

## Broker-Dealer Engagements: Peer Review Implications

All SEC-registered broker-dealer audits are required to be performed under PCAOB standards, beginning with fiscal years ending on or after June 1, 2014. Currently, non-issuer broker-dealer engagements are subject to PCAOB inspection under their interim inspection program.

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. Therefore, until the PCAOB announces the scope of its permanent inspection program, 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 (including issuers that are included in the PCAOB's permanent inspection program) would require the firm to have its peer review administered by the National Peer Review Committee (NPRC).

### Peer Review Implications

- **Inclusion of Broker-Dealers Engagements in Peer Review** – The Peer Review Standards cover engagements that are not subject to permanent inspection by the PCAOB. During an interim inspection period, such as that currently underway with audits of broker-dealers, such engagements are not deemed to be inspected by the PCAOB for purposes of peer review. Therefore, the engagements would still be included within the scope of peer review. As a result, it is possible that the same broker-dealer engagement would be selected for review by both the PCAOB and your peer reviewer. Refer to Table 1 for help in determining if your broker-dealer engagements are within the scope of peer review.
- **NPRC Administration** – Firms that perform engagements using PCAOB standards are required to have their peer reviews administered by the NPRC. This rule applies regardless of whether the engagements are included in a permanent or interim PCAOB inspection program. Thus, should audits of broker-dealers become part of a permanent PCAOB inspection program, they would no longer be included in your peer review, but your firm's peer review would still be administered by the NPRC. The reason for this requirement is to ensure that peer reviewers, technical reviewers and committee members considering the peer review reports have the applicable expertise to do so. Additionally, your firm would be subject to the current NPRC administrative fee structure. This would also require that your firm be enrolled in the AICPA Peer Review Program as the NPRC does not administer other peer review programs. Refer to Table 1 for help in determining if your firm is required to have its peer review administered by the NPRC. If you have questions about your firm's peer review administration, please contact the Peer Review Team at (919) 402-4502, option 3.
- **Common Matters Identified During Peer Reviews** – The AICPA collects data identified and reported on Matter for Further Consideration (MFC) forms during peer reviews. Each of the following items may contribute towards an engagement being deemed nonconforming, however the failure to comply with SEC independence rules,

issuing an audit report that does not conform to current standards or not having a documented engagement quality review (EQR) would each individually result in a nonconforming engagement. The most common matters related to audits of broker-dealers performed identified in peer review are as follows.

- Failure to comply with SEC independence rules
- Missing or inadequate documentation of:
  - Risk assessment
  - Required communications
  - Revenue testing
  - Net capital testing
  - EQR

If you have questions or would like more information on the peer review implications of performing broker-dealer engagements, please contact the Peer Review Team at (919) 402-4502, option 3 or at [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org).

The chart below summarizes the impact of broker-dealer engagements on the scope and administration of a firm's peer review.

**Table 1**

Engagement type	PCAOB permanent inspection scope	Peer review scope	Triggers NPRC administration of firm's peer review
Broker-dealer engagements under PCAOB standards, before effective date of PCAOB permanent inspection program	No	Yes	Yes
Broker-dealer engagements under PCAOB standards, upon effective date of PCAOB permanent inspection program	Yes	No	Yes
Engagements of non-issuers under PCAOB standards, not covered by PCAOB permanent inspection	No	Yes	Yes
Engagements under SASs, SSARS, SSAEs, Government Auditing Standards, not covered by PCAOB permanent inspection program	No	Yes	No