
Supplementary Information Related to Audits of Brokers and Dealers

Firms and Engagements Selected,
and Inspection Results

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INTRODUCTION

This document supplements the information about our 2023 inspections included in the *Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers* (“Annual Report”), issued July 25, 2024.¹ It provides information about firms selected for inspection, as well as audit and attestation engagements for broker-dealers selected for review under the interim inspection program.² This document also provides supplementary information about the inspection results stratified by firm, inspection, and broker-dealer characteristics.

Information about selected firms and engagements is provided for the period since the inception of the interim inspection program in 2011, as well as for the period that broker-dealer audits have been required to be performed in accordance with PCAOB standards. PCAOB standards became applicable for audits of broker-dealer annual reports for fiscal years ended on or after June 1, 2014. The related requirement that broker-dealers file compliance or exemption reports, as applicable, also became applicable for broker-dealers at the same time. We began conducting inspections that covered those audits in 2014. The 2015 inspection year was the first in which all inspected broker-dealer audits and related attestation engagements were required to be performed in accordance with PCAOB standards.

Information about the inspection results stratified by firm, inspection, or broker-dealer characteristics is provided for the three most recent inspection years. Information about the inspections results under the interim inspections program prior to this period is not repeated here but is available in previous [annual reports](#).

¹ For information about the establishment of the interim inspection program, refer to [PCAOB Release No. 2011-001](#) (June 14, 2011).

² The use of the term “broker-dealer” in this document refers to entities that are registered with the U.S. Securities and Exchange Commission (SEC) as both a “broker” and a “dealer” and to entities that are registered as only one or the other.

FIRMS AND ENGAGEMENTS SELECTED

Since Inception of the Interim Inspection Program

Since the inception of the interim inspection program in 2011, the PCAOB has performed 767 inspections of 427 registered firms that conducted audits of broker-dealers. These inspections covered portions of 1,233 audits of broker-dealers with financial statement periods that ended December 31, 2010, through March 31, 2023. Of these, 954 audits were required to be performed in accordance with PCAOB standards, for audits of broker-dealers with fiscal years ended on or after June 1, 2014. The remaining 279 audits were required to be performed in accordance with generally accepted auditing standards, for audits of broker-dealers with fiscal years ended before June 1, 2014.

The two tables below present information about our selection of firms for inspection and engagements for review since the inception of the interim inspection program, stratified by the characteristic of either the number of broker-dealer audits per firm or whether the firm also audited issuers. Firms that have been inspected more than once during that period are categorized based on their characteristics as of their most recent inspection, even though their category may have changed over time. Engagements are categorized based on the characteristics of the firm performing the engagement at the time of each inspection and, accordingly, engagements performed by the same firm may appear in more than one stratum to the extent the firm characteristics have changed over time.

The following table presents the number of firms inspected since inception of the interim inspection program, the total number of audits reviewed during the inspections, and the total number of attestation engagements covered by inspections since June 1, 2014, stratified by the number of broker-dealer audits per firm.

Number of broker-dealer audits per firm	Number of firms	Number of audits	Number of examinations engagements	Number of review engagements
1	90	100	9	62
2 to 20	270	445	54	280
21 to 50	45	195	28	103
51 to 100	15	114	18	77
More than 100	7	379	138	161
Total	427	1,233	247	683

Of the seven firms that audited more than 100 broker-dealers, four also audited more than 100 issuers. Inspections of those four firms since inception of the interim inspection program included review of 355 audits, 136 examination engagements, and 153 review engagements.

The following table presents the number of firms inspected since inception of the interim inspection program, the number of audits reviewed during the inspections, and the number of attestation engagements covered by the inspections, stratified by whether the firms also audited issuers.

Firms	Number of firms	Number of audits	Number of examination engagements	Number of review engagements
Also audited issuers	177	819	218	423
Did not audit issuers	250	414	29	260
Total	427	1,233	247	683

Since PCAOB Standards Became Applicable

Since PCAOB standards became applicable for broker-dealer audits, the PCAOB has performed 588 inspections of 343 registered firms that conducted audits of broker-dealers. These inspections covered portions of 954 audits and 930 attestation engagements that were also required to be performed in accordance with PCAOB standards. These audits and related attestation engagements covered financial statement periods that ended June 30, 2014, through March 31, 2023.

