



Professional Ethics Division

Exposure draft:

Proposed revisions related to
engagements subject to the
Statements on Standards for
Attestation Engagements

June 5, 2025

Comments are requested by September 5, 2025

ethics-exposedraft@aicpa.org

Standard-setting

Invitation to comment

June 5, 2025

Are you interested in the ethics of the accounting profession? If so, we want to hear your thoughts on this ethics exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is part of the AICPA's Professional Ethics Executive Committee's (PEEC's) effort to clarify independence requirements for engagements subject to the Statements on Standards for Attestation Engagements.

This exposure draft explains proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the new definition and revised interpretations.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by September 5, 2025. All written replies to this exposure draft will become part of the public record of the AICPA.

Please email your comments to ethics-exposedraft@aicpa.org.

Sincerely,



Anna Dourdourekas, Chair
Professional Ethics Executive Committee



Toni Lee-Andrews, Director, CPA, PFS, CGMA
Professional Ethics Division

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Explanation of the proposed new definition and revised interpretations

The Professional Ethics Executive Committee (PEEC) is exposing for comment phase 1 revisions to clarify how independence requirements apply to engagements subject to the Statements on Standards for Attestation Engagements (SSAEs). This phase includes a new definition of *period covered by the attest report* and revisions to various interpretations.

Background

1. Independence requirements applicable to SSAE engagements are included in the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic (ET sec. 1.297).
2. Most independence interpretations in the AICPA Code of Professional Conduct (the code), other than the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic, have been written from the perspective of performing a financial statement audit or review engagement. However, these interpretations apply to any attest engagement.
3. PEEC decided to undertake a project to determine how independence interpretations should be applied when the attest engagement is not a financial statement attest engagement (such as an engagement performed under the SSAEs, hereinafter referred to as an “SSAE engagement”). PEEC also decided to evaluate (a) the effects of recent changes in the SSAEs on independence requirements and (b) the adequacy of the code’s definitions of *client* (ET sec. 0.400.07) and *attest client* (ET sec. 0.400.03) for members performing SSAE engagements.
4. PEEC formed a task force to address these areas and, after deliberations with the task force in May 2023, approved the broad charge to consider revising the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic or publishing new nonauthoritative guidance on the subject. After reviews to determine where clarity is necessary, the task force developed a phased approach to execute the charge. The project will progress through the following five phases:

- a. Phase 1: Clarifications for SSAE engagements

The revisions related to this phase are explained in this exposure draft.

During phase 1, PEEC identified certain areas in the code that need clarification but do not fall within the scope of phase 1. These will be addressed in phases 2 and 3, as described later.

- b. Phase 2: Harmonization with the International Ethics Standards Board for Accountants' (IESBA's) independence requirements for sustainability assurance engagements

In this phase, PEEC will consider revisions to the code that might be necessary to harmonize with IESBA's sustainability revisions while ensuring alignment with any relevant attestation requirements adopted by the AICPA Auditing Standards Board (ASB). IESBA approved independence requirements for sustainability assurance engagements (among other ethical requirements) during its December 2024 meeting.

- c. Phase 3: Substantive considerations for SSAE engagements

In this phase, PEEC will consider revisions to the code that are expected to go beyond clarifications. New requirements specific to SSAE engagements or more substantial revisions to existing requirements might be necessary to clarify the application of requirements where there are inconsistencies in practice. During this phase, PEEC will consider the extent of necessary revisions.

This phase also includes an evaluation of the "Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements" subtopic.

This phase is subject to change as the project progresses.

- d. Phase 4: Agreed-upon procedure (AUP) engagements and compilation engagements

In this phase PEEC will consider SSAE No. 18, *Attestation Standards: Clarification and Recodification*, and SSAE No. 19, *Agreed-Upon Procedures Engagements*, and how those standards should affect the independence requirements for SSAE engagements.

- e. Phase 5: Nonauthoritative guidance

In this phase PEEC will consider revisions to existing nonauthoritative guidance and whether new nonauthoritative guidance is necessary.

The appendix in this document offers a more detailed look at the future phases.

- 5. Throughout each phase, the task force will monitor other PEEC projects, international projects, and other regulatory developments, such as the U.S. SEC's climate-related disclosure rule to consider their effects on independence requirements in SSAE

engagements.

Phase 1 overview

6. New types of SSAE engagements have proliferated since the 2017 revisions to “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic, particularly in engagements including environmental, social, and governance matters. These topics have received increased investor and regulatory focus in recent years¹ and it is possible that new state or federal legislation (or both) will require assurance on this type of information in the future.
7. With certain exceptions within the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic and in interpretations otherwise applicable to financial statement attest clients (for example, requirements for affiliates and network firms), the AICPA code currently requires that all independence interpretations be applied to a responsible party in an SSAE engagement in the same way those interpretations apply to an attest client in other attest engagements. However, many independence interpretations and definitions used in those interpretations include financial statement terminology that is not relevant to most SSAE engagements.
8. Given the growing number of SSAE engagements, it is important that the independence interpretations and definitions used in those interpretations provide clarity on how independence requirements apply to SSAE engagements.
9. The revisions in this exposure draft reflect phase 1 of this effort, with the sole purpose of clarifying the requirements applicable to SSAE engagements. These revisions do not change the intended application of current requirements.
10. During PEEC’s consideration of what revisions may be warranted to provide the necessary clarity, certain areas within the independence interpretations and definitions used in those interpretations were identified for further evaluation during future phases. These areas are included in the appendix.

New definition *period covered by the attest report*

11. This proposal includes a new definition of the term *period covered by the attest report*. The new term will replace the phrase *period covered by the financial statements* in the code.
12. The definition provides greater clarity and promotes consistency in application for any attest engagement because it is an equivalent and neutral phrase that can be applied to any attest

¹ See, for example, Chris Baysden, “ESG offers growth opportunities for 2022,” *Journal of Accountancy*, December 1, 2021, <https://www.journalofaccountancy.com/issues/2021/dec/esg-offers-growth-opportunities-2022/>.

engagement whether or not it includes financial statements.

13. Currently, the *period covered by the financial statements* could be a single point in time, as is the case in an attest engagement when the financial statement presented and reported on comprises solely a balance sheet. Similarly, an attest engagement under the SSAEs could also include reporting on a point in time.
14. The proposed definition includes several examples to demonstrate that the period covered by an attest report can vary among types of attestation engagements, including audits under the Statements on Auditing Standards, reviews under the Statements on Standards for Accounting and Review Services, examinations and reviews under the SSAEs, and AUP engagements. Examples also reiterate that, for financial statement attest engagements, *period covered by the attest report* retains the same meaning as *period covered by the financial statements*.
15. After considering reporting requirements in the AICPA professional standards, PEEC drafted the definition in consultation with AICPA audit and attest staff to avoid conflicts between the AICPA code and other AICPA professional standards.
16. PEEC also considered terminology used by other standard-setters, such as the following:
 - a. The SEC uses the phrase *audit period*, defined as the period covered by any financial statements being audited or reviewed
 - b. IESBA uses the following phrases:
 - *Period covered by the financial statements* in part 4A, which addresses independence for financial statement audits and reviews
 - *Period covered by the subject matter information* in part 4B, which addresses independence for assurance engagements other than financial statement audits and reviews
 - *Reporting period* in the recently adopted part 5, which addresses ethics and independence for sustainability assurance engagements

As used in the AICPA code, these phrases describe the period covered by the practitioner's attest report over the subject matter reported by the attest client. Therefore, the phrase *period covered by the attest report* applies to both financial statement attest engagements and SSAE engagements.

Revisions related to the new definition

17. Each instance of *period covered by the financial statements* in independence interpretations

will be replaced with *period covered by the attest report* (except as described in paragraph 18). The proposed revisions do not change the application of the requirements but clarify that they can also be applied to SSAE engagements.

18. Three instances are not included in the revisions at this time for *period covered by the financial statements*:

- a. The “Simultaneous Employment or Association With an Attest Client” interpretation (ET sec. 1.279.010)² and the “Alternative Practice Structures” interpretation (ET sec. 1.220.020)³ are currently undergoing revision in separate projects; therefore, PEEC is not proposing revisions to those interpretations related to this project. If the proposed changes from this SSAE project are adopted, conforming changes, if necessary, will be proposed for these interpretations.
- b. Paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010) is also not included in phase 1. The reason for this is discussed in the next section.

“Scope and Applicability of Nonattest Services” interpretation

19. Because further evaluation is necessary for paragraph .03c of the “Scope and Applicability of Nonattest Services” interpretation, the proposed revisions do not replace *period covered by the financial statements* with *period covered by the attest report* in any instance within paragraph .03 of this interpretation.

20. This paragraph will require more extensive consideration to ensure that the revisions remain appropriate for a financial statement attest engagement while adding guidance on applying requirements to an SSAE engagement.

