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# Supplementary Information Related to Audits of Brokers and Dealers

Firms and Engagements Selected,  
and Inspection Results

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# CONTENTS

Introduction	3
Firms Selected for Inspection and Audit and Attestation Engagements Selected for Review	4
Since Inception of the Interim Inspection Program	4
Since PCAOB Standards Became Applicable	5
Inspection Results	7
Since PCAOB Standards Became Applicable	7
Summary of Independence Findings and Deficiencies	7
Attestation Engagement Deficiencies and Audit Deficiencies by Area	7
Audit and Attestation Deficiencies by Firm Characteristics	9
Audit and Attestation Deficiencies by Inspection Frequency	13
Audit and Attestation Deficiencies by Broker-Dealer Characteristics	15

## INTRODUCTION

This document supplements the information about our 2021 inspections included in the *Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers* (“Annual Report”), issued August 19, 2022.<sup>1</sup> We provide information about firms selected for inspection, as well as audit and attestation engagements for broker-dealers selected for review under the interim inspection program.<sup>2</sup> We also provide supplementary information about the results of our inspections stratified by various 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 were required to be performed in accordance with PCAOB standards. Audits under PCAOB standards, and the related requirement that broker-dealers file compliance or exemption reports, as applicable, became effective for broker-dealer annual reports with fiscal years ended on or after June 1, 2014. We initially began conducting inspections that covered those audits in 2014, and 2015 was the first inspection year in which all broker-dealer audits and related attestation engagements reviewed were required to be performed in accordance with PCAOB standards.

Information about the results of our inspections stratified by firm, inspection, or broker-dealer characteristics is provided either for the period that broker-dealer audits were required to be performed in accordance with PCAOB standards, or for the three most recent inspection years. Information about the results of inspections under the interim inspections program prior to this period (covering engagements required to be performed in accordance with generally accepted auditing standards) are not repeated here but are available in [previous annual reports](#).

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<sup>1</sup> For information about the establishment of the interim inspection program, refer to the [adopting release for Rule 4020T](#), *Interim Inspection Program Related to Audits of Brokers and Dealers*.

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

# FIRMS SELECTED FOR INSPECTION AND AUDIT AND ATTESTATION ENGAGEMENTS SELECTED FOR REVIEW

## Since Inception of the Interim Inspection Program

Since the introduction of the interim inspection program in 2011, the PCAOB has performed 657 inspections of 403 of the firms that conducted audits of broker-dealers. The 657 inspections covered portions of 1,038 audits, of which 759 were required to be performed in accordance with PCAOB standards (audits of broker-dealers with fiscal years ended June 1, 2014 or later) and 279 were required to be performed in accordance with generally accepted auditing standards (audits of broker-dealers with fiscal years ended before June 1, 2014). The audits selected since the inception of the interim inspection program covered financial statement periods that ended December 31, 2010, through March 31, 2021.

Both tables within this section 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 a 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 number of audits reviewed during the inspections, and the number of attestation engagements covered by inspections, stratified by the number of broker-dealer audits per firm.

Number of broker-dealer audits per firm	Number of firms inspected	Number of audits reviewed	Number of examinations covered	Number of reviews covered
1	82	89	7	53
2 to 20	261	391	43	239
21 to 50	39	159	18	81
51 to 100	13	91	12	60
More than 100	8	308	104	131
<b>Inspections of individual firms since inception</b>	<b>403</b>	<b>1,038</b>	<b>184</b>	<b>564</b>

The following table presents the number of firms inspected since inception of the interim inspection program in 2011, 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 inspected	Number of audits reviewed	Number of examinations covered	Number of reviews covered
Also audited issuers	169	678	163	348
Did not audit issuers	234	360	21	216
<b>Inspections of individual firms since inception</b>	<b>403</b>	<b>1,038</b>	<b>184</b>	<b>564</b>

## Since PCAOB Standards Became Applicable

Since PCAOB standards became applicable for broker-dealer audits, the PCAOB has performed 478 inspections of 316 of the firms that conducted audits of broker-dealers. These inspections covered portions of 759 audits and 748 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, 2021.

Both tables within this section 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 only audited broker-dealers that filed exemption reports. In addition to the 314 firm inspections and 757 audits included in this table, we inspected two firms and reviewed two audits of the firms' only broker-dealer client and those broker-dealers did not file a compliance or exemption report.