The two tables below present information about our selection of firms for inspection and engagements for review during the period that the engagements were required to be performed in accordance with PCAOB standards, stratified by a firm or broker-dealer characteristic. Firms that have been inspected more than once during that period are categorized based on their characteristics as of their most recent inspection, even though their category may have changed over time. Engagements are categorized based on the characteristics of the firm performing the engagement at the time of each inspection and, accordingly, may appear in more than one stratum to the extent the firm characteristics have changed over time.

The following table presents the number of firms inspected since PCAOB standards became applicable for the engagements reviewed during inspections, the number of audits reviewed, the number of examination engagements covered, and the number of review engagements covered, stratified by whether the firms audited broker-dealers that filed compliance reports or audited broker-dealers that filed only exemption reports.

In addition to the 341 firm inspections and 952 audits included in this table, we inspected two firms and reviewed one audit of each firm's only broker-dealer client where those broker-dealers did not file a compliance or exemption report.

Firms	Number of firms	Number of audits	Number of examination engagements	Number of review engagements
Audited broker-dealers that filed compliance reports	67	526	247	265
Audited broker-dealers that filed only exemption reports	274	426	N/A	418
Total	341	952	247	683

INSPECTION RESULTS

Since PCAOB Standards Became Applicable

Summary of Deficiencies and Independence Findings

References to deficiencies and independence findings throughout this document refer to those identified through the PCAOB inspection process and may not represent all such instances that exist in the engagements reviewed.

The following terms are used throughout this section to differentiate between areas of audit deficiencies (collectively, “audit areas”):

- Financial statement areas – Deficiencies in these areas involve noncompliance with PCAOB standards that relate to the sufficiency or appropriateness of evidence firms obtained to support their opinions on broker-dealer financial statements. Examples include revenue and related party relationships and transactions.
- Regulatory areas – Deficiencies in these areas involve noncompliance with PCAOB standards that relate to the sufficiency or appropriateness of evidence firms obtained to support their opinions on supplemental information accompanying broker-dealer financial statements as required by Rule 17a-5 of the Securities Exchange Act of 1934 (“Exchange Act”). There are two areas - Net Capital Rule and Customer Protection Rule. The term “Net Capital Rule” refers to Exchange Act Rule 15c3-1, *Net Capital Requirements for Brokers or Dealers*, and the term “Customer Protection Rule” refers to Exchange Act Rule 15c3-3, *Customer Protection – Reserves and Custody of Securities*.
- Other areas – Deficiencies in these areas involve noncompliance with PCAOB standards that do not relate directly to the sufficiency or appropriateness of evidence firms obtained to support their audit opinions. Examples include auditor communications and audit documentation.

The following table summarizes the deficiencies by type of engagement, category of audit area, and independence findings, for each of the last three inspection years.

Inspection year	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Percentage of examination engagements with deficiencies	Percentage of review engagements with deficiencies	Percentage of audits with independence findings
2023	70%	20%	8%	66%	40%	1%
2022	58%	21%	9%	50%	40%	11%
2021	49%	18%	3%	64%	28%	0%

The percentage of audits with deficiencies increased significantly in 2023 when compared to 2022 and 2021. Within audit areas, the percentage of other audit areas with deficiencies in 2023 increased when compared to 2021.

The percentage of examination engagements with deficiencies increased significantly in 2023 when compared to 2022 and increased when compared to 2021. The percentage of review engagements with deficiencies in 2023 was the same as 2022 and increased significantly compared to 2021. Of 87 audits where auditor independence was reviewed in 2023, one independence finding was identified.

The following table summarizes the same inspection results for the firms that audited more than 100 broker-dealers and more than 100 issuers as of their most recent inspection.