21. To appropriately provide clarity to paragraph .03 — in particular to paragraph .03c — PEEC will need to further evaluate the requirements to consider the following:

- a. The intent of paragraph .03c when it was originally adopted
- b. Whether the phrases *reasonable assurance* and *limited assurance* can be used or

² As the exposure draft published in December 2024 explains, the proposed revisions related to this project do not include the phrase *period covered by the financial statements* because periods prior to the *period of professional engagement* are covered by the “Former Employment or Association With an Attest Client” interpretation (ET sec. 1.277.010).

³ The “Alternative Practice Structures” interpretation (ET sec. 1.220.020) is under review and PEEC will consider whether that proposal will use the phrase *period covered by the financial statements* and, if so, whether it is appropriate to replace the phrase with *period covered by the attest report*.

- whether there are more apt terms
- c. Conditions necessary to eliminate or reduce self-review threats to an acceptable level in an SSAE engagement
 - d. Whether to add a requirement that members consider whether the results of the nonattest service were in the scope of the prior attest engagement
 - e. Threats mitigated by the condition in paragraph .03c. Proposed revisions must provide the necessary safeguard to mitigate threats. For example, should a condition address whether the nonattest service relates to the subject matter of the attest engagement?
22. Further consideration of paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation is planned for phase 3 of this project.

Revisions to reflect application to SSAE engagements

23. A set of the proposed revisions explicitly includes terminology applicable to SSAE engagements for interpretations that currently use terminology relevant only to financial statement attest engagements.
24. For example, some interpretations currently refer to financial statements, audits, or accounting principles. The proposed revisions add clarity over applicability of the interpretation to SSAE engagements by using terminology such as *subject matter*, *attest*, or *reporting requirements*, respectively.
25. In most proposed instances of the phrase *subject matter of the attest engagement*, the reference to financial statements is being retained as an example of subject matter to avoid losing helpful guidance and to avoid a perception that the proposal changes the essence of the extant requirements.
- a. The following table lays out paragraphs with revisions intended to broaden the application of the interpretation, along with explanations.

Paragraph	Comments
Paragraph .18 of the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010)	Broaden to include other reporting requirements beyond accounting principles and types of engagements beyond audits.
Paragraphs .06 and .08b of the “Firm Mergers and Acquisitions”	The proposed revisions for paragraph .06 remove the term <i>financial statements</i> to clarify the applicability and align the wording with the new

interpretation (ET sec. 1.220.040)	proposed term <i>period covered by the attest report</i> , while recognizing that retaining the words “acquiring firm’s next” is a critical component for applying this requirement.
Paragraph .02d of the “Subsequent Employment or Association With an Attest Client” (ET sec. 1.279.020)	This paragraph addresses the risk that the former partner or employee has prior knowledge of the plan for executing the attest engagement but not necessarily the specific planned attest procedures; this is because the plan could include a decision not to perform procedures over certain areas. Therefore, the phrase <i>attest engagement plan</i> is being proposed to replace the phrase <i>audit plan</i> to retain the intended application of the current requirement.
Paragraphs .01 and .06 of the “Actual or Threatened Litigation” interpretation (ET sec. 1.290.010)	Broaden to include any subject matter and types of engagements beyond audit.
Paragraph .04.and specifically, item (g) in that paragraph ⁴ of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010)	<p>This proposed revision replaces <i>attest services</i> with the defined term <i>attest engagement</i> to provide clarity through more precise terminology. Also, moving the hanging paragraph which currently follows the list in paragraph .04 to the introduction of this paragraph aims to clarify the purpose of the guidance in the list.</p> <p>Proposed revisions to item (g) of paragraph .04 broaden the language and clarify that the example refers to what is presented by the client in its report, not to the underlying subject matter.</p>
Paragraph .02, items (b) and (j) of the “Management Responsibilities” interpretation (ET sec. 1.295.030)	<p>Currently, only auditing and attestation standards address the use of internal auditors; however, revisions might also be made to the review standards to address this. This revision will ensure that future professional standards are not excluded from this paragraph.</p> <p>Consistent with proposed revisions elsewhere,</p>

⁴ Paragraph .04g of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010) is also discussed in paragraph 28.

	PEEC recognized the value of retaining the original example related to financial statements but clarifies its applicability with the proposed revisions. In doing so, and in consultation with AICPA audit and attest staff, the term <i>fair</i> was removed as this is not a term used in the SSAEs.
Paragraphs .07 <i>f</i> and .09 <i>d</i> of the “Breach of an Independence Interpretation” interpretation (ET sec. 1.298.010)	Broaden to include other subject matter aside from accounting records and financial statements.

Addition of examples applicable to an SSAE engagement

26. Some examples in the current independence interpretations, such as those in the “Scope and Applicability of Nonattest Services” interpretation, relate to financial statement attest engagements. However, similar examples can be provided that relate to SSAE engagements.
27. The following table lists the paragraphs where PEEC proposes to add examples applicable to SSAE engagements and their related considerations:

Paragraph	Comments
Paragraph .02 of the “Use of a Nonindependent CPA Firm on an Engagement” interpretation (ET sec. 1.220.030)	The proposed revisions broaden this paragraph to account for professional standards, other than the examples provided, that address using the work of internal auditors. The reference to AU-C section 610, <i>Using the Work of Internal Auditors</i> , was retained as an example; AT-C section 205, <i>Examination Engagements</i> , ⁵ was added as an example for an SSAE engagement. Currently, these are the only two professional standards that include requirements for using the work of internal auditors.
Items (b), (d), (f), and (g) ⁶ of paragraph .04 of the “Scope and	The proposed examples in items (b) and (d) of paragraph .04 relate to SSAE engagements in the

⁵ All AU-C and AT-C sections can be found in AICPA *Professional Standards*.

⁶ Paragraph .04*g* of the “Scope and Applicability of Nonattest Services” interpretation is also discussed in paragraph 26.

<p>Applicability of Nonattest Services” interpretation</p>	<p>same way as the extant examples in items (a) and (c) relate to audit engagements.</p> <p>The proposed example in paragraph .04 item (f) recognizes that, while performing any attest engagement, the member may have suggestions for the client that could strengthen a control or improve process efficiencies and that communicating such suggestions would not, in itself, be considered a nonattest service.</p> <p>The proposed revisions to item (g) of paragraph .04 broaden the language and add an example relevant to an SSAE engagement (for example, a report on a service organization’s system).</p> <p>The proposed revisions to items (f)–(g) of paragraph .04 are conceptually equivalent to the example provided item (e).</p>
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Effective date

28. To allow firms time to make any necessary clarifications to firm policies, PEEC recommends an effective date six months after notice is published in the *Journal of Accountancy*, with early adoption allowed.

Request for comments

29. PEEC welcomes comments on all aspects of the proposed revisions. In addition, PEEC seeks feedback on the following specific aspects of the proposed revisions in phase 1:

- a. Do you agree with the proposed term *period covered by the attest report* and its proposed definition? If you disagree, please explain why.
- b. Do you believe any of the proposed revisions to replace *period covered by the financial statements* with *period covered by the attest report* go beyond clarifying the requirements for SSAE engagements? If so, please explain why.
- c. Do you agree with the proposal to retain (at this time) the term *period covered by the financial statements* in paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation and to subsequently address paragraph .03 as part of phase 3 of this project? If not, please explain why and provide suggested revisions for the committee to consider.

- d. Do regulators, and others, believe that the use of the proposed term *period covered by the attest report* is inconsistent with regulatory requirements? If so, please explain.
- e. Do you believe any of the proposed revisions described under the heading “Revisions to reflect application to SSAE engagements” (paragraphs 23–26) go beyond clarifying the requirements for an SSAE engagement? If so, please explain why.
- f. Do you believe any of the proposed examples added as described under the heading “Addition of examples applicable to an SSAE engagement” (paragraphs 27–28) go beyond clarifying the requirements for an SSAE engagement? If so, please explain why.
- g. Considering all that is being proposed in this exposure draft and considering the appendix list of future-phase topics PEEC will address, do you believe other independence interpretations require clarification with respect to their application to an SSAE engagement? If so, please explain why.
- h. Do you believe that a six-month effective date is adequate? If you disagree, please explain why and provide a recommendation.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#))

Proposed new definition *period covered by the attest report*

0.400 Definitions

.xx Period covered by the attest report. The point in time or period of time to which the subject matter of the *attest engagement* relates. The period covered by the attest report can vary depending on the scope of the *attest engagement*. Examples of the period covered by the attest report may include the following:

a. Examples in engagements performed in accordance with Statements on Auditing Standards or Statements on Standards for Accounting and Review Services	b. Examples in engagements performed in accordance with Statements on Standards for Attestation Engagements
<ul style="list-style-type: none"> i. The fiscal- or calendar-year period that is covered by an audit or review report on a complete set of <i>financial statements</i>, such as "as of and for the year ended December 31, 20X0" ii. The single day that is covered by an audit or review report on a balance sheet such as "as of December 31, 20X0" 	<ul style="list-style-type: none"> i. The six-month period covered by an examination report on the controls at a service organization, such as "for the six-month period ending September 30, 20X0" ii. The fiscal- or calendar-year period that is covered by an examination or review report on greenhouse gas emissions information, such as "for the year ended December 31, 20X0" iii. The single day that is covered by an examination report on the suitability of the design of controls implemented within a cybersecurity risk management program, such as "as of November 30, 20X0" iv. The fiscal- or calendar-year period that is covered by a report on applying agreed-upon procedures on prospective financial information, such as "as of and for the year ended December 31, 20X0"

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

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Proposed revisions to various interpretations (red line)

1.210.010 Conceptual Framework for Independence

[Paragraphs .01–.17 are unchanged.]

