

AccountancyAge

PCAOB highlights worrying number of "deficient" audits

by Richard Crump 21 Aug 2013

AMERICA'S ACCOUNTANCY WATCHDOG said it has discovered a "troubling" level of deficiencies in the way that brokers and dealers are audited.

PCAOB

Public Company Accounting Oversight Board

Out of 43 auditors and 60 audits inspected by the Public Company Accounting Oversight Board (PCAOB), deficiencies were noted in the audits of all of the firms, and in 95% of the individual audits.

In its second progress report on inspection of auditors of brokers and dealers, the PCAOB said it noted frequent audit failings related to how customer reserve and net capital requirements were calculated and procedures related to financial statement areas, including tests of revenue, related

parties, and the risk of material misstatement due to fraud.

Inspection staff found that, contrary to the requirements of SEC independence rules, some auditors were involved in the preparation of the financial statements that they audited, while independence issues were identified in more than a third of the audits inspected.

"The nature and extent of audit deficiencies and independence findings included in this report are troubling," said Robert Maday, deputy director of the registration and inspections division at the PCAOB.

"We encourage registered public accounting firms to take action and conduct audits with due professional care, including professional skepticism."

The board issued its first progress report in August 2012, which reviewed ten audit firms and 23 audits of brokers and dealers registered with the SEC, and identified deficiencies in all of the audits inspected.

During 2013, the PCAOB plans to inspect around 60 audit firms covering portions of about 90 audits and intends to introduce a permanent inspection programme in 2014 or later.

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