Inspection year	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Percentage of examination engagements with deficiencies	Percentage of review engagements with deficiencies	Percentage of audits with independence findings
2023	59%	11%	9%	47%	13%	0%
2022	33%	8%	4%	32%	20%	0%
2021	30%	8%	0%	47%	16%	0%

The deficiency percentages for these firms were lower than or the same as the corresponding percentages presented in the previous table for all firms combined and for all periods presented, except for other audit areas in 2023, which was generally consistent. In many cases, the deficiency percentages for these firms were significantly lower than the corresponding percentages for all firms combined.

Deficiencies by Audit Area and Attestation Engagement

The following table summarizes deficiencies by audit area for each of the last three inspection years.

Audit area	Percentage of audits with deficiencies		
	2023	2022	2021
Financial statement areas			
Revenue	48%	34%	33%
Evaluating audit results	17%	21%	17%
Related party relationships and transactions	28%	33%	22%
Journal entries ³	8%	22%	0%
Receivables and payables	36%	13%	14%
Expense and related accruals	19%	29%	25%
Consideration of an entity's ability to continue as a going concern ("going concern")	33%	0%	27%
Securities owned and securities sold, not yet purchased	10%	50%	23%
Regulatory areas			
Net Capital Rule	32%	27%	18%
Customer Protection Rule	30%	24%	46%
Other audit areas			
Auditor independence ⁴	13%	11%	15%
Identifying and assessing risks of material misstatement	1%	10%	5%
Consideration of fraud in a financial statement audit ("consideration of fraud")	2%	0%	0%
Audit findings	4%	0%	0%
Auditor communications	13%	1%	2%
Audit documentation	16%	15%	3%
Auditors' reports on financial statements and supplemental information ("auditors' reports")	13%	17%	1%
Post-audit matters	0%	100%	0%

³ New area for 2023. Journal entry deficiencies are presented as a separate category in this table for the first time in 2023. The deficiencies in this area were previously included in the "consideration of fraud in a financial statement audit" area in last year's annual report. The 2022 and 2021 inspection results have been updated in this table from prior year versions of this document to conform to this presentation.

⁴ New area for 2023. Auditor independence is presented as a separate category in this table for the first time in 2023. This area includes deficiencies related to required independence procedures (e.g., PCAOB Rule 3526 communications deficiencies). In prior versions of this document, PCAOB Rule 3526 communications were included in the "auditor communications" area. The 2022 and 2021 inspection results in this table have been updated from prior years to conform to this presentation. Instances of potential noncompliance with SEC rules or instances of noncompliance with PCAOB rules related to maintaining independence are classified as "independence findings" elsewhere in this document.

The financial statement areas with significant increases in deficiency percentages in 2023 compared to 2022 or 2021 were revenue, receivables and payables, and going concern. However, receivables and payables and going concern areas were reviewed in relatively few engagements in 2023, with deficiencies identified in five engagements and two engagements, respectively.

Both regulatory areas had increases in deficiency percentages in 2023 compared to 2022. For the Net Capital Rule, the 2023 deficiency percentage was significantly higher than 2021, whereas for the Customer Protection Rule, the 2023 deficiency percentage was significantly lower than 2021.

Other audit areas with significant increases in deficiency percentages in 2023 compared to 2022 and 2021, or 2021 only, were auditors' reports, audit documentation, and auditor communications.

Audit and Attestation Deficiencies by Firm Characteristics

This section provides inspection results stratified by firm characteristics, as determined at the time of inspection.

Firms That Audited Broker-Dealers That Filed Compliance Reports and Firms That Audited Broker-Dealers That Filed Only Exemption Reports

The following table summarizes deficiencies in audits and audit areas, stratified by whether the firm audited broker-dealers that filed compliance reports or audited broker-dealers that filed only exemption reports, for each of the last three inspection years. These firms may or may not also audit issuers, as described in the next section of this document. Firms that audited broker-dealers that filed compliance reports generally also audited broker-dealers that filed exemption reports.