- .18** *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:
- a. Management threatens to replace the *member* or *member's firm* over a disagreement on the application of an accounting principle ***or other reporting requirement***.
 - b. Management pressures the *member* to reduce necessary audit ~~audit~~ ***attest*** procedures in order to reduce ***attest*** ~~audit~~ fees.
 - c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
 - d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.

[Paragraphs .19–.23 are unchanged.]

1.220.030 Use of a Nonindependent CPA Firm on an Engagement

- .01** If *partners* or professional employees from another *firm* that was not independent of an *attest client* participate on the *attest engagement team*, *threats* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* through the application of *safeguards*. Accordingly, the *firm's independence* would be *impaired*.
- .02** However, the *firm* may use the work of such individuals in a manner similar to internal auditors, provided that the *firm* complies with ***professional standards applicable to the***

attest engagement, such as AU-C section 610, *Using the Work of Internal Auditors* (AICPA, *Professional Standards*), **and AT-C section 205, Assertion-Based Examination Engagements (AICPA, Professional Standards)**. [Prior reference: paragraphs .142–.143 of ET section 191]

1.220.040 Firm Mergers and Acquisitions

[Paragraphs .01–.03 are unchanged.]

Nonattest Services

- .04** Nonattest services provided to an entity that becomes an *attest client* through a merger or an acquisition may create self-review, management participation, and advocacy *threats* to the *member's* compliance with the “Independence Rule” [1.200.001]. Specifically, *threats* may exist if, during the *period of the professional engagement* or the **period covered by the attest report**~~period covered by the financial statements~~, nonattest services that would otherwise *impair independence* (prohibited nonattest services) under the interpretations of the “Nonattest Services” subtopic [1.295] are performed by
- a. the acquiring firm, with respect to an *attest client* of the acquired firm or
 - b. the acquired firm, with respect to an *attest client* of the acquiring firm.

Prohibited Nonattest Services Provided by Acquiring Firm

- .05** If the acquiring firm provided prohibited nonattest services to an *attest client* of the acquired firm during the **period covered by the attest report**~~period covered by the financial statements~~, *threats* to compliance with the “Independence Rule” [1.200.001] will not be at an *acceptable level* and cannot be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, the acquiring firm's *independence* will be *impaired* with respect to the *attest client*.

Prohibited Nonattest Services Provided by Acquired Firm

- .06** If the acquired firm provided prohibited nonattest services to an *attest client* of the acquiring firm prior to the ~~financial statement~~ period covered by the acquiring firm's next attest report, the acquiring firm's *independence* would not be *impaired*.
- .07** If the acquired firm provided prohibited nonattest services to an *attest client* of the acquiring firm during the *period of the professional engagement* (except as provided for in paragraph .06) or the **period covered by the attest report**~~period covered by the financial statements~~, the acquiring firm's *independence* would be *impaired* unless all of the following conditions are satisfied:
- a. The acquired firm terminates the prohibited nonattest services (or modifies the

service offerings such that they would not *impair independence*) prior to the closing date of the merger or acquisition.

- b. Any individual who participated in the engagement to provide the prohibited nonattest services is neither on the *attest engagement team* nor an *individual in a position to influence the attest engagement*.
- c. An evaluation of the *threats* is performed and *threats* are determined to be at an *acceptable level* or reduced to an *acceptable level* by the application of *safeguards*. The evaluation should be conducted on the basis of the attribution of the results of the nonattest services to the acquiring firm. That is, if the nonattest services
 - i. can be attributed to the acquiring firm because the acquiring firm will assume responsibility for the results of the nonattest services, then the evaluation should assess all prohibited nonattest services that the acquired firm performed for the *attest client* during the financial statement period to be covered by the acquiring firm's next attest report; or
 - ii. cannot be attributed to the acquiring firm, then the evaluation should assess all prohibited nonattest services that the acquired firm performed for the *attest client* during the period in which the merger or acquisition was pending (that is, from the commencement of negotiations through the closing date of the merger or acquisition).

.08 In evaluating the significance of any *threats*, consideration should also be given to the following:

- a. Whether the nonattest service is attributed to the acquiring firm and whether the work performed or its results will be subject to attest procedures.
- b. The significance of the results of the nonattest service to the ***subject matter of the attest engagement, such as the attest client's financial statements***.
- c. The extent to which the *attest client* and its management were involved in overseeing the nonattest services performed (including making any significant judgments and decisions with respect to the nonattest services) and whether the *attest client* and its management possessed the suitable skill, knowledge, and/or experience to oversee such services.
- d. Whether the nonattest services involved the assumption of a management responsibility.

[Paragraphs .09–.14 are unchanged.]

1.250.010 Plan Is an Attest Client or Is Sponsored by an Attest Client

.01 When a *covered member* participates in an employee benefit plan that is an *attest client* or is sponsored by an *attest client* during the *period of the professional engagement* or during the **period covered by the attest report**~~period covered by the financial statements~~, the self-interest *threat* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level*. *Independence* with respect to the employee benefit plan and the sponsor would be *impaired* except in the following specific situations:

- a. *Governmental organization*. When a *covered member* is an employee of a governmental organization that sponsors, cosponsors, or participates with other governmental organizations in a public employee retirement plan (the plan) and the *covered member* is required by law, rule, or regulation to audit the plan, *threats to independence* would be at an *acceptable level* if all of the following *safeguards* are met:
 - i. The *covered member* is required to participate in the plan as a condition of employment.
 - ii. The plan is offered to all employees in comparable employment positions.
 - iii. The *covered member* is not associated with the plan in any capacity prohibited by the “Simultaneous Employment or Association With an Attest Client” interpretation [1.275.005] of the “Independence Rule.”
 - iv. The *covered member* has no influence or control over the investment strategy, benefits, or other management activities associated with the plan.
- b. *Former employment or association with the attest client*. The requirements of paragraph .04 of the “Former Employment or Association With an Attest Client” interpretation [1.277.010] must be met. [Prior reference: paragraphs .214–.215 of ET section 191]

[Paragraph .02 is unchanged.]

1.270.020 Immediate Family Member Is Employed by the Attest Client

[Paragraphs .01–.02 are unchanged.]

.03 If a *covered member’s immediate family* is in a *key position* with an *attest client* during the **period covered by the attest report**~~period covered by the financial statements~~ or during

the *period of the professional engagement*, *threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

[Paragraph .04 is unchanged.]

1.270.030 Immediate Family Member Participation in an Employee Benefit Plan That Is an Attest Client or Is Sponsored by an Attest Client (Other Than Certain Share-Based Arrangements or Nonqualified Deferred Compensation Plans)

.01 If during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the professional engagement*, an *immediate family* member of a *covered member* participates in an employee benefit plan (plan) that is an *attest client* or is sponsored by an *attest client* (other than an *attest client’s share-based compensation arrangement* and nonqualified deferred compensation plan), *threats* would be at an *acceptable level* and *independence* would not be *impaired* if all of the following *safeguards* were met:

- a. The *immediate family* member does not serve in a *key position* for the *attest client*, as discussed in the “Immediate Family Member Is Employed by the Attest Client” interpretation [1.270.020] of the “Independence Rule” [1.200.001].
- b. The plan is offered to all employees in comparable employment positions.
- c. The *immediate family* member does not serve in a position of governance (for example, board of trustees) for the plan.
- d. The *immediate family* member does not have the ability to supervise or participate in the plan’s investment decisions or in the selection of the investment options made available to plan participants. [Prior reference: paragraph .02 of ET section 101]

[Paragraph .02 is unchanged.]

1.270.100 Close Relatives

[Paragraph .01 is unchanged.]

.02 *Threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*, and *independence* would be *impaired*, if an individual participating on the *attest engagement team* has a *close relative* who has either of the following:

- a. A *key position* with the *attest client* during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the*

professional engagement.

- b. A *financial interest* in the *attest client* during the *period of the professional engagement* that
 - i. the individual knows or has reason to believe was material to the *close relative* or
 - ii. enabled the *close relative* to exercise *significant influence* over the *attest client*.

.03 *Threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards* and *independence* will be *impaired* if an *individual in a position to influence the attest engagement* or any *partner* or *partner equivalent* in the *office* in which the lead *attest engagement partner* or *partner equivalent* primarily practices in connection with the *attest engagement* has a *close relative* who has either of the following:

- a. A *key position* with the *attest client* during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the professional engagement*.
- b. A *financial interest* in the *attest client* during the *period of the professional engagement* that
 - i. the individual, *partner*, or *partner equivalent* knows or has reason to believe was material to the *close relative* and
 - ii. enabled the *close relative* to exercise *significant influence* over the *attest client*.

[Paragraphs .04–.05 are unchanged.]