Firms	Number of firms inspected	Number of audits reviewed	Number of examinations covered	Number of reviews covered
Audited broker-dealers that filed compliance reports	61	411	184	217
Only audited broker-dealers that filed exemption reports	253	346	N/A	347
<b>Total</b>	<b>314</b>	<b>757</b>	<b>184</b>	<b>564</b>

The following table presents the ranges of minimum net capital requirements and actual net capital reported for the broker-dealers that filed either a compliance report or an exemption report, whose attestation engagements were covered in the inspections performed since PCAOB standards became applicable, stratified by the type of report filed.

Broker-Dealers filed	Number of attestation engagements reviewed	Range of minimum net capital requirements (Thousands)	Range of actual net capital reported at fiscal year end (Thousands)
Compliance report	184	\$250 - \$3,000,000	\$250 - \$17,000,000
Exemption report	564	\$5 - \$82,000	\$5 - \$1,225,000
<b>Total</b>	<b>748</b>	<b>\$5 - \$3,000,000</b>	<b>\$5 - \$17,000,000</b>

The selected firms and engagements for our 2021 inspections reflect certain changes relative to prior years:

- In 2021, we selected for review a greater number of engagements for broker-dealers that filed compliance reports than in prior years. This was in response to heightened risks associated with potential changes in control procedures during the COVID-19 pandemic for broker-dealers responsible for custody and control of customers' funds and securities. Audit and attestation engagements for broker-dealers that file compliance reports are generally larger and more complex than those for broker-dealers that file exemption reports, which necessitated a greater allocation of PCAOB resources in 2021 to review these selections. Consequently, we selected fewer engagements involving broker-dealers that filed exemption reports, resulting in fewer selections overall for review in 2021, compared to 2020 and prior years.
- In 2021, we selected a greater percentage of audit engagements at random (as opposed to risk-based) to increase unpredictability.

These changes are reflected in the 2021 inspection results presented in this document.

# INSPECTION RESULTS

## Since PCAOB Standards Became Applicable

### Summary of Independence Findings and Deficiencies

The following table summarizes the independence findings and deficiencies by type of engagement identified from reviews of audits and attestation engagements performed in accordance with PCAOB standards for each of the last three inspection years and combined for the period since PCAOB standards became applicable for the related engagements.

Inspection year	Percentage of audits reviewed with independence findings	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas <sup>3</sup> reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies	Percentage of reviews covered with identified deficiencies
2021	0%	49%	15%	64%	28%
2020	9%	61%	18%	67%	23%
2019	17%	71%	27%	69%	51%
<b>Combined 2014-2021</b>	<b>8%</b>	<b>71%</b>	<b>26%</b>	<b>70%</b>	<b>42%</b>

On an overall basis, the percentages of audits and audit areas with identified deficiencies decreased in 2021 when compared to 2020 and 2019. The percentage of examination engagements with identified deficiencies in 2021 decreased slightly compared to 2020 and 2019 but remains high. The percentage of review engagements with identified deficiencies in 2021 increased compared to 2020 but decreased compared to 2019. There were no audits with identified independence findings in 2021.<sup>4</sup>

### Attestation Engagement Deficiencies and Audit Deficiencies by Area

The following table summarizes identified deficiencies in attestation engagements and identified deficiencies by audit area from reviews of audits and attestation engagements for each of the last three inspection years. The engagements performed during the periods covered by this table were required to be performed in accordance with PCAOB standards. The term “Net Capital Rule” refers to Securities Exchange Act of 1934 (“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*.

<sup>3</sup> “Audit areas” include areas that do not relate to the sufficiency or appropriateness of evidence firms obtained to support their audit opinions but may involve other instances of non-compliance with PCAOB standards.

<sup>4</sup> Violations of SEC independence rules that firms have reported to the PCAOB, including vis-à-vis their broker-dealer clients, are addressed through a separate PCAOB inspection program, and, consequently, are not included in this Annual Report, consistent with prior years.