Firms	Percentage of audits reviewed with deficiencies			Percentage of audit areas reviewed with deficiencies					
				Financial statement and regulatory areas			Other audit areas		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Audited broker-dealers that filed compliance reports	59%	48%	45%	15%	16%	15%	7%	5%	1%
Audited broker-dealers that filed only exemption reports	84%	75%	57%	28%	31%	26%	11%	15%	5%

The percentage of audits with deficiencies was significantly lower for firms that audited broker-dealers that filed compliance reports compared to firms that audited broker-dealers that filed only exemption reports for all years presented. However, the percentage of audits with deficiencies for firms that audited broker-dealers that filed compliance reports increased significantly in 2023 compared to 2022 and 2021. This occurred even though the percentage of financial statement and regulatory areas with deficiencies remained generally consistent during 2021–2023, with modest increases in other audit areas with deficiencies over that period.

The percentage of audits with deficiencies for firms that audited broker-dealers that filed only exemption reports increased in 2023 compared to 2022 and increased significantly compared to 2021. This occurred even though the percentage of financial statement and regulatory areas with deficiencies remained generally consistent during 2021–2023; however, deficiencies in other audit areas increased significantly in 2023 compared to 2021.

The following tables summarize deficiencies in examination engagements and review engagements, stratified by whether the firm performing the engagements audited broker-dealers that filed compliance reports or audited broker-dealers that filed only exemption reports, for each of the last three inspection years.

Firms	Percentage of examination engagements with deficiencies			Percentage of review engagements with deficiencies		
	2023	2022	2021	2023	2022	2021
Audited broker-dealers that filed compliance reports	66%	50%	64%	19%	32%	17%
Audited broker-dealers that filed only exemption reports	N/A	N/A	N/A	54%	47%	39%

The percentage of examination engagements with deficiencies in 2023 increased significantly compared to 2022 and was generally consistent with 2021. Firms that audit broker-dealers that filed only exemption reports did not perform examination engagements.

The percentage of review engagements with deficiencies was significantly lower for firms that audited broker-dealers that filed compliance reports compared to firms that audited broker-dealers that filed only exemption reports for all years presented.

The percentage of review engagements with deficiencies for firms that audited broker-dealers that filed compliance reports was significantly lower in 2023 compared to 2022 and generally comparable to 2021. For firms that audited broker-dealers that filed only exemption reports, the percentage of review engagements with deficiencies in 2023 was higher compared to 2022 and significantly higher compared to 2021.

Firms That Also Audited Issuers and Firms That Did Not Audit Issuers

The following table summarizes deficiencies in audits and audit areas, stratified by whether the firm performing the audits also audited issuers and whether the broker-dealer filed a compliance or exemption report, for each of the last three inspection years.

Firms	Percentage of audits reviewed with deficiencies			Percentage of audit areas reviewed with deficiencies					
				Financial statement and regulatory areas			Other audit areas		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Firms that also audited issuers:	66%	49%	41%	17%	17%	12%	8%	8%	1%
Broker-dealers that filed a compliance report	62%	47%	55%	17%	14%	15%	8%	4%	1%
Broker-dealers that filed an exemption report	68%	51%	29%	17%	19%	9%	9%	11%	2%
Firms that did not audit issuers:	79%	86%	66%	26%	35%	31%	8%	13%	6%
Broker-dealers that filed a compliance report	20%	100%	80%	8%	33%	45%	0%	20%	4%
Broker-dealers that filed an exemption report	89%	83%	63%	30%	36%	29%	10%	11%	6%

The percentage of audits with deficiencies was significantly lower for firms that also audited issuers compared to firms that did not audit issuers for all years presented. Similarly, the percentage of financial statement and regulatory areas with deficiencies was lower, or significantly lower, for firms that also audited issuers for all years presented. The percentage of other audit areas with deficiencies in 2023 was the same for the two categories of firms; however, in 2022 and 2021, the percentage of other audit areas with deficiencies was lower for firms that also audited issuers.

For firms that also audited issuers, the percentage of audits with deficiencies increased significantly in 2023 from 2022 and 2021. While the percentage of audit areas with deficiencies was the same or generally consistent between 2023 and 2022, the percentages were higher in 2023 compared to 2021. These relationships were generally consistent for both audits of broker-dealers that filed a compliance report and broker-dealers that filed an exemption report.