1.275.010 Honorary Director or Trustee of a Not-for-Profit Organization

.01 When a *partner* or professional employee of a *member’s firm* is asked to lend the prestige of his or her name to a not-for-profit organization (the assumption is that the organization limits its activities to charitable, religious, or civic or other matters of a similar nature) by serving as an honorary director or trustee of the organization during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the professional engagement*, familiarity, self-review, or management participation *threats* to the *member’s* compliance with the “Independence Rule” [1.200.001] may exist. However, *threats* would be at an *acceptable level* and *independence* would not be *impaired* if all of the following *safeguards* are met:

- a. The position is clearly honorary and the individual holds the position in name only.
- b. The individual cannot vote or otherwise participate in board or management responsibilities.
- c. If the individual is named in letterheads and externally circulated materials, the individual is identified as an honorary director or honorary trustee. [Prior reference: paragraph .06 of ET section 101]

[Paragraphs .02–.03 are unchanged.]

1.275.025 Individual in a Campaign Treasurer or Similar Financial Position

[Paragraph .01 is unchanged.]

Campaign Organization Is Attest Client

- .02** If during the *period of the professional engagement* or during the **period covered by the attest report** ~~period covered by the financial statements~~, a *partner* or professional employee of a *member's firm* serves as a campaign treasurer and the campaign organization is an *attest client*, the management participation *threat* to the *member's* compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

Candidate Running for Election of a Governmental Entity That Is an Attest Client

- .03** If during the *period of the professional engagement* or during the **period covered by the attest report** ~~period covered by the financial statements~~, a *partner* or professional employee serves as a campaign treasurer for either (a) an elected official of a governmental entity that is an *attest client*, or (b) for a candidate who is running for election but is not yet an elected official of such *attest client*, then advocacy, adverse interest, and familiarity *threats* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an acceptable level by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

Political Party Is Attest Client

- .04** If during the *period of the professional engagement* or during the **period covered by the attest report**, ~~period covered by the financial statements~~ a *partner* or professional employee serves as a campaign treasurer for a candidate and the political party for which the candidate is a member is an *attest client*, advocacy and familiarity *threats* may exist. Accordingly, a responsible individual within the *firm* should evaluate the significance of the *threats* to determine if the *threats* are at an *acceptable level*. If the responsible individual within the *firm* determines that *threats* are not at an *acceptable*

level, he or she should apply *safeguards* to eliminate or reduce the *threats* to an *acceptable level*. However, *threats* would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards* and *independence* would be *impaired* if the candidate is a member of one of the political party's governing bodies.

[Paragraphs .05–.06 are unchanged.]

1.275.030 Member of Federated Fund-Raising Organization

- .01** When a *partner* or professional employee of a *member's firm* serves as a director or an officer of a federated fund-raising organization, such as United Way (the organization), during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the professional engagement*, and a charity that receives funds from the organization is an *attest client* of the *member's firm*, management participation or self-review *threats* to the *member's* compliance with the "Independence Rule" [1.200.001] may exist.

[Paragraphs .02–.05 are unchanged.]

1.275.035 Member of Organization That Receives Funds From Fund-Raising Organization

- .01** When a *partner* or professional employee of a *member's firm* serves on the board of directors of an organization during the **period covered by the attest report**~~period covered by the financial statements~~ or during the *period of the professional engagement* and the organization receives funds from a fund-raising foundation that is an *attest client*, management participation or self-review *threats* to the *member's* compliance with the "Independence Rule" [1.200.001] may exist.

[Paragraphs .02–.05 are unchanged.]

1.279.020 Subsequent Employment or Association With an Attest Client

[Paragraph .01 is unchanged.]

- .02** The familiarity, self-interest, undue influence, or management participation *threats* to the *member's* compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and *independence* would be *impaired* unless all of the *safeguards* in items a–e of the following list are met:

Individual Safeguards

- a. Amounts due to the former *partner* or professional employee for his or her previous interest in the *firm* and unfunded, vested retirement benefits cannot be material to the *firm*, and the underlying formula used to calculate the payments

remain fixed during the payout period. The *firm* may adjust the retirement benefits for inflation and pay interest on amounts due.

- b. The former *partner* or professional employee is not in a position to influence the *firm's* operations or financial policies.
- c. The former *partner* or professional employee does not participate or appear to participate in the *firm's* business and is not otherwise associated with the *firm*, regardless of whether he or she is compensated for such participation or association, once employment or association with the *attest client* begins. For example, the individual would appear to participate in, or be associated with, the *firm* if
 - i. the individual provides consultation to the *firm*;
 - ii. the *firm* provides the individual with an *office* and related amenities, such as administrative and technology services;
 - iii. the individual's name is included in the *firm's office* directory; or
 - iv. the individual is identified as a member of the *firm* in membership lists of business, professional, or civic organizations, unless the *member* is clearly designated as retired.

Ongoing Attest Engagement Team Safeguards

- d. The ongoing *attest engagement team* should consider whether to modify the engagement procedures to adjust for the risk that the former *partner's* or professional employee's prior knowledge of the ~~audit~~ **attest engagement** plan could reduce ~~audit~~ effectiveness **of the attest engagement**. In addition, if the individual will have significant interaction with the *attest engagement team*, an appropriate individual in the *firm* should evaluate whether the existing *attest engagement team* members have sufficient experience and stature to deal effectively with the individual in conducting the engagement.
- e. If the former *partner* or professional employee joins the *attest client* in a *key position* within one year of disassociating from the *firm* and has significant interaction with the *attest engagement team*, an appropriate professional in the *firm* should review the subsequent *attest engagement* to determine whether the engagement team members maintained the appropriate level of skepticism when evaluating the individual's representations and work. The professional applying this *safeguard* should have appropriate stature, expertise, and objectivity. In performing this review, the professional should consider relevant factors, such as

the following:

- i. The position that the individual assumed at the *attest client*.
- ii. The position that the individual held at the *firm*.
- iii. The nature of the services that the individual provided to the *attest client*.
The professional should take appropriate actions, as deemed necessary, based on the results of this review.

[Paragraphs .03–.04 are unchanged.]

1.290.010 Actual or Threatened Litigation

- .01** The relationship between an *attest client*'s management and a *covered member* must be characterized by complete candor and full disclosure regarding all aspects of the *attest client*'s business operations. In addition, the *covered member* must not be biased so that the *covered member* can exercise professional judgment and objectivity in evaluating management's financial-reporting decisions **with respect to the subject matter of the attest engagement**.

[Paragraphs .02–.05 are unchanged.]

- .06** Situations involving threatened or actual litigation are complex and diverse, making it difficult to identify precise points at which *threats* to the *covered member*'s compliance with the "Independence Rule" [1.200.001] would be at an *acceptable level*. There are situations regarding litigation between *covered members* and *attest clients* in which *threats* to the *covered member*'s compliance with the "Independence Rule" would not be at an *acceptable level* and could not be reduced to an *acceptable level* by *safeguards* and *independence* would be *impaired*. Examples of these situations are:
- a. An *attest client*'s present management commences litigation alleging deficiencies in audit work **the attest engagement** performed for the *attest client* or expresses its intention to commence such litigation, and the *covered member* concludes that it is probable that such a claim will be filed.
 - b. A *covered member* commences litigation against an *attest client*'s present management alleging management fraud or deceit.

[Paragraphs .07–.14 are unchanged.]

1.295.010 Scope and Applicability of Nonattest Services

- .01** When a *member* performs nonattest services for an *attest client*, self-review, management participation, or advocacy *threats* to the *member*'s compliance with the

"Independence Rule" [1.200.001] may exist. When significant *independence threats* exist during the *period of the professional engagement* or **period covered by the attest report** ~~period covered by the financial statements~~ (except as provided for in paragraph .03), *independence* will be *impaired* unless the *threats* are reduced to an *acceptable level* and any requirements included in the *interpretations* of the "Nonattest Services" subtopic [1.295] under the "Independence Rule" have been met.

- .02 For purposes of the *interpretations* of the "Nonattest Services" subtopic [1.295] under the "Independence Rule" [1.200.001], the term member includes the *member's firm*.
- .03 *Period of engagement.* A member's *independence* would not be *impaired* if the member performed nonattest services that would have otherwise *impaired independence* during the period covered by the *financial statements* if all of the following conditions exist:
 - a. The nonattest services were provided prior to *period of the professional engagement*.
 - b. The nonattest services related to periods prior to the period covered by the *financial statements*.
 - c. The *financial statements* for the period to which the nonattest services relate were audited by another *firm* (or in the case of a review engagement, reviewed or audited by another *firm*).
- .04 *Activities related to* ~~attest services~~ **attest engagements**. ~~Performing attest services~~ **Attest engagements** often involves *involve* communications between the member and client management. ~~regarding~~ **These communications are considered a normal part of the attest engagement and are not considered nonattest services subject to the "General Requirements for Performing Nonattest Services" [1.295.040] and "Documentation Requirements When Providing Nonattest Services" [1.295.050] interpretations. Such communications might relate, for example, to**
 - a. the *client's* selection and application of accounting standards or policies and *financial statement* disclosure requirements;
 - b. **the client's selection and application of an applicable reporting framework or other suitable criteria for the measurement or evaluation of the subject matter;**
 - ~~b.c.~~ the appropriateness of the *client's* methods used in determining accounting and financial reporting;
 - d. **the appropriateness of the client's process in measuring or evaluating the**

subject matter against the criteria;

e.e. adjusting journal entries that the member has prepared or proposed for *client* management consideration; and

f. recommendations related to the subject matter that the member has identified during the attest engagement (for example, internal control recommendations); and

d.g. the form or content of the ~~financial statements~~ ***subject matter being presented by the client (for example, financial statements or description of a service organization's system).***

~~These communications are considered a normal part of the attest engagement and are not considered nonattest services subject to the "General Requirements for Performing Nonattest Services" [1.295.040] and "Documentation Requirements When Providing Nonattest Services" [1.295.050] interpretations.~~

[Paragraphs .05–.09 are unchanged.]

