

New & revised AICPA independence rules become effective in 2023 **Part 4: Assisting Attest Clients with Implementing Accounting Standards**

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The AICPA's Professional Ethics Executive Committee (PEEC)¹ adopted the following changes to the independence interpretations in the *Code of Professional Conduct* (Code), which will go into effect on January 1, 2023:

- [Information system services](#)
- [Loans, Acquisitions, and Other Transactions](#)
- [Unpaid fees](#)
- [Assisting Clients with Implementing Accounting Standards](#)

In this final article in a four-part series, I will briefly discuss changes to the Code for *Assisting Attest Clients with Implementing Accounting Standards*. (See Part 1 for a discussion of [Information System Services](#), Part 2 on [Loans, Acquisitions, and Other Transactions](#), and Part 3 on [Unpaid Fees](#)).

Background

Accounting standards have become increasingly complex over the years, and attest clients sometimes ask their audit firm to help implement new or existing standards as an advisory (nonattest) service. Services can be related to planning, training, accounting, internal controls, information systems, and other areas, which the Code addresses in various interpretations of the *Independence Rule* and nonauthoritative guidance. Prior to adoption of the new interpretation, *Assisting Attest Clients with Implementing Accounting Standards* (ET sec. 1.295.113), members had to refer to those and other provisions in the Code (e.g., *Management Responsibilities* (ET sec. 1.295.030) and *General Requirements for Performing Nonattest Services* (ET sec. 1.295.040)) to determine their compliance with the *Independence Rule*. To fill any gaps, members would also need to apply the *Conceptual Framework for Independence* (ET sec. 1.210.010). In February 2022, the PEEC adopted a new interpretation under the *Independence Rule* that provides standalone guidance for these types of services.

¹ I have been a member of the PEEC since May 2020; all views expressed in this article are my own and do not represent official positions of either PEEC or the AICPA.

A brief description of the new interpretation follows.

Assisting Attest Clients with Implementing Accounting Standards

The new interpretation addresses services in which a member or a member's firm (Firm) helps an attest client plan and execute the implementation of a new or existing accounting standard. Such services may create self-review or management participation threats to the Firm's independence.

As in all nonattest services engagements, the Firm must comply with the *General Requirements for Performing Nonattest Services* interpretation (general requirements), which requires (among other things) that the Firm (i) avoid performing management responsibilities; (ii) ensure that the client will designate a person with suitable skill, knowledge, and/or experience (SKE) to oversee the engagement and make the management decisions and judgments; and (iii) document the agreement between the Firm and the client in an engagement letter or other document. The avoidance of management responsibilities is always important to maintaining independence and a Firm's ability to do that will hinge in large part on whether a competent individual at the client will carry out those responsibilities.

Examples of Permissible Services

When the general requirements are met, a Firm may engage in various activities, examples of which are provided in the interpretation. In summary, they are:

- develop and provide training to its attest client's personnel on the accounting standard's effects
- assist management in drafting implementation strategies or methods to implement the accounting standard
- provide recommendations on existing or new information technology systems
- perform research and help the client identify financial statement account balances and other elements (e.g., contracts or transactions) that must be assessed
- weigh in on management's implementation project plan
- advise and recommend on the application of the accounting standard (e.g., prepare transition-related calculations that illustrate impact on the financial statements or assess the potential impact on the company's policies, procedures, and internal controls)
- help the client develop templates to implement the standard
- provide technological tools that comply with par. .03 of the *Information System Services* interpretation, which requires that the (i) tool perform only discrete calculations, (ii) client evaluate and accept responsibility for the input and assumptions, and (iii) client have sufficient information to understand the calculation and the results.

Examples of Impermissible Services

Even if the Firm complies with the general requirements, the Firm could *not* perform the following services because they create insurmountable threats to independence:

- lead or supervise an implementation project team at the attest client
- make decisions on which of the Firm's recommendations to prioritize

- make decisions on how to implement the accounting standard
- set new or revise existing policies or procedures
- design or redesign the client's internal accounting controls over financial reporting
- design or develop the client's financial information system(s)

Nonauthoritative Guidance

The Code is the only authoritative source of AICPA ethics rules and interpretations; however, the Professional Ethics Division (Division) often publishes nonauthoritative guidance to help members and others understand and implement new and revised interpretations. To date, the Division has or plans to publish the following guidance:

Frequently Asked Questions: General Requirements

A critical component of complying with the new interpretation is meeting the general requirement that the client designate an individual with SKE to perform all management responsibilities. The [Online Ethics Library, Q&A section 210 \(General Requirements\)](#) provides several frequently asked questions (FAQs) that explain what SKE means. One in particular, Q&A section 210.10, [Examples of Nonattest Services and Client Understanding](#), expected in early 2023, will discuss the evaluation of SKE in the context of applying the new interpretation.

Practice Aid: Independence Considerations for Information Systems Services

If an attest client requests assistance with information systems, members may also wish to consider a [nonauthoritative Practice Aid on ISS](#).

The new interpretation is effective December 31, 2022, and early implementation is allowed.

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