For firms that did not audit issuers, the percentage of audits with deficiencies decreased in 2023 from 2022 but was significantly higher than 2021. The percentage of financial statement and regulatory areas with deficiencies decreased in 2023 from 2022 and 2021, while the percentage of other audit areas with deficiencies in 2023 was generally consistent with those years. Reviews of audits of broker-dealers that filed an exemption report consistently resulted in some of the highest deficiency percentages for all years presented. The deficiency percentages from reviews of audits of broker-dealers that filed a compliance report, however, varied significantly year to year, due in part to the small number of audits of compliance report filers performed by firms that do not audit issuers. We reviewed five audits of compliance report filers performed by firms that do not audit issuers in 2023, three in 2022, and five in 2021.

The following table summarizes deficiencies in examination engagements and review engagements, stratified by whether the firm performing the engagements also audited issuers, for each of the last three inspection years.

Firms	Percentage of examination engagements with deficiencies			Percentage of review engagements with deficiencies		
	2023	2022	2021	2023	2022	2021
Firms that also audited issuers:	63%	52%	57%	30%	40%	29%
Firms that did not audit issuers:	80%	33%	100%	56%	41%	25%

Firms that also audited issuers had significantly lower percentages of examination engagements with deficiencies in 2023 and 2021 compared to firms that did not audit issuers. Firms that also audited issuers had significantly lower percentage of review engagements with deficiencies in 2023 compared to firms that did not audit issuers, while results for 2022 and 2021 were generally comparable.

The percentage of examination engagements with deficiencies for firms that also audited issuers significantly increased in 2023 compared to 2022, while the percentage of review engagements with deficiencies significantly decreased. The percentage of engagements with deficiencies for both engagement types significantly increased in 2023 compared to 2022 for firms that did not audit issuers.

Number of Audits Per Firm

The following tables summarize inspection results, stratified by the number of broker-dealer audits performed by the firm, for each of the last three inspection years.

2023 inspections									
Number of broker-dealer audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
1	9	9	89%	30%	8%	2	100%	7	86%
2 to 20	24	25	80%	28%	8%	5	100%	19	42%
21 to 50	16	21	76%	22%	8%	4	50%	14	50%
51 to 100	6	12	50%	16%	6%	3	100%	9	44%
More than 100	5	36	61%	13%	10%	15	47%	18	11%
Total	60	103	70%	20%	8%	29	66%	67	40%

The percentage of audits and audit areas with deficiencies in 2023 generally had an inverse relationship with the number of broker-dealer audits performed by the firm. One exception is that firms that audited more than 100 broker-dealers had a significant increase in the percentage of audits with deficiencies in 2023 compared to 2022 (see next table), which resulted in a higher percentage of audits with deficiencies compared to firms that audited 50 to 100 broker-dealers. Another exception is that the percentage of other audit areas with deficiencies was the same, or generally the same, across all firms.

The percentage of examination engagements with deficiencies varied across categories, in part due to small numbers of engagements reviews in some categories. Firms that audited more than 100 broker-dealers continued to have the lowest percentage of examination engagements with deficiencies, consistent with 2022 and 2021 (see next tables).

The percentage of review engagements with deficiencies in 2023 also generally had an inverse relationship with the number of broker-dealer audits performed by the firm. Firms that audited one broker-dealer had significantly higher percentage of review engagements with deficiencies in 2023 (86%) compared to all other categories of firms, and firms that audited more than 100 broker-dealers had a significantly lower percentage of review engagements with deficiencies in 2023 (11%), compared to all other categories of firms.

2022 inspections									
Number of broker-dealer audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
1	2	2	100%	63%	25%	0	N/A	2	100%
2 to 20	25	29	86%	35%	17%	6	67%	22	55%
21 to 50	13	15	80%	29%	9%	6	83%	8	38%
51 to 100	5	11	27%	9%	0%	3	67%	8	13%
More than 100	5	35	31%	8%	3%	19	32%	12	25%
Total	50	92	58%	21%	9%	34	50%	52	40%

Consistent with 2023, the deficiency percentages in 2022 generally had an inverse relationship with the number of broker-dealer audits performed by the firm. The results from the inspections of firms in the 1, 2 to 20, and 21 to 50 categories contributed most significantly to an overall increase in the percentage of audit engagements and review engagements with deficiencies in 2022 compared to 2021 (see next table).