1.295.030 Management Responsibilities

[Paragraph .01 is unchanged.]

- .02** Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered management responsibilities and, as such, *impair independence* if performed for an *attest client*, include
- a. setting policy or strategic direction for the *attest client*.
 - b. directing or accepting responsibility for actions of the *attest client's* employees except to the extent permitted when using internal auditors to provide assistance for services performed under auditing or attestation standards ***the applicable professional standards***.
 - c. authorizing, executing, or consummating transactions or otherwise exercising authority on behalf of an *attest client* or having the authority to do so.
 - d. preparing *source documents*, in electronic or other form, that evidence the occurrence of a transaction.
 - e. having custody of an *attest client's* assets.

- f. deciding which recommendations of the member or other third parties to implement or prioritize.
- g. reporting to *those charged with governance* on behalf of management.
- h. serving as an *attest client's* stock transfer or escrow agent, registrar, general counsel or equivalent.
- i. accepting responsibility for the management of an *attest client's* project.
- j. accepting responsibility for the preparation and fair presentation of the **subject matter of the attest engagement, such as the attest client's financial statements**, in accordance with the applicable financial-reporting framework.
- k. accepting responsibility for designing, implementing, or maintaining internal control.
- l. performing ongoing evaluations of the *attest client's* internal control as part of its monitoring activities.

[Prior reference: paragraph .05 of ET section 101]

1.295.050 Documentation Requirements When Providing Nonattest Services

[Paragraphs .01–.02 are unchanged.]

- .03** The documentation requirement does not apply to nonattest services performed prior to the *period of the professional engagement* for an *attest client*. However, for nonattest services provided during the **period covered by the attest report** ~~period covered by the financial statements~~, the member should document in writing that the requirements of the “General Requirements for Performing Nonattest Services” interpretation [1.295.040] were met prior to the *period of the professional engagement*, including the requirement to establish an understanding with the *attest client*. [Prior reference: paragraph .05 of ET section 101]

1.298.010 Breach of an Independence Interpretation

[Paragraphs .01–.06 are unchanged.]

Evaluating the Significance of a Breach

- .07** The responsible individual should evaluate the significance of the breach and its effect on the *attest engagement team's* integrity, objectivity, and professional skepticism and the ability to issue an attest report. The significance of the breach will depend on factors such as the following:

- a. The nature and duration of the breach
- b. The number and nature of any previous breaches with respect to the current *attest engagement*
- c. Whether a *member* of the *attest engagement team* had knowledge of the interest or relationship that caused the breach
- d. Whether the individual who caused the breach is a *member* of the *attest engagement team* or another individual for whom there are *independence* requirements
- e. The role of the individual if the breach relates to a *member* of the *attest engagement team*
- f. The effect of the service, if any, on the ***subject matter of the attest engagement, such as*** accounting records or the *attest client's financial statements* if the breach was caused by the provision of a *professional service*
- g. Whether a *partner* or *partner equivalent* of the *firm* had knowledge of the breach and failed to ensure that the breach was promptly communicated to an appropriate individual within the *firm*
- h. Whether the breach involved solely an *affiliate* of a *financial statement attest client* and if so, the nature of the *affiliate* relationship
- i. The extent of the self-interest, advocacy, undue influence, or other *threats* created by the breach

Addressing the Consequences of a Breach

.08 Depending upon the significance of the breach, it may be necessary to terminate the *attest engagement* or it may be possible to take action that satisfactorily addresses the consequences of the breach. Certain breaches described in this interpretation cannot be addressed by the provisions of this interpretation. For all other breaches, the responsible individual should determine whether satisfactory action can be taken and is appropriate in the circumstances. In making this determination, the responsible individual should exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken, and all the specific facts and circumstances available to the *member* at that time, would likely conclude that the *attest engagement team's* integrity, objectivity, and professional skepticism would be compromised and therefore whether *independence* is *impaired*.

.09 Examples of actions that the responsible individual may consider include the following:

- a. Removing the relevant individual from the *attest engagement team*
- b. Conducting an additional review of the affected attest work or re-performing that work to the extent necessary; in either case, using different personnel
- c. Recommending that the *attest client* engage another *firm* to review or re-perform the affected attest work to the extent necessary
- d. Engaging another *firm* to evaluate the results of the nonattest service or having another firm re-perform the nonattest service to the extent necessary to enable it to take responsibility for the service if the breach relates to a nonattest service that affects the ***subject matter of the attest engagement, such as*** accounting records or an amount that is recorded in the *financial statements*

[Paragraphs .10–.16 are unchanged.]

Proposed revisions to various interpretations (clean)

1.210.010 Conceptual Framework for Independence

[Paragraphs .01–.17 are unchanged.]

- .18** *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:
- a. Management threatens to replace the *member* or *member's firm* over a disagreement on the application of an accounting principle or other reporting requirement.
 - b. Management pressures the member to reduce necessary attest procedures in order to reduce attest fees.
 - c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
 - d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.

[Paragraphs .19–.23 are unchanged.]

1.220.030 Use of a Nonindependent CPA Firm on an Engagement

- .01** If *partners* or professional employees from another *firm* that was not independent of an *attest client* participate on the *attest engagement team*, *threats* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* through the application of *safeguards*. Accordingly, the *firm's independence* would be *impaired*.
- .02** However, the *firm* may use the work of such individuals in a manner similar to internal auditors, provided that the *firm* complies with professional standards applicable to the *attest engagement*, such as AU-C section 610, *Using the Work of Internal Auditors* (AICPA, *Professional Standards*) and AT-C section 205, *Assertion-Based Examination Engagements* (AICPA, *Professional Standards*). [Prior reference: paragraphs .142–.143 of ET section 191]

1.220.040 Firm Mergers and Acquisitions

[Paragraphs .01–.03 are unchanged.]

Nonattest Services

- .04** Nonattest services provided to an entity that becomes an *attest client* through a merger or an acquisition may create self-review, management participation, and advocacy *threats* to the *member's* compliance with the "Independence Rule" [1.200.001]. Specifically, *threats* may exist if, during the *period of the professional engagement* or the *period covered by the attest report*, nonattest services that would otherwise *impair independence* (prohibited nonattest services) under the interpretations of the "Nonattest Services" subtopic [1.295] are performed by
- a. the acquiring firm, with respect to an *attest client* of the acquired firm or
 - b. the acquired firm, with respect to an *attest client* of the acquiring firm.

Prohibited Nonattest Services Provided by Acquiring Firm

- .05** If the acquiring firm provided prohibited nonattest services to an *attest client* of the acquired firm during the *period covered by the attest report*, *threats* to compliance with the "Independence Rule" [1.200.001] will not be at an *acceptable level* and cannot be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, the acquiring firm's *independence* will be *impaired* with respect to the *attest client*.

Prohibited Nonattest Services Provided by Acquired Firm

- .06** If the acquired firm provided prohibited nonattest services to an *attest client* of the acquiring firm prior to the period covered by the acquiring firm's next attest report, the acquiring firm's *independence* would not be *impaired*.
- .07** If the acquired firm provided prohibited nonattest services to an *attest client* of the acquiring firm during the *period of the professional engagement* (except as provided for in paragraph .06) or the *period covered by the attest report*, the acquiring firm's *independence* would be *impaired* unless all of the following conditions are satisfied:
- a. The acquired firm terminates the prohibited nonattest services (or modifies the service offerings such that they would not *impair independence*) prior to the closing date of the merger or acquisition.
 - b. Any individual who participated in the engagement to provide the prohibited nonattest services is neither on the *attest engagement team* nor an *individual in a position to influence the attest engagement*.
 - c. An evaluation of the *threats* is performed and *threats* are determined to be at an *acceptable level* or reduced to an *acceptable level* by the application of

safeguards. The evaluation should be conducted on the basis of the attribution of the results of the nonattest services to the acquiring firm. That is, if the nonattest services

- i. can be attributed to the acquiring firm because the acquiring firm will assume responsibility for the results of the nonattest services, then the evaluation should assess all prohibited nonattest services that the acquired firm performed for the *attest client* during the financial statement period to be covered by the acquiring firm's next attest report; or
- ii. cannot be attributed to the acquiring firm, then the evaluation should assess all prohibited nonattest services that the acquired firm performed for the *attest client* during the period in which the merger or acquisition was pending (that is, from the commencement of negotiations through the closing date of the merger or acquisition).

