

## Information for Firms that Perform Broker-Dealer Audits or Attestation Engagements

SEC Rule 17(a)-5, *Reports to Be Made by Certain Brokers and Dealers*, requires the audits of all SEC-registered broker-dealers to be performed under PCAOB Standards. SEC Rule 17(a)-5 also requires each carrying broker-dealer to file a “compliance report” and each non-carrying broker-dealer to file an “exemption report.” An independent accountant is required to perform an examination of the compliance report, or a review of the exemption report, as applicable. The examination or review engagement is required to be performed under PCAOB standards. These requirements were effective for fiscal years ending on or after June 1, 2014.

### PCAOB Inspections and Peer Review

The PCAOB has yet to announce its permanent inspection scope for broker-dealer audits and attestation engagements. For the interim inspection period, audits of all broker-dealers are subject to PCAOB inspection. Refer to the "[Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers](#)," issued August 18, 2017 for the latest information on inspection findings. The PCAOB continues to find a significant number of firms that are violating SEC independence rules. The PCAOB issued a [Fact Sheet: Annual Report on the 2016 Inspections of Broker-Dealer Auditors](#), which summarizes the findings and compares the percentage of findings by topic to the prior report.

The Peer Review Board (PRB) has determined that engagements performed under PCAOB standards that are NOT subject to permanent inspection by the PCAOB will remain within the scope of the AICPA Peer Review Program and will be subject to the related Peer Review Standards. Therefore, until the PCAOB announces its permanent inspection scope, all non-issuer broker-dealer audits and attestation engagements will remain subject to peer review. Further, the PRB has confirmed that performance of any engagements under PCAOB standards (whether or not permanently inspected by the PCAOB) would require the firm to have its peer review administered by the National Peer Review Committee. For additional information, see [Broker-Dealer Engagements: Peer Review Implications](#).

### SEC and PCAOB Independence Rules for Non-Issuer Audit and Attestation Engagements

Violations of SEC independence rules continue to be identified during peer review and PCAOB inspections. As a reminder, auditors should not provide typing and word processing services nor financial statement templates that are not publicly available to broker-dealer clients. Additionally, auditors should not in any way bind (this includes attaching a pdf copy of your report to the financial statements), file or submit the financial statements.

The Center for Audit Quality (CAQ) and the AICPA released a joint [Independence Alert](#) intended to provide audit firms with an overview of the independence rules of the SEC and PCAOB applicable to financial statement audit and attestation engagements for the following non-issuers:

- Non-issuer broker-dealers that are registered with the SEC as a broker or dealer; and

- Where the engagement(s) is subject to the requirements of SEC Rule 206(4)-2, *Custody Rule*, SEC-registered and state registered investment advisers, related party custodians or private funds (e.g., pooled investment vehicles).

### Resources Available to Auditors of Broker-Dealers

Annually, the AICPA and SIFMA FMS host the [National Conference on the Securities Industry](#). Topics generally include recent and pending accounting and auditing pronouncements from FASB and industry experts, PCAOB feedback on inspections of broker-dealer audits and sessions with representatives from the SEC, FINRA and CFTC. This conference offers options to attend in-person or online.

The PCAOB has created a page on its [website](#) to provide guidance and resources specifically to auditors of broker-dealers. In 2014, the PCAOB issued [Staff Guidance for Auditors of SEC-Registered Brokers and Dealers](#). Periodically, the PCAOB hosts [forums for auditors of broker-dealers](#). While some of these forums are in-person only, typically, at least one per year includes an online option.

Additional resources are available on the AICPA's [Stockbrokerage and Investment Banking Expert Panel](#) website. Resources include links to SEC, CFTC and PCAOB guidance, as well as projects that the panel has completed, such as illustrative examples of a compliance and an exemption report.

The CAQ also has several resources available on their website and have issued multiple broker-dealer alerts over the last few years, topics have included revenue recognition, related party transactions and engagement quality review. For a full list, visit the [Audits of Brokers and Dealers](#) page on the CAQ website.

We encourage you to take advantage of these resources as most are available at no charge.

### Need help?

- For technical questions about these engagements, please call the AICPA technical hotline at (877) 242-7212. However, questions about the PCAOB standards should be directed to the PCAOB at (202) 591-4395.
- For questions about peer review implications, please call the AICPA peer review hotline at (919) 402-4502, option 3.