2021 inspections									
Number of broker-dealer audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
1	2	2	50%	13%	0%	1	100%	1	0%
2 to 20	26	28	61%	25%	6%	6	67%	20	50%
21 to 50	12	17	53%	22%	1%	6	67%	11	27%
51 to 100	4	8	75%	22%	8%	4	100%	4	0%
More than 100	6	37	32%	11%	0%	16	50%	22	14%
Total	50	92	49%	18%	3%	33	64%	58	28%

The following tables summarize inspection results for firms that audited more than 100 broker-dealers and more than 100 issuers (the “largest firms”) as of their most recent inspection and for all other firms, for each of the last three inspection years.

2023 inspections									
Number of audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
Largest firms	4	34	59%	11%	9%	15	47%	16	13%
All other firms	56	69	75%	25%	8%	14	86%	51	49%
Total	60	103	70%	20%	8%	29	66%	67	40%

The percentage of audits and financial statement and regulatory areas with deficiencies in 2023 were significantly lower for the largest firms compared to all other firms. The percentage of other audit areas with deficiencies was generally comparable. However, the percentage of audits with deficiencies for the largest firms was significantly higher in 2023 compared to 2022 (see next table). Similarly, the percentage of other audit areas with deficiencies for the largest firms was higher in 2023 compared to 2022 (see next table).

The percentage of examination engagements and review engagements with deficiencies in 2023 were also significantly lower for the largest firms compared to all other firms.

2022 inspections									
Number of audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
Largest firms	4	33	33%	8%	4%	19	32%	10	20%
All other firms	46	59	71%	29%	12%	15	73%	42	45%
Total	50	92	58%	21%	9%	34	50%	52	40%

The percentage of audits, financial statement and regulatory areas, and other audit areas with deficiencies in 2022 were lower, or significantly lower, for the largest firms compared to all other firms. Those percentages in 2022 were generally comparable, or the same as, the corresponding percentages in 2021 for the largest firms (see next table).

The percentage of examination engagements and review engagements with deficiencies in 2022 were also significantly lower for the largest firms compared to all other firms.

2021 inspections									
Number of audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
Largest firms	4	33	30%	8%	0%	15	47%	19	16%
All other firms	46	59	59%	24%	4%	18	78%	39	33%
Total	50	92	49%	18%	3%	33	64%	58	28%

Audit and Attestation Deficiencies by Inspection Frequency

This section provides the 2023 inspection results stratified between firms inspected for the first time under the interim inspection program in 2023 and firms inspected previously during the period since PCAOB standards became applicable for audits of broker-dealers. For previously inspected firms, the results are further stratified into two groups: the largest firms (which have each been inspected each year), and all other firms.

2023 inspections									
Number of audits per firm	Number of firms	Number of audits	Percentage of audits with deficiencies	Percentage of financial statement and regulatory areas with deficiencies	Percentage of other audit areas with deficiencies	Number of examination engagements	Percentage of examination engagements with deficiencies	Number of review engagements	Percentage of review engagements with deficiencies
Firms inspected for the first time in 2023	18	20	90%	31%	10%	1	100%	19	68%
Previously inspected firms other than the largest firms	38	49	69%	23%	7%	13	85%	32	38%
Largest firms (inspected each year)	4	34	59%	11%	9%	15	47%	16	13%
Total	60	103	70%	20%	8%	29	66%	67	40%

Inspections of firms inspected for the first time in 2023 resulted in significantly higher percentages of audit engagements with deficiencies compared to the other categories of firms. Those inspections also resulted in significantly higher percentages of financial statements and regulatory areas with deficiencies compared to the largest firms, and higher rates compared to other previously inspected firms. The percentage of other audit areas with deficiencies was generally comparable across categories of firms.

Inspections of firms inspected for the first time in 2023 also resulted in significantly higher percentages of review engagements with deficiencies compared to the other categories of firms.