.08 In evaluating the significance of any *threats*, consideration should also be given to the following:

- a. Whether the nonattest service is attributed to the acquiring firm and whether the work performed or its results will be subject to attest procedures.
- b. The significance of the nonattest service to the subject matter of the *attest engagement*, such as the *attest client's financial statements*.
- c. The extent to which the *attest client* and its management were involved in overseeing the nonattest services performed (including making any significant judgments and decisions with respect to the nonattest services) and whether the *attest client* and its management possessed the suitable skill, knowledge, and/or experience to oversee such services.
- d. Whether the nonattest services involved the assumption of a management responsibility.

[Paragraphs .09–.14 are unchanged.]

1.250.010 Plan Is an Attest Client or Is Sponsored by an Attest Client

.01 When a *covered member* participates in an employee benefit plan that is an *attest client* or is sponsored by an *attest client* during the *period of the professional engagement* or during the *period covered by the attest report*, the self-interest *threat* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level*. *Independence* with respect to the employee benefit plan and the sponsor would be *impaired* except in the following specific situations:

- a. *Governmental organization.* When a *covered member* is an employee of a governmental organization that sponsors, cosponsors, or participates with other governmental organizations in a public employee retirement plan (the plan) and the *covered member* is required by law, rule, or regulation to audit the plan, *threats to independence* would be at an *acceptable level* if all of the following *safeguards* are met:
- i. The *covered member* is required to participate in the plan as a condition of employment.
 - ii. The plan is offered to all employees in comparable employment positions.
 - iii. The *covered member* is not associated with the plan in any capacity prohibited by the “Simultaneous Employment or Association With an Attest Client” interpretation [1.275.005] of the “Independence Rule.”
 - iv. The *covered member* has no influence or control over the investment strategy, benefits, or other management activities associated with the plan.
- b. *Former employment or association with the attest client.* The requirements of paragraph .04 of the “Former Employment or Association With an Attest Client” interpretation [1.277.010] must be met. [Prior reference: paragraphs .214–.215 of ET section 191]

[Paragraph .02 is unchanged.]

1.270.020 Immediate Family Member Is Employed by the Attest Client

[Paragraphs .01–.02 are unchanged.]

.03 If a *covered member’s immediate family* is in a *key position* with an *attest client* during the *period covered by the attest report* or during the *period of the professional engagement*, *threats to compliance* with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

[Paragraph .04 is unchanged.]

1.270.030 Immediate Family Member Participation in an Employee Benefit Plan That Is an Attest Client or Is Sponsored by an Attest Client (Other Than Certain Share-Based Arrangements or Nonqualified Deferred Compensation Plans)

.01 If during the *period covered by the attest report* or during the *period of the professional engagement*, an *immediate family member* of a *covered member* participates in an

employee benefit plan (plan) that is an *attest client* or is sponsored by an *attest client* (other than an *attest client's share-based compensation arrangement* and nonqualified deferred compensation plan), *threats* would be at an *acceptable level* and *independence* would not be *impaired* if all of the following *safeguards* were met:

- a. The *immediate family* member does not serve in a *key position* for the *attest client*, as discussed in the “Immediate Family Member Is Employed by the Attest Client” interpretation [1.270.020] of the “Independence Rule” [1.200.001].
- b. The plan is offered to all employees in comparable employment positions.
- c. The *immediate family* member does not serve in a position of governance (for example, board of trustees) for the plan.
- d. The *immediate family* member does not have the ability to supervise or participate in the plan’s investment decisions or in the selection of the investment options made available to plan participants. [Prior reference: paragraph .02 of ET section 101]

[Paragraph .02 is unchanged.]

1.270.100 Close Relatives

[Paragraph .01 is unchanged.]

.02 *Threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*, and *independence* would be *impaired*, if an individual participating on the *attest engagement team* has a *close relative* who has either of the following:

- a. A *key position* with the *attest client* during the *period covered by the attest report* or during the *period of the professional engagement*.
- b. A *financial interest* in the *attest client* during the *period of the professional engagement* that
 - i. the individual knows or has reason to believe was material to the *close relative* or
 - ii. enabled the *close relative* to exercise *significant influence* over the *attest client*.

.03 *Threats* to compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of

safeguards and independence will be impaired if an individual in a position to influence the attest engagement or any partner or partner equivalent in the office in which the lead attest engagement partner or partner equivalent primarily practices in connection with the attest engagement has a close relative who has either of the following:

- a. A key position with the attest client during the period covered by the attest report or during the period of the professional engagement.*
- b. A financial interest in the attest client during the period of the professional engagement that*
 - i. the individual, partner, or partner equivalent knows or has reason to believe was material to the close relative and*
 - ii. enabled the close relative to exercise significant influence over the attest client.*

[Paragraphs .04–.05 are unchanged.]

1.275.010 Honorary Director or Trustee of a Not-for-Profit Organization

.01 When a *partner* or professional employee of a *member's firm* is asked to lend the prestige of his or her name to a not-for-profit organization (the assumption is that the organization limits its activities to charitable, religious, or civic or other matters of a similar nature) by serving as an honorary director or trustee of the organization during the *period covered by the attest report* or during the *period of the professional engagement*, familiarity, self-review, or management participation *threats* to the *member's* compliance with the "Independence Rule" [1.200.001] may exist. However, *threats* would be at an *acceptable level* and *independence* would not be *impaired* if all of the following *safeguards* are met:

- a. The position is clearly honorary and the individual holds the position in name only.*
- b. The individual cannot vote or otherwise participate in board or management responsibilities.*
- c. If the individual is named in letterheads and externally circulated materials, the individual is identified as an honorary director or honorary trustee. [Prior reference: paragraph .06 of ET section 101]*

[Paragraphs .02–.03 are unchanged.]

1.275.025 Individual in a Campaign Treasurer or Similar Financial Position

[Paragraph .01 is unchanged.]

Campaign Organization Is Attest Client

- .02** If during the *period of the professional engagement* or during the *period covered by the attest report*, a *partner* or professional employee of a *member's firm* serves as a campaign treasurer and the campaign organization is an *attest client*, the management participation *threat* to the *member's* compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

Candidate Running for Election of a Governmental Entity That Is an Attest Client

- .03** If during the *period of the professional engagement* or during the *period covered by the attest report*, a *partner* or professional employee serves as a campaign treasurer for either (a) an elected official of a governmental entity that is an *attest client*, or (b) for a candidate who is running for election but is not yet an elected official of such *attest client*, then advocacy, adverse interest, and familiarity *threats* to compliance with the "Independence Rule" [1.200.001] would not be at an *acceptable level* and could not be reduced to an acceptable level by the application of *safeguards*. Accordingly, *independence* would be *impaired*.

Political Party Is Attest Client

- .04** If during the *period of the professional engagement* or during the *period covered by the attest report* a *partner* or professional employee serves as a campaign treasurer for a candidate and the political party for which the candidate is a member is an *attest client*, advocacy and familiarity *threats* may exist. Accordingly, a responsible individual within the *firm* should evaluate the significance of the *threats* to determine if the *threats* are at an *acceptable level*. If the responsible individual within the *firm* determines that *threats* are not at an *acceptable level*, he or she should apply *safeguards* to eliminate or reduce the *threats* to an *acceptable level*. However, *threats* would not be at an *acceptable level* and could not be reduced to an *acceptable level* by the application of *safeguards* and *independence* would be *impaired* if the candidate is a member of one of the political party's governing bodies.

[Paragraphs .05–.06 are unchanged.]

1.275.030 Member of Federated Fund-Raising Organization

- .01** When a *partner* or professional employee of a *member's firm* serves as a director or an officer of a federated fund-raising organization, such as United Way (the organization), during the *period covered by the attest report* or during the *period of the professional engagement*, and a charity that receives funds from the organization is an *attest client* of the *member's firm*, management participation or self-review *threats* to the *member's*

compliance with the “Independence Rule” [1.200.001] may exist.

[Paragraphs .02–.05 are unchanged.]

1.275.035 Member of Organization That Receives Funds From Fund-Raising Organization

- .01** When a *partner* or professional employee of a *member’s firm* serves on the board of directors of an organization during the *period covered by the attest report* or during the *period of the professional engagement* and the organization receives funds from a fund-raising foundation that is an *attest client*, management participation or self-review *threats* to the *member’s* compliance with the “Independence Rule” [1.200.001] may exist.

[Paragraphs .02–.05 are unchanged.]

1.279.020 Subsequent Employment or Association With an Attest Client

[Paragraph .01 is unchanged.]