Engagement or audit area	Percentage of applicable engagements reviewed with deficiencies		
	2021	2020	2019
<b>Deficiencies in attestation engagements<sup>5</sup></b>			
Examination engagements	64%	67%	69%
Review engagements	28%	23%	51%
<b>Deficiencies in auditing financial statements</b>			
Identifying and assessing risks of material misstatement	5%	6%	15%
Consideration of materiality in planning and performing an audit	0%	2%	4%
Revenue	33%	47%	53%
Related party relationships and transactions	22%	25%	27%
Consideration of an entity's ability to continue as a going concern	27%	30%	67%
Expense and related accruals	25%	N/A	N/A
Fair value measurements	23%	4%	0%
Receivables and payables	14%	22%	27%
Risks of material misstatement due to fraud	0%	0%	38%
Leases	N/A	40%	N/A
Evaluating audit results	17%	26%	37%
Post-audit matters	0%	0%	43%
<b>Deficiencies in auditing supplemental information</b>			
Customer Protection Rule	46%	39%	42%
Net Capital Rule	18%	31%	31%
<b>Other instances of non-compliance with PCAOB standards</b>			
Auditor report on the financial statements and supplemental information	1%	7%	14%
Auditor communications	3%	2%	5%
Audit documentation	3%	2%	25%

The most significant increases in the percentage of engagements with identified deficiencies in 2021, compared to 2020 and 2019, occurred in the areas of fair value measurements and the Customer Protection Rule.

<sup>5</sup> Includes deficiencies related to documentation and engagement quality review of attestation engagements, which were presented separately in this table in the prior year.



## Audit and Attestation Deficiencies by Firm Characteristics

This section provides inspection results stratified by certain firm characteristics as determined at the time of inspection. The engagements performed during the periods covered by the tables in this section were required to be performed in accordance with PCAOB standards.

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

The following tables summarize deficiencies in audits, audit areas, 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 audits reviewed with identified deficiencies			Percentage of audit areas reviewed with identified deficiencies		
	2021	2020	2019	2021	2020	2019
That audited broker-dealers that filed compliance reports	45%	49%	57%	12%	11%	16%
That audited broker-dealers that filed only exemption reports	57%	72%	88%	21%	26%	40%

Firms	Percentage of examinations covered with identified deficiencies			Percentage of reviews covered with identified deficiencies		
	2021	2020	2019	2021	2020	2019
That audited broker-dealers that filed compliance reports	64%	67%	69%	17%	14%	30%
That audited broker-dealers that filed only exemption reports	N/A	N/A	N/A	39%	28%	64%

We noted firms that audited broker-dealers that filed compliance reports had lower percentages of audits, audit areas, and review engagements with identified deficiencies when compared to firms that audited broker-dealers that filed only exemption reports. Firms that audited broker-dealers that filed compliance reports also had lower percentages of audits and examination engagements with identified deficiencies in 2021 compared to 2020 and 2019. In addition, these firms had higher percentages of audit areas and review engagements with identified deficiencies in 2021 compared to 2020, though those percentages in 2021 were lower than 2019.

We also noted that firms that audited only broker-dealers that filed exemption reports had lower percentages of audits and audit areas with identified deficiencies in 2021 compared to 2020 and 2019. These firms had a higher percentage of review engagements with identified deficiencies in 2021 compared to 2020, though that percentage in 2021 was lower than 2019.

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

The following tables summarize deficiencies in audits, audit areas, and attestation engagements, stratified by whether the firm performing the engagements also audited issuers and whether the broker-dealer filed a compliance or exemption report, for each of the last three inspection years, and combined for the period since PCAOB standards became applicable for the related engagements.

Firms	Percentage of audits reviewed with identified deficiencies				Percentage of audit areas reviewed with identified deficiencies			
	2021	2020	2019	Total (2014 – 2021)	2021	2020	2019	Total (2014 – 2021)
<b>That also audited issuers:</b>	<b>41%</b>	<b>51%</b>	<b>59%</b>	<b>62%</b>	<b>9%</b>	<b>12%</b>	<b>18%</b>	<b>19%</b>
Broker-Dealers that filed a compliance report	55%	60%	59%	67%	10%	12%	14%	19%
Broker-Dealers that filed an exemption report	29%	47%	59%	60%	8%	12%	20%	19%
<b>That did not audit issuers:</b>	<b>66%</b>	<b>81%</b>	<b>97%</b>	<b>90%</b>	<b>26%</b>	<b>30%</b>	<b>47%</b>	<b>42%</b>
Broker-Dealers that filed a compliance report	80%	100%	100%	95%	33%	27%	47%	46%
Broker-Dealers that filed an exemption report	63%	80%	97%	89%	24%	30%	47%	42%