Audit and Attestation Deficiencies by Broker-Dealer Characteristics

This section provides inspection results stratified by whether the broker-dealers whose audits were reviewed filed a compliance report or an exemption report, for each of the last three inspection years.

Broker-Dealers That Filed Compliance Reports⁵

The following table summarizes deficiencies by audit area from reviews of audit engagements for broker-dealers that filed compliance reports.

⁵ The results from our 2021 review of the audit of one broker-dealer that filed both a compliance report and an exemption report are included in this table.

Audit areas	2023			2022	2021
	Number of audits	Number of audits with deficiencies	Percentage of audits with deficiencies	Percentage of audits with deficiencies	Percentage of audits with deficiencies
Financial statement areas					
Revenue	26	9	35%	24%	28%
Evaluating audit results	31	2	6%	11%	15%
Related party relationships and transactions	9	2	22%	29%	20%
Journal entries	25	2	8%	0%	0%
Receivables and payables	7	3	43%	20%	17%
Expenses and related accruals	4	1	25%	29%	40%
Consideration of an entity's ability to continue as a going concern	0	0	N/A	N/A	50%
Securities owned and securities sold, not yet purchased	3	0	0%	0%	0%
Regulatory areas					
Net Capital Rule	8	0	0%	8%	17%
Customer Protection Rule	21	7	33%	24%	46%
Other audit areas					
Auditor independence	24	3	13%	0%	0%
Identifying and assessing risks of material misstatement	31	0	0%	6%	3%
Consideration of fraud in a financial statement audit	25	0	0%	0%	0%
Audit findings	31	2	6%	0%	0%
Auditor communications	31	2	6%	0%	0%
Audit documentation	31	5	16%	14%	0%
Auditors' reports on financial statements and supplemental information	31	2	6%	6%	3%
Post-audit matters	0	0	N/A	N/A	0%

For audits of broker-dealers that filed compliance reports, the following are notable trends in the percentage of audits with deficiencies in 2023 compared to 2022:

- The following financial statement areas increased significantly: revenue and receivables and payables.
- The following other audit area increased significantly: auditor independence.

Broker-Dealers That Filed Exemption Reports⁶

The following table summarizes deficiencies by audit area from reviews of audit engagements for broker-dealers that filed exemption reports.

Audit areas	2023			2022	2021
	Number of audits	Number of audits with deficiencies	Percentage of audits with deficiencies	Percentage of audits with deficiencies	Percentage of audits with deficiencies
Financial statement areas					
Revenue	61	33	54%	40%	35%
Evaluating audit results	72	16	22%	26%	19%
Related party relationships and transactions	20	6	30%	36%	21%
Journal entries	66	5	8%	25%	0%
Receivables and payables	7	2	29%	0%	11%
Expenses and related accruals	12	2	17%	29%	14%
Consideration of an entity's ability to continue as a going concern	6	2	33%	0%	22%
Securities owned and securities sold, not yet purchased	7	1	14%	60%	50%
Regulatory areas					
Net Capital Rule	20	9	45%	36%	18%
Customer Protection Rule	2	0	0%	N/A	N/A
Other audit areas					
Auditor independence	63	8	13%	17%	17%
Identifying and assessing risks of material misstatement	72	1	1%	12%	7%
Consideration of fraud in a financial statement audit	66	2	3%	0%	0%
Audit findings	72	2	3%	0%	0%
Auditor communications	72	11	15%	2%	3%
Audit documentation	72	11	15%	16%	5%
Auditors' reports on financial statements and supplemental information	72	11	15%	25%	0%
Post-audit matters	3	0	0%	100%	0%

⁶ See supra note 5.

For audits of broker-dealers that filed exemption reports, the following are notable trends in the percentage of audits with deficiencies in 2023 compared to 2022:

- The following financial statement areas increased significantly: revenue, receivables and payables, and consideration of an entity's ability to continue as a going concern.
- The following other audit area increased significantly: auditor communications.
- The following financial statement areas decreased significantly: journal entries, expenses and related accruals, and securities owned and securities sold, not yet purchased.
- The following other audit areas decreased significantly: identifying and assessing the risk of material misstatement, and post-audit matters.