- .02** The familiarity, self-interest, undue influence, or management participation *threats* to the *member’s* compliance with the “Independence Rule” [1.200.001] would not be at an *acceptable level* and *independence* would be *impaired* unless all of the *safeguards* in items *a–e* of the following list are met:

Individual Safeguards

- a.* Amounts due to the former *partner* or professional employee for his or her previous interest in the *firm* and unfunded, vested retirement benefits cannot be material to the *firm*, and the underlying formula used to calculate the payments remain fixed during the payout period. The *firm* may adjust the retirement benefits for inflation and pay interest on amounts due.
- b.* The former *partner* or professional employee is not in a position to influence the *firm’s* operations or financial policies.
- c.* The former *partner* or professional employee does not participate or appear to participate in the *firm’s* business and is not otherwise associated with the *firm*, regardless of whether he or she is compensated for such participation or association, once employment or association with the *attest client* begins. For example, the individual would appear to participate in, or be associated with, the *firm* if
 - i.* the individual provides consultation to the *firm*;
 - ii.* the *firm* provides the individual with an *office* and related amenities, such

as administrative and technology services;

- iii. the individual's name is included in the *firm's office* directory; or
- iv. the individual is identified as a member of the *firm* in membership lists of business, professional, or civic organizations, unless the *member* is clearly designated as retired.

Ongoing Attest Engagement Team Safeguards

- d. The ongoing *attest engagement team* should consider whether to modify the engagement procedures to adjust for the risk that the former *partner's* or professional employee's prior knowledge of the *attest engagement* plan could reduce effectiveness of the *attest engagement*. In addition, if the individual will have significant interaction with the *attest engagement team*, an appropriate individual in the *firm* should evaluate whether the existing *attest engagement team* members have sufficient experience and stature to deal effectively with the individual in conducting the engagement.
- e. If the former *partner* or professional employee joins the *attest client* in a *key position* within one year of disassociating from the *firm* and has significant interaction with the *attest engagement team*, an appropriate professional in the *firm* should review the subsequent *attest engagement* to determine whether the engagement team members maintained the appropriate level of skepticism when evaluating the individual's representations and work. The professional applying this *safeguard* should have appropriate stature, expertise, and objectivity. In performing this review, the professional should consider relevant factors, such as the following:
 - i. The position that the individual assumed at the *attest client*.
 - ii. The position that the individual held at the *firm*.
 - iii. The nature of the services that the individual provided to the *attest client*. The professional should take appropriate actions, as deemed necessary, based on the results of this review.

[Paragraphs .03–.04 are unchanged.]

1.290.010 Actual or Threatened Litigation

- .01 The relationship between an *attest client's* management and a *covered member* must be characterized by complete candor and full disclosure regarding all aspects of the *attest client's* business operations. In addition, the *covered member* must not be biased so that

the *covered member* can exercise professional judgment and objectivity in evaluating management's reporting decisions with respect to the subject matter of the *attest engagement*.

[Paragraphs .02–.05 are unchanged.]

.06 Situations involving threatened or actual litigation are complex and diverse, making it difficult to identify precise points at which *threats* to the *covered member's* compliance with the "Independence Rule" [1.200.001] would be at an *acceptable level*. There are situations regarding litigation between *covered members* and *attest clients* in which *threats* to the *covered member's* compliance with the "Independence Rule" would not be at an *acceptable level* and could not be reduced to an *acceptable level* by *safeguards* and *independence* would be *impaired*. Examples of these situations are:

- a. An *attest client's* present management commences litigation alleging deficiencies in the *attest engagement* performed for the *attest client* or expresses its intention to commence such litigation, and the *covered member* concludes that it is probable that such a claim will be filed.
- b. A *covered member* commences litigation against an *attest client's* present management alleging management fraud or deceit.

[Paragraphs .07–.14 are unchanged.]

1.295.010 Scope and Applicability of Nonattest Services

- .01** When a *member* performs nonattest services for an *attest client*, self-review, management participation, or advocacy *threats* to the *member's* compliance with the "Independence Rule" [1.200.001] may exist. When significant *independence threats* exist during the *period of the professional engagement* or *period covered by the attest report* (except as provided for in paragraph .03), *independence* will be *impaired* unless the *threats* are reduced to an *acceptable level* and any requirements included in the *interpretations* of the "Nonattest Services" subtopic [1.295] under the "Independence Rule" have been met.
- .02** For purposes of the *interpretations* of the "Nonattest Services" subtopic [1.295] under the "Independence Rule" [1.200.001], the term *member* includes the *member's firm*.
- .03** *Period of engagement*. A *member's independence* would not be *impaired* if the *member* performed nonattest services that would have otherwise *impaired independence* during the period covered by the *financial statements* if all of the following conditions exist:
- a. The nonattest services were provided prior to *period of the professional engagement*.

- b. The nonattest services related to periods prior to the period covered by the *financial statements*.
 - c. The *financial statements* for the period to which the nonattest services relate were audited by another *firm* (or in the case of a review engagement, reviewed or audited by another *firm*).
- .04 *Activities related to attest engagements. Attest engagements* often involve communications between the member and *client* management. These communications are considered a normal part of the *attest engagement* and are not considered nonattest services subject to the “General Requirements for Performing Nonattest Services” [1.295.040] and “Documentation Requirements When Providing Nonattest Services” [1.295.050] interpretations. Such communications might relate, for example, to
- a. the *client’s* selection and application of accounting standards or policies and *financial statement* disclosure requirements;
 - b. the *client’s* selection and application of an applicable reporting framework or other suitable criteria for the measurement or evaluation of the subject matter;
 - c. the appropriateness of the *client’s* methods used in determining accounting and financial reporting;
 - d. the appropriateness of the *client’s* process in measuring or evaluating the subject matter against the criteria;
 - e. adjusting journal entries that the member has prepared or proposed for *client* management consideration;
 - f. recommendations related to the subject matter that the member has identified during the *attest engagement* (for example, internal control recommendations); and
 - g. the form or content of the subject matter being presented by the *client* (for example, *financial statements* or description of a service organization’s system).

[Paragraphs .05–.09 are unchanged.]

1.295.030 Management Responsibilities

[Paragraph .01 is unchanged.]

- .02 Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered

management responsibilities and, as such, *impair independence* if performed for an *attest client*, include

- a. setting policy or strategic direction for the *attest client*.
- b. directing or accepting responsibility for actions of the *attest client's* employees except to the extent permitted when using internal auditors to provide assistance for services performed under the applicable professional standards.
- c. authorizing, executing, or consummating transactions or otherwise exercising authority on behalf of an *attest client* or having the authority to do so.
- d. preparing *source documents*, in electronic or other form, that evidence the occurrence of a transaction.
- e. having custody of an *attest client's* assets.
- f. deciding which recommendations of the member or other third parties to implement or prioritize.
- g. reporting to *those charged with governance* on behalf of management.
- h. serving as an *attest client's* stock transfer or escrow agent, registrar, general counsel or equivalent.
- i. accepting responsibility for the management of an *attest client's* project.
- j. accepting responsibility for the preparation and presentation of the subject matter of the *attest engagement*, such as the *attest client's financial statements*, in accordance with the applicable reporting framework.
- k. accepting responsibility for designing, implementing, or maintaining internal control.
- l. performing ongoing evaluations of the *attest client's* internal control as part of its monitoring activities.

[Prior reference: paragraph .05 of ET section 101]

1.295.050 Documentation Requirements When Providing Nonattest Services

[Paragraphs .01–.02 are unchanged.]

- .03** The documentation requirement does not apply to nonattest services performed prior to the *period of the professional engagement* for an *attest client*. However, for nonattest

services provided during the *period covered by the attest report*, the member should document in writing that the requirements of the “General Requirements for Performing Nonattest Services” interpretation [1.295.040] were met prior to the *period of the professional engagement*, including the requirement to establish an understanding with the *attest client*. [Prior reference: paragraph .05 of ET section 101]

1.298.010 Breach of an Independence Interpretation

[Paragraphs .01–.06 are unchanged.]

Evaluating the Significance of a Breach

- .07** The responsible individual should evaluate the significance of the breach and its effect on the *attest engagement team’s* integrity, objectivity, and professional skepticism and the ability to issue an attest report. The significance of the breach will depend on factors such as the following:
- a. The nature and duration of the breach
 - b. The number and nature of any previous breaches with respect to the current *attest engagement*
 - c. Whether a *member* of the *attest engagement team* had knowledge of the interest or relationship that caused the breach
 - d. Whether the individual who caused the breach is a *member* of the *attest engagement team* or another individual for whom there are *independence* requirements
 - e. The role of the individual if the breach relates to a *member* of the *attest engagement team*
 - f. The effect of the service, if any, on the subject matter of the *attest engagement*, such as accounting records or the *attest client’s financial statements* if the breach was caused by the provision of a *professional service*
 - g. Whether a *partner* or *partner equivalent* of the *firm* had knowledge of the breach and failed to ensure that the breach was promptly communicated to an appropriate individual within the *firm*
 - h. Whether the breach involved solely an *affiliate* of a *financial statement attest client* and if so, the nature of the *affiliate* relationship
 - i. The extent of the self-interest, advocacy, undue influence, or other *threats* created by the breach

Addressing the Consequences of a Breach

- .08** Depending upon the significance of the breach, it may be necessary to terminate the *attest engagement* or it may be possible to take action that satisfactorily addresses the consequences of the breach. Certain breaches described in this interpretation cannot be addressed by the provisions of this interpretation. For all other breaches, the responsible individual should determine whether satisfactory action can be taken and is appropriate in the circumstances. In making this determination, the responsible individual should exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken, and all the specific facts and circumstances available to the *member* at that time, would likely conclude that the *attest engagement team's* integrity, objectivity, and professional skepticism would be compromised and therefore whether *independence* is *impaired*.
- .09** Examples of actions that the responsible individual may consider include the following:
- a. Removing the relevant individual from the *attest engagement team*
 - b. Conducting an additional review of the affected attest work or re-performing that work to the extent necessary; in either case, using different personnel
 - c. Recommending that the *attest client* engage another *firm* to review or re-perform the affected attest work to the extent necessary
 - d. Engaging another *firm* to evaluate the results of the nonattest service or having another firm re-perform the nonattest service to the extent necessary to enable it to take responsibility for the service if the breach relates to a nonattest service that affects the subject matter of the *attest engagement*, such as accounting records or an amount that is recorded in the *financial statements*

[Paragraphs .10–.16 are unchanged.]

