect the overall trends observed.

Figure 6 – Nature of ICFR Auditing Deficiencies

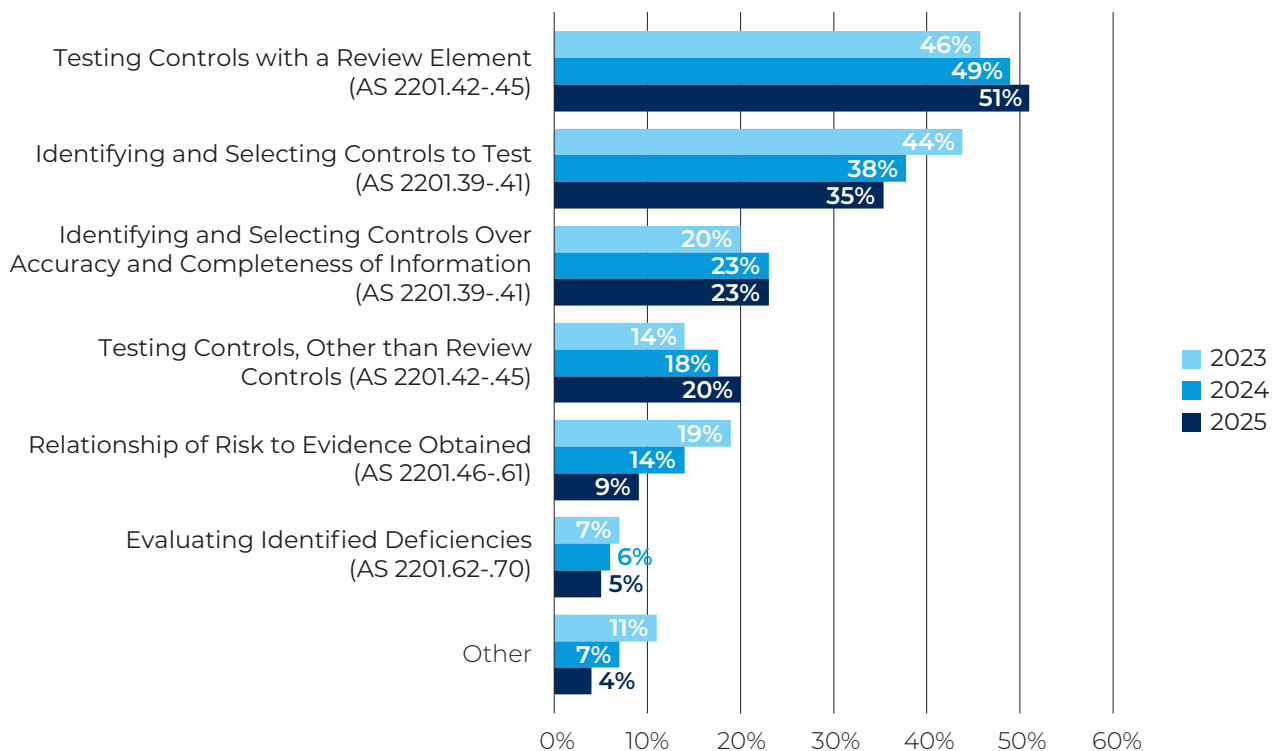
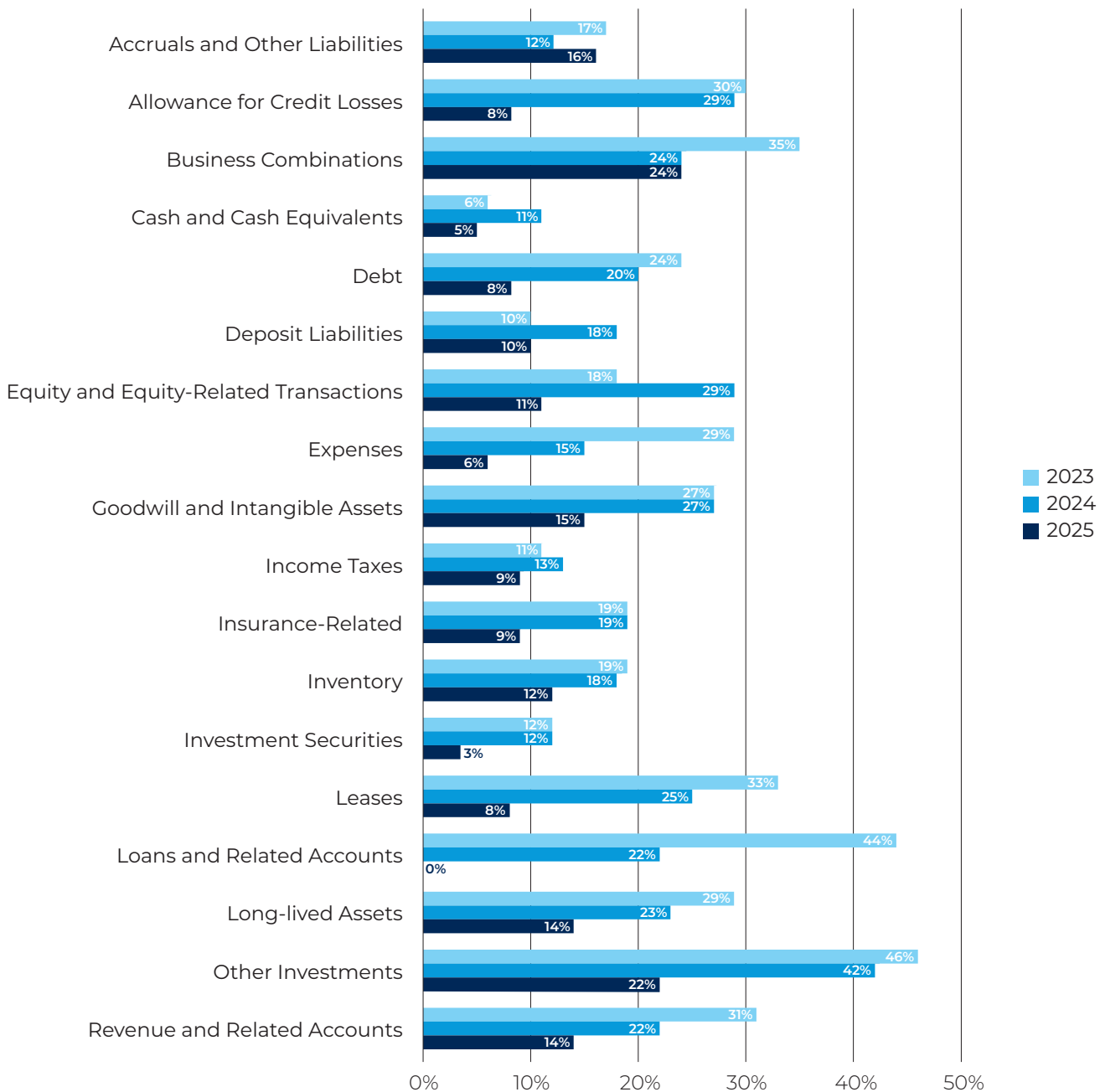