Firms	Percentage of attestations reviewed with identified deficiencies			
	2021	2020	2019	Total (2014-2021)
<b>Firms that also audited issuers:</b>	<b>42%</b>	<b>32%</b>	<b>49%</b>	<b>43%</b>
Broker-Dealers that filed a compliance report	57%	65%	65%	67%
Broker-Dealers that filed an exemption report	29%	19%	40%	32%
<b>Firms that did not audit issuers:</b>	<b>38%</b>	<b>31%</b>	<b>72%</b>	<b>61%</b>
Broker-Dealers that filed a compliance report	100%	100%	100%	95%
Broker-Dealers that filed an exemption report	25%	29%	69%	57%

We noted that the percentages of audits, audit areas, and attestation engagements for broker-dealers that filed a compliance report with identified deficiencies were lower at firms that also audited issuers for all periods. The percentage of attestation engagements for broker-dealers that filed an exemption report with identified deficiencies was higher at firms that also audited issuers in 2021, but lower for all other periods.

### Number of Broker-Dealer Audits Per Firm

The following tables summarize deficiencies in audits, audit areas, and attestation engagements, stratified by the number of broker-dealer audits performed by the firm, for each of the last three inspection years.

2021 inspections								
Number of broker-dealer audits per firm	Number of firms inspected	Number of audits reviewed	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Number of examination engagements covered	Percentage of examinations covered with identified deficiencies	Number of review engagements covered	Percentage of reviews covered with identified deficiencies
1	2	2	50%	6%	1	100%	1	0%
2 to 20	26	28	61%	22%	6	67%	20	50%
21 to 50	12	17	53%	15%	6	67%	11	27%
51 to 100	4	8	75%	24%	4	100%	4	0%
More than 100	6	37	32%	7%	16	50%	22	14%
<b>Total</b>	<b>50</b>	<b>92</b>	<b>49%</b>	<b>15%</b>	<b>33</b>	<b>64%</b>	<b>58</b>	<b>28%</b>

2020 inspections								
Number of broker-dealer audits per firm	Number of firms inspected	Number of audits reviewed	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Number of examination engagements covered	Percentage of examinations covered with identified deficiencies	Number of review engagements covered	Percentage of reviews covered with identified deficiencies
1	9	9	78%	40%	1	100%	8	75%
2 to 20	32	34	71%	23%	3	100%	31	16%
21 to 50	14	17	76%	23%	1	100%	16	25%
51 to 100	6	13	62%	17%	N/A	N/A	13	8%
More than 100	4	32	38%	5%	16	56%	15	20%
<b>Total</b>	<b>65</b>	<b>105</b>	<b>61%</b>	<b>18%</b>	<b>21</b>	<b>67%</b>	<b>83</b>	<b>23%</b>

2019 inspections								
Number of broker-dealer audits per firm	Number of firms inspected	Number of audits reviewed	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Number of examination engagements covered	Percentage of examinations covered with identified deficiencies	Number of review engagements covered	Percentage of reviews covered with identified deficiencies
1	10	10	90%	48%	N/A	N/A	9	67%
2 to 20	32	33	82%	35%	5	60%	27	70%
21 to 50	14	19	84%	31%	6	83%	13	69%
51 to 100	6	12	83%	32%	2	100%	9	22%
More than 100	4	32	41%	8%	16	63%	16	13%
<b>Total</b>	<b>66</b>	<b>106</b>	<b>71%</b>	<b>27%</b>	<b>29</b>	<b>69%</b>	<b>74</b>	<b>51%</b>

We noted that firms that audited more than 100 broker-dealers generally had significantly lower percentages of deficiencies than firms that audited 100 or fewer broker-dealers on a combined basis in 2021, 2020, and 2019.

The following table summarizes deficiencies in audits, audit areas, and attestation engagements, stratified by the number of broker-dealer audits performed by the firm, combined for the period since PCAOB standards became applicable for the related engagements.