Appendix: Future phases for this project

Phase 2: Harmonization with the International Ethics Standards Board for Accountants' (IESBA's) independence requirements for sustainability assurance engagements

This phase will include considering revisions to the AICPA Code of Professional Conduct (the code) that may be necessary to harmonize the code with IESBA's sustainability revisions while ensuring alignment with any relevant attestation requirements adopted by the Auditing Standards Board (ASB). IESBA approved independence requirements for sustainability assurance engagements (among other ethical requirements) during its December 2024 meeting.

Because of IESBA's new definition of *sustainability assurance client*, this phase will also include PEEC's original directive to consider the adequacy of the code's definitions of *client* and *attest client* for members performing Statement on Standards for Attestation Engagements (SSAE) engagements.

During phase 1 PEEC identified areas of the code that need clarification but first require further evaluation to determine how these clarifications might be best achieved. PEEC expects to consider these in phase 2. The list that follows does not include all areas to be considered in phase 2 because a full analysis of IESBA's independence requirements for sustainability assurance has not yet been finalized.

0.200.020 Application of the AICPA code

...

.03 The rules of conduct apply to all *professional services* performed, except

...

c. that a *member* who is a member of a group engagement team (see the clarified Statement on Auditing Standards *Special Considerations — Audits of Group Financial Statements [Including the Work of Component Auditors]* [AICPA, *Professional Standards*, AU-C sec. 600A]) will not be considered in violation of a particular rule if a foreign component auditor (accountant) departed from any of the rules stated herein with respect to the audit or review of group *financial statements* or other *attest engagement*, as long as the foreign component auditor's (accountant's) conduct, at a minimum, is in accordance with the ethics and *independence* requirements set forth in the International Ethics Standards Board for Accountants' (IESBA's) Code of Ethics for Professional Accountants, and the members of the group engagement team are in compliance with the rules stated therein.

...

0.400 Definitions

...

.49 Source documents.

The documents upon which evidence of an accounting transaction are initially recorded. Source documents are often followed by the creation of many additional records and reports that do not, however, qualify as initial recordings. Examples of source documents are purchase orders, payroll time cards, and customer orders. [Prior reference: footnote 17 in paragraph .05 of ET section 101]

...

0.400 Definitions

...

.51 Those charged with governance.

The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

When an *interpretation* requires communicating with those charged with governance, the *member* should determine the appropriate person(s) within the entity's governance structure with whom to communicate, based on the nature and importance of the particular circumstances and matter to be communicated. If the *member* communicates with a subgroup of those charged with governance (for example, an audit committee or an individual), the *member* should determine whether communication with all of those charged with governance is also necessary, so that they are adequately informed. [Prior reference: paragraph .33 of ET section 92]

...

1.210.010 Conceptual Framework for Independence

...

.17 *Self-review threat*. The *threat* that a *member* will not appropriately evaluate the results of a previous judgment made, or service performed or supervised by the *member* or an individual in the *member's firm* and that the *member* will rely on that service in forming a judgment as part of an *attest engagement*. Certain self-review *threats*, such as preparing *source documents* used to generate the *attest client's financial statements* [1.295.120], pose such a significant self-review *threat* that no *safeguards* can eliminate or reduce the *threats* to

<p>an <i>acceptable level</i>.</p> <p>...</p>
<p>1.295.120 Bookkeeping, Payroll, and Other Disbursements <i>[entire interpretation]</i></p>

Phase 3: Substantive considerations for SSAE engagements

This phase will include considerations of changes to the code that go beyond clarifications; this is because current requirements are not sufficient for SSAE engagements and require further evaluation to provide the necessary clarity.

In the early stages of this project, PEEC identified the following as areas requiring specific consideration:

- Consider whether threats to independence exist when the practitioner assists in developing the criteria for an engagement subject to the SSAEs.
- Consider whether the nonattest services exception described in the “Engagements, Other Than AUPs, Performed in Accordance with SSAEs” interpretation (ET sec. 1.297.030) appropriately addresses prohibited nonattest services for an engagement subject to the SSAEs. For example, PEEC will consider how this exception applies to advocacy threats, such as those created by expert-witness services.

During phase 1 PEEC identified other areas of the code that need clarification but first require further evaluation to determine how these clarifications might be best achieved. PEEC expects to consider these in phase 3. The list that follows is subject to change as the project progresses.

0.400 Definitions

...

.12 Covered member. All of the following:

- a. an individual on the attest engagement team.
- b. an individual in a position to influence the attest engagement.
- c. a partner, partner equivalent, or manager who provides 10 or more hours of nonattest services to the attest client within any fiscal year. Designation as covered member ends on the later of (i) the date that the firm signs the report on the financial statements for the fiscal year during which those services were provided or (ii) the date he or she no longer expects to provide 10 or more hours of nonattest services to the attest client on a recurring basis.
- d. a partner or partner equivalent in the office in which the lead attest engagement partner or partner equivalent primarily practices in connection with the attest engagement.
- e. the firm, including the firm’s employee benefit plans.
- f. an entity whose operating, financial, or accounting policies can be controlled by any of the individuals or entities described in items a–e or two or more such individuals or entities if they act together. [Prior reference: paragraph .07 of ET section 92]

Effective Date

The addition of partner equivalents to this definition is effective for engagements covering periods beginning on or after December 15, 2014.

...

1.295.010 Scope and Applicability of Nonattest Services

...

.03 Period of engagement. A member's independence would not be impaired if the member performed nonattest services that would have otherwise impaired independence during the period covered by the financial statements if all of the following conditions exist:

...

c. The financial statements for the period to which the nonattest services relate were audited by another firm (or in the case of a review engagement, reviewed or audited by another firm).

...

.06 For example, activities such as financial statement preparation, cash-to-accrual conversions, and reconciliations are considered outside the scope of the attest engagement and, therefore, constitute a nonattest service. Such activities would not impair independence if the requirements of the interpretations of the "Nonattest Services" subtopic [1.295] are met.

...

1.295.110 Appraisal, Valuation, and Actuarial Services *[entire interpretation]*

1.295.113 Assisting Attest Clients With Implementing Accounting Standards *[entire interpretation]*

1.295.150 Internal Audit

...

.03 However, except for the outsourcing services discussed in paragraph .02, threats to compliance with the "Independence Rule" [1.200.001] would be at an acceptable level and independence would not be impaired if the member assists the attest client in performing financial and operational internal audit activities, provided that, in addition to the "General Requirements for Performing Nonattest Services" interpretation [1.295.040] of the "Independence Rule," the member is satisfied that management

- a. designates an individual or individuals who possess suitable skill, knowledge, and experience, preferably within senior management, to be responsible for the internal

audit function.

- b. determines the scope, risk, and frequency of internal audit activities, including those the member will perform in providing the services.
- c. evaluates the findings and results arising from the internal audit activities, including those the member will perform in providing the services.
- d. evaluates the adequacy of the audit procedures performed and the findings resulting from the performance of those procedures.

...

Phase 4: Agreed-upon procedure (AUP) engagements and compilation engagements

This phase will include consideration of the ASB's revisions to the SSAEs and how those revisions should affect the independence requirements for SSAE engagements, as follows:

- Whether the modified independence requirements in the "Agreed-Upon Procedure Engagements Performed in Accordance with SSAEs" interpretation (ET sec. 1.297.020) are appropriate when the AUP report is not restricted in use, which was permitted with the adoption of SSAE No. 19, *Agreed-Upon Procedures Engagements*.
- How to update the "Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation (ET sec. 1.297.010) for SSAE No. 18, *Attestation Standards: Clarification and Recodification*, which moved compilation engagements out of the SSAEs.

Phase 5: Nonauthoritative guidance

PEEC will consider revising extant nonauthoritative guidance as well as whether new nonauthoritative guidance is necessary, as follows:

- For definitions and independence interpretations that use financial statement factors and were addressed in prior phases. PEEC will determine what nonauthoritative guidance should be revised as well as whether new guidance should be provided when the attest engagement is not a financial statement attest engagement.
- For applying independence requirements in a direct engagement. PEEC will first seek to understand how many of these engagements are being performed to determine the need for guidance.

Acknowledgments

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