Figure 7 summarizes financial statement audit areas that generated the most comment forms.

Figure 7 – Common Financial Statement Deficiency Areas, Excluding ICFR



LOOKING AHEAD

As firms implement QC 1000, *A Firm's System of Quality Control* (effective on December 15, 2026), our inspections are expected to place greater emphasis on understanding and evaluating firms' quality control systems. As firms develop more robust risk assessment, monitoring, and remediation processes under QC 1000, inspections may use information about a firm's QC system to better identify areas of audit risk and focus inspection procedures where they can have the greatest impact.

Looking ahead, staff will consider input from the PCAOB's [Inspections Modernization Council](#) and other stakeholder outreach in

developing a more risk-based and quality control-informed inspection approach. Staff will also evaluate whether and how firms' monitoring activities, quality management processes, and technology-enabled tools can inform inspection planning and execution. As firms continue to expand their use of data analytics, automation, centralized platforms, and other technologies, staff will continue evaluating potential enhancements to inspection methodologies that promote effective oversight, focus attention on areas of greatest risk, and encourage continuous improvement in firms' systems of quality control and audit quality.

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APPENDIX: TERMS USED IN THIS SPOTLIGHT

Audit Firm Categories are defined in the Overview along with a description of how we select firms for inspection.

Broker-Dealers means entities that are registered with the SEC as a broker (as defined in Section 3(a)(4) of the Securities Exchange Act of 1934 (“Exchange Act”)) or as a dealer (as defined in Section 3(a)(5) of the Exchange Act), or that are registered with the SEC as both a broker and a dealer.

Comment Form is a written communication issued to the audit firm when, after discussion with the audit firm, the inspection team still believes that a potential deficiency exists in the audit work. Firms are afforded an opportunity to respond to comment forms in writing, and the comment forms then are evaluated for inclusion in the firm’s inspection report.

Deficiency is a general term used in this Spotlight to refer to a matter identified during an inspection involving potential noncompliance with applicable professional standards, rules, or requirements and that may be considered for inclusion in an inspection report.

Engagement refers to the firm’s audit being reviewed.

Focus Area refers to the audit area(s) and/or procedure(s) of an audit selected for review over which our inspection team will review the audit workpapers and interview engagement personnel.

GNF stands for Global Network Firm and refers to our inspection program for firms that are members of a global network through which they affiliate with firms in other countries for various business and client service purposes.

Issuer means an issuer (as defined in Section 3 of the Exchange Act), the securities of which are registered under Section 12 of that Act, or that is required to file reports under Section 15(d) of that Act, or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn. Please see [Rule 1001, Definitions of Terms Employed in Rules](#), on the PCAOB website. In this Spotlight, the term “public company” is used to refer to an issuer.

NAF stands for Non-Affiliated Firm and refers to our inspection program for firms that do not affiliate with other firms (i.e., do not check box 5.2 on their annual Form 2) or are part of a network that is not classified as a global network.

Part I.A of PCAOB inspection reports discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the public company’s financial statements and/or ICFR.

Workpapers are the firm’s documentation, typically in electronic form, documenting their audit procedures and conclusions for a particular engagement.