Combined inspections 2014–2021				
Number of broker-dealer audits per firm	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies	Percentage of reviews covered with identified deficiencies
1	87%	45%	100%	68%
2 to 20	87%	36%	86%	55%
21 to 50	72%	26%	83%	36%
51 to 100	76%	27%	100%	25%
More than 100	47%	10%	56%	18%
<b>Total</b>	<b>71%</b>	<b>26%</b>	<b>70%</b>	<b>42%</b>

We noted that firms that audited more than 100 broker-dealers had lower percentages of deficiencies than firms that audited 100 or fewer broker-dealers on a combined basis.

## Audit and Attestation Deficiencies by Inspection Frequency

This section provides inspection results stratified by the frequency with which the firm has been inspected since PCAOB standards became effective for audits of broker-dealers. The year 2015 was the first inspection year in which all broker-dealer audits and related attestation engagements reviewed were required to be performed in accordance with PCAOB standards. We also performed inspections of five firms whose engagements were required to be performed in accordance with PCAOB standards in 2014.

### Firms Inspected Each Year

Five firms were inspected each year during the 2015–2021 period. The following table presents a summary of deficiencies for these firms by year. The results of the 2014 inspection of one firm that was also inspected in each year during the 2015–2021 period is included with the 2015 results.

Inspection year(s)	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies	Percentage of reviews covered with identified deficiencies
2021	31%	5%	50%	15%
2020	36%	5%	56%	19%
2019	43%	8%	63%	11%
2018	49%	14%	57%	6%
2017	62%	16%	65%	20%
2016	51%	8%	54%	23%
2015 and 2014	51%	9%	46%	25%

For firms inspected in all six years 2015–2021, we noted the percentage of audits, audit areas, and examination engagements with identified deficiencies decreased or remained the same in 2021 compared to 2020 and 2019. The percentage of review engagements with identified deficiencies decreased in 2021 compared to 2020 but increased compared to 2019. Individual firm results varied.

### Other Firms Inspected More Than Once

An additional 91 firms were inspected more than once, but not in all years, during the 2014–2021 period. Of these firms, 64 were inspected twice during that period, and 20 were inspected for the second time in 2021. The following table presents the identified deficiencies from our initial review of audit and attest engagements (by engagement type) and each subsequent review of audit and attest engagements (by engagement type) for the 91 firms.

Inspection	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies <sup>6</sup>	Percentage of reviews covered with identified deficiencies <sup>7</sup>
Sixth inspection	25%	5%	N/A	N/A
Fifth inspection	33%	4%	N/A	0%
Fourth inspection	67%	19%	N/A	33%
Third Inspection	63%	20%	71%	17%
Second inspection	77%	29%	94%	36%
Initial inspection	90%	35%	100%	53%

For firms inspected more than once in the 2014–2021 period, but not in all years, we noted that the percentage of audits and audit areas with identified deficiencies was generally lower as the frequency with which the firm was inspected increased. Individual firm results varied.

### Firms Inspected Once

An additional 220 firms were inspected once during the 2014–2021 period, including 10 firms inspected in 2021. The following table presents a summary of identified deficiencies for these firms by year. The results of the 2014 inspection of one firm is included with the 2015 results.

Inspection year(s)	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies	Percentage of reviews covered with identified deficiencies
2021	64%	24%	N/A	50%
2020	77%	30%	N/A	38%
2019	87%	43%	100%	71%
2018	93%	40%	100%	69%
2017	89%	40%	100%	61%
2016	96%	49%	100%	60%
2015 and 2014	95%	47%	100%	66%

<sup>6</sup> For firms included in this table, there have been no instances where an examination engagement has been covered in more than three inspections of a firm.

<sup>7</sup> For firms included in this table, there have been no instances where a review engagement has been covered in all six inspections of a firm.

We noted for firms inspected for the first time in 2021 that the percentage of audits, audit areas, and review engagements with identified deficiencies are higher than the corresponding results for all firms inspected in 2021 on a combined basis. Individual firm results varied.

## Audit and Attestation Deficiencies by Broker-Dealer Characteristics<sup>8</sup>

The engagements performed during the periods covered by the tables in this section were required to be performed in accordance with PCAOB standards.

### Whether the Broker-Dealer Filed a Compliance Report or an Exemption Report

The following table summarizes identified deficiencies in audits, audit areas, examination engagements, and review engagements, stratified by whether the broker-dealers whose audits were reviewed filed a compliance or exemption report, combined for the period since PCAOB standards became applicable for the related engagements.

Combined 2014–2021				
Broker-Dealer filed	Percentage of audits reviewed with identified deficiencies	Percentage of audit areas reviewed with identified deficiencies	Percentage of examinations covered with identified deficiencies	Percentage of reviews covered with identified deficiencies
Compliance report	70%	22%	70%	N/A
Exemption report	71%	28%	N/A	42%

<sup>8</sup> In prior annual reports, we stratified between firms that “claimed” or “did not claim” an exemption under the Customer Protection Rule. Because broker-dealers, under some circumstances, are eligible to file an exemption report for reasons other than claiming an exemption under the Customer Protection Rule, we have refined our reporting to distinguish between broker-dealers that “filed a compliance report” versus those that “filed an exemption report.” As a result, certain broker-dealers that, in the past, would have been included under the characterization “did not claim” an exemption are instead included in this document as having filed an exemption report.

## Broker-Dealers That Filed Compliance Reports<sup>9</sup>

The following table summarizes identified deficiencies by audit area from reviews of audit engagements for broker-dealers that filed a compliance report, for each of the last three inspection years.

Audit areas	2021			2020	2019
	Number of applicable audits reviewed	Number of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies
<b>Deficiencies in auditing financial statements</b>					
Identifying and assessing risks of material misstatement	34	1	3%	0%	13%
Consideration of materiality in planning and performing an audit	34	0	0%	0%	3%
Revenue	29	8	28%	40%	42%
Related party relationships and transactions	5	1	20%	0%	22%
Consideration of an entity's ability to continue as a going concern	2	1	50%	0%	100%
Expenses and related accruals	5	2	40%	N/A	N/A
Fair value measurements	7	0	0%	0%	0%
Receivables and payables	12	2	17%	22%	40%
Risks of material misstatement due to fraud	2	0	0%	0%	0%
Leases	0	N/A	N/A	0%	N/A
Evaluating audit results	34	5	15%	14%	7%
Post-audit matters	4	0	0%	0%	0%
<b>Deficiencies in auditing supplemental information</b>					
Customer Protection Rule	26	12	46%	45%	39%
Net Capital Rule	12	2	17%	13%	33%
<b>Other Instances of non-compliance with PCAOB standards</b>					
Auditor reports on the financial statements and supplemental information	34	1	3%	0%	3%
Auditor communications	34	0	0%	0%	3%
Audit documentation	34	0	0%	0%	10%

<sup>9</sup> 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.



## Broker-Dealers That Filed Exemption Reports<sup>10</sup>

The following table summarizes identified deficiencies by audit area from reviews of audit engagements for broker-dealers that filed exemption reports, for each of the last three inspection years.

Audit areas	2021			2020	2019
	Number of applicable audits reviewed	Number of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies	Percentage of audits reviewed with identified deficiencies
<b>Deficiencies in auditing financial statements</b>					
Identifying and assessing risks of material misstatement	59	4	7%	7%	16%
Consideration of materiality in planning and performing an audit	59	0	0%	2%	4%
Revenue	51	18	35%	49%	56%
Related party relationships and transactions	14	3	21%	33%	29%
Consideration of an entity's ability to continue as a going concern	9	2	22%	33%	57%
Expenses and related accruals	7	1	14%	N/A	N/A
Fair value measurements	6	3	50%	6%	0%
Receivables and payables	9	1	11%	22%	19%
Risks of material misstatement due to fraud	15	0	0%	0%	75%
Leases	0	N/A	N/A	50%	N/A
Evaluating audit results	59	11	19%	29%	49%
Post-audit matters	1	0	0%	0%	75%
<b>Deficiencies in auditing supplemental information</b>					
Customer Protection Rule	0	N/A	N/A	0%	60%
Net Capital Rule	22	4	18%	34%	30%
<b>Other instances of non-compliance with PCAOB standards</b>					
Auditor reports on the financial statements and supplemental information	59	0	0%	8%	18%
Auditor communications	59	3	5%	2%	5%
Audit documentation	59	3	5%	2%	30%

<sup>10</sup> See